

# TROPICAL TIMBERS

an independent publication providing market information

## Sabah

### Log exports double

**D**ata just released by the Timber Association of Sabah (TAS) indicates that log exports from the state almost doubled between 1998 and 1999 to around 774,000 m3 (see table

page 2). China was by far the largest buyer, with shipments increasing from 153,000 m3 to 419,000 m3. China increased its log purchases over the full spectrum of Sabah species. The year also saw a significant revival in demand for Sabah's logs from Japan and South Korea. A notable feature in the revival of Korean demand has been the country's shift away from the import of keruing logs, perhaps reflecting rising prices as demand for the species in China has increased, in favour of mixed batches of species. Keruing log exports to Japan also declined markedly, but Japan's importers continued to buy significant volumes of red seraya and kapur. Thailand also emerged as a significant importer of Sabah's logs during 1999.

The president of TAS is quoted in the local press as stating that log exports are expected to increase further during 2000 as the Japanese and Korean economies continue to improve. However the prospect of increased log exports is not universally welcomed by Sabah's timber sector. The increased sale of logs on international markets has meant that local processors have often been deprived of logs for value added manufacturing. High domestic log prices combined with intensely competitive export markets meant that Sabah processors had a difficult year in 1999. The most recently available data for wood products exports, to July 1999, indicates that sales of Sabah sawnwood continued at the relatively low levels of 1998 despite improved export demand. Plywood exports were significantly down, by around 24% over the same period. Sabah's plywood exports have been particularly hard hit by fierce price competition from Indonesian manufacturers. Sabah plywood manufacturers have sought to overcome this problem by concentrating on sales of speciality plywood to Japan. Increased plywood ex-

ports to this market suggest that this strategy has met with some success.

The inability of Sabah plywood manufacturers to compete on price in international markets, has also encouraged increased exports of wood in veneer form. Veneer exports from the state to July last year increased more than two-fold. Asian demand for veneers has also been fueled by the recent growth of China's furniture industry and the emergence of Chinese demand for interior house improvement. Exports of veneer from Sabah to China in the first seven months of 1999 increased from only 15,000 m3 to 117,000 m3.

In the forest sector, 1999 saw concerted efforts by the Sabah Forest Authorities to irradiate illegal logging operations and to enforce sustainable forestry practices. Local press reports suggest that illegal logging operations fell by nearly 80% between 1998 and 1999 following co-operative enforcement operations implemented by the Forestry Department, Anti-Corruption Agency, Audit Department, Police and Sabah Foundation (see Tropical Timbers Vol 14, No 7). Only 17 cases of illegal logging were reported to the end of November 1999, compared to 74 cases during the whole of 1998. Largely as a result of this crackdown, state revenue from the forest products sector is expected to increase from last year's level of RM320.2 million (US\$84 million). By the end of November 1999, revenue already stood at RM322 million (US\$84.7 million).

In addition to the anti-corruption campaign, the Forest Department was, at the end of last year, threatening to remove concession rights from 6 companies that had failed to implement management plans in accordance with government agreements allocating "Sustainable Forest Management Units" in 1997. The Sabah Forest Department also undertook broad consultation amongst various interest groups during 1999, with a view to developing procedures for forest certification in Sabah under the Malaysian National Timber Certification Council scheme.

*Import data table: page 2 - col 1*

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### Sabah Hardwood Exports Volume (000 m3)

Source: Innoprise Market News Scan/Maskavu

	1998	1999	% Chng
<b>Logs - January to December</b>			
China	153.4	419.4	173
o.w. Red seraya	24.2	39.9	65
o.w. White seraya	14.4	19.6	36
o.w. Yellow seraya	12.2	22.2	83
o.w. Keruing	1.0	28.5	2683
o.w. Kapur	8.3	21.3	156
o.w. Selangan Batu	17.3	33.0	91
o.w. Mengarris	15.7	22.3	43
o.w. Mixed seraya	8.6	52.9	515
Japan	132.5	162.4	23
o.w. Red seraya	31.5	39.9	26
o.w. Kapur	10.7	19.2	80
o.w. White seraya	19.9	16.9	-15
o.w. Keruing	20.3	8.0	-61
o.w. Mixed seraya	10.1	26.2	160
Korea	54.1	85.1	57
o.w. Keruing	42.5	17.7	-58
o.w. Mixed species	5.8	44.4	662
Taiwan	34.7	50.6	46
o.w. Yellow seraya	3.2	9.9	206
o.w. Mixed species	20.2	29.0	43
Thailand	na	21.3	na
o.w. Keruing	na	12.1	na
Philippines	na	19.3	na
o.w. Mixed species	na	14.5	na
Other	21.9	16.0	-27
Total	396.7	774.0	95
<b>Sawn - January to July</b>			
Japan	89.3	82.9	-7
Philippines	34.2	58.2	70
Thailand	60.6	62.6	3
Netherlands	48.1	45.1	-6
Hong Kong	33.9	29.6	-13
China	7.9	24.0	204
United Kingdom	18.1	15.9	-12
South Korea	23.1	38.4	66
Taiwan	29.4	24.1	-18
Other	97.5	66.3	-32
Total	442.0	447.2	1
<b>Plywood - January to July</b>			
China	162.0	46.4	-71
Hong Kong	168.7	53.9	-68
Japan	154.8	219.1	42
USA	32.6	67.5	107
United Kingdom	24.8	4.8	-81
Other	139.8	113.9	-19
Total	657.9	500.8	-24
<b>Veneer - January to July</b>			
Taiwan	20.1	43.0	114
Japan	15.0	15.5	3
Hong Kong	15.2	8.8	-42
China	15.8	117.4	645
Others	9.9	21.4	117
Total	75.9	206.2	171

## Ghana restructures

Institutional reorganisation in the forest and forest industries sector of Ghana sees the Timber Export Development Board (TEDB) become one of four Divisions of Ghana's Forestry Commission. The Forestry Commission is now the corporate umbrella organisation for all forestry sector institutions in Ghana and encompasses the following: the Timber Export Development Division (TEDD) - formerly TEDB; the Forest Products Inspection Division (FPID) - formerly FPIB; the Wildlife Division; and the Forestry Division. A law has been passed establishing Ghana's Forestry Commission as a corporate body with a board of eleven commissioners mandated to ensure proper planning for the protection, management and development of forest and wildlife resources in a sustainable manner. It is also responsible for monitoring the condition of forests; and for recommending the granting of Timber Utilisation Contracts.

## Indonesia

### Illegal logging estimates "conservative"

In the letter published below, Alastair Fraser - Team Leader of the Indonesian Tropical Forest Management Program (ITFM) - takes issue with our comment in last month's issue that the ITFM assessment of the level of illegal logging in Indonesia "may be on the high side." The letter clarifies the source of the ITFM data. His analysis serves to confirm the main point of last month's article, which highlighted that the level of illegal logging and wood wastage in Indonesia is amongst the most critical now facing the international hardwood trade.

"Your report on the front page of Tropical Timbers Vol 15 No. 1 on illegal logging in Indonesia seems to cast some doubt on the figures produced by the ITFM Project. While it would be very difficult and costly to measure the volume logged illegally to an acceptable level of precision, as Team Leader for the project, I would not have sanctioned publication of the figures had I not been confident that they were the most precise possible, and can be accepted for all practical purposes. The reason that I say this is because we estimated the scale of the problem in four separate ways, and each came out with a consistent picture:

**1. An overall supply/demand balance;** with reliable figures for installed capacity, imports and exports, estimates of total production depend on the capacity utilisation %, and domestic consumption. The latter is the most critical figure for which no data is available. We estimated it using several methods, and each produced similar results of around 51 million m3 roundwood annually. This method gives the apparent total domestic production of 78 million m3 for 1998 which you quote, comprising net exports of around 48.9 million m3 and domestic consumption of 51 million m3 roundwood equivalent, offset by imports of 20 million m3 roundwood equivalent, and domestic wastepaper use of 1.6 million m3 roundwood.

**2. Forest inventory data;** a careful analysis of the recently published National Forest Inventory data and comparison with the 1986 RePPPProT maps on forest cover, indicates that there are currently about 38 million hectares of logged forest. About 13.5 million hectares was already logged in 1986, suggesting that about 24.5 million hectares have been logged in the 12 year period since then. The figure may be higher because some logged forest will have been cleared during the period. Over the period since commercial logging began (c. 1967) the total official harvest has been around 670 million m3, which is an average of about 17 m3/ha. This is about half of the average production which most Indonesian's claim. If one estimates domestic production each year from 1967-1998, based on prevailing population and per capita GDP, we estimated that total domestic consumption over the period was about the same - at around 690 million m3. Adding these two together gives an average production of about 35 m3/hectare, which is about what one would expect. If an average of 2 million hectares are logged annually as the figures above suggest,

this would imply around 70 million m3 per year, which is consistent with a trend over the decade rising from around 50 million m3 annually to the current 78 million m3.

**3. Comparison of Inventory and Sample Plot data;** we compared inventory and sample plot data for virgin and logged forest, nationally and locally, and found that the difference ranged between 80 and 100m3/ha. Various studies have shown that the volume actually harvested is only about half of the volume lost during logging as a result of damage to trees surrounding those being felled, and due to defects in trees felled. This would be consistent with an actual average removal of 35m3/ha estimated above. As well as supporting the general proposition, the data suggests the horrifying possibility that a minimum of 1 billion m3 have been wasted over the past 30 years in Indonesia (38 million hectares logged x 35m3/ha wasted).

**4. Surveys of illegal logging and illegal sawmills;** we undertook surveys in several provinces both of local communities and their activities and dependency on the forest; and of local unlicensed sawmills. These confirmed that local communities and unauthorised loggers were removing as much or more than concessionaires, and that the small sawmills had the capacity to process it. Extrapolating from our sample communities (16 in total), and a few other published results, to the estimated 7000 villages which we estimated to be forest dependent out of a national total of 62,000, there appears to be more than enough capacity to log harvest 50 million m3 annually. Around 500,000 people seem to be employed on a part-time basis in illegal logging.

Thus the capacity to harvest, process, and consume around 50 million m3 annually domestically clearly exists, and the current condition of the forest is consistent with this unofficial domestic production and consumption having been going on for a long time. The official figures only refer to the export production, which has been the main focus of attention, and the main source of rent for those who wanted to get rich quickly. You make the comment that the project figures may be on the high side, but I think you may agree from the above information that, if anything they are on the low side, which is in line with our principle to err on the side of conservatism."

Alastair Fraser, LTS International Ltd.  
Team Leader, ITFM Project

## Meetings

### 44th IWPA International Convention

Tucson, Arizona, April 26-29

To focus on the theme "The U.S. Customer. What does he expect?" Presentations include: Home Depot, explaining their recent commitment to wood from certified forest; the Chairman of the Tropical Forest Foundation discussing the state of "Forest Management - Past, Present and Future"; and an update of the AF&PA "Sustainable Forestry Initiative". A panel will discuss "Certification - Developments and Progress". Country Profile market sessions will be held with representatives from Asia, Latin America and Africa. There will be a session on the internet in the forest products sector. More from IWPA at Fax: + 1 703 820 8550 or email: info@iwpawood.org) or web page <http://www.iwpawood.org/convention.html>

### ATIBT Forum

Istanbul, Turkey, 11-12 May 2000

The International Technical Association for Tropical Timber (ATIBT) Forum 2000 will focus on "Tropical Timber: Market and Future". To include sessions on "Tropical Timber Markets" & "Tropical Timbers and Modern Technologies". More from ATIBT in Paris - Tel: +33 1 43 42 42 00; Fax: +33 1 43 42 55 22; email [atibt@compuserve.com](mailto:atibt@compuserve.com).

### 5th Eurowood Symposium

Bordeaux, France, 30-31 March 2000

The 5th Eurowood Symposium, bringing together construction professionals and members of the timber scientific community, will focus on "Timber Construction: Expansion and Innovation for the 21st Century". More from: Patricia Collignan, CTBA in Bordeaux. Tel: +33 5 56 43 63 21; Fax: +33 5 56 43 64 80

## INDICATIVE PRICES

Latest indicative prices available at time when preparing this report. All prices include agent's commission. Prices are subject to continuous variation and may vary in relation to volumes purchased, specification, port of shipment and quality of a particular shippers production. Specifications are given as a guide - in practice the details vary.

## Logs

	Dec	Jan	Feb
Ex <b>CAR, Congo (Braz)</b> Fr.F/m3 FOB Douala LM			
<b>N'GOLLON</b>			
70cm+20% 60/69	1550	1650	1700
<b>BOSSE</b> 60cm+	1650	1650	1650
<b>AYOUS</b> 70cm+	1150	1150	na
<b>SAPELE</b>			
80cm+20% 70/79	1950	1950	1950
<b>SIPO</b>			
80cm+20% 70/79	2450	2450	2450
<i>Note logs of Iroko and Bibolo are no longer available via Douala.</i>			
Ex <b>Gabon</b> Fr.F/m3 FOB Owendo LM			
<b>ACAJOU</b>			
70cm+20% 60/69	1475	1475	1475
<b>DOUKA</b>			
70cm+15% 60/69	1350	1350	1350
<b>SIPO</b>			
70-79cm 10% 60/69	1950	1950	2000
80-99cm	2200	2300	2350

*Liberian log prices, including Lovoa, Khaya, Bosse, Framire and Iroko, will soon be available.*

## Sawn Timber

Ex <b>Ghana</b> DM/m3 FOB Takoradi			
FAS (includes notional agent's commission of 5%)			
6"+ avg 9" C/£	5608	5830	5990
6"+ avg 9" DM/£	3.12	3.25	3.19
<b>A.MAHOGANY AD</b>	1050	1050	1100
<b>A.MAHOGANY KD</b>	1200	1200	1250
<b>EMERI AD</b>	760	760	760
<b>UTILE KD</b>	1500	1500	1550
<b>ODUM AD</b>	na	na	na
<b>ODUM KD</b>	1275	1275	1250
<b>SAPELE KD</b>	1125	1125	1150
<b>EDINAM AD</b>	600	600	670
<b>EDINAM KD</b>	780	780	850
<b>WALNUT AD</b>	800	800	850
<b>NIANGON AD</b>	925	925	925
<b>DANTA AD</b>	730	730	730
<b>DANTA KD</b>	1000	1000	1000
<b>WAWA AD</b>	510	510	510
<b>WAWA KD</b>	585	585	580
<b>MAKORE AD</b>	940	940	940
<b>MAKORE KD</b>	1110	1110	1110

Ex **Douala - Cameroon, CAR, Congo (Brazzaville)**  
Fr.F/m3 FOB FAS width 6"+, length 6'+

<b>SAPELE</b>	3200	3300	3300
<b>SIPO</b>	4200	4200	4000
<b>BIBOLO</b>	2750	2750	2700
<b>N'GOLLON</b>	3200	3200	3200
<b>AFRORMOSIA</b>	5500	5500	5500
<b>IROKO</b>	3500	3600	3550

Ex **Gabon** FR.F/m3 FOB

FAS width 6"+, length 6'+			
<b>OKOUME AD</b>	2000	2000	2100

Ex **Congo (formerly Zaire)** Fr.F/m3 FOB

FAS width 6"+, length 6'+			
<b>SAPELE</b>	na	na	na
<b>SIPO</b>	na	na	na
<b>MAHOGANY</b>	na	na	na
<b>AFRORMOSIA</b>	na	na	na
<b>IROKO</b>	na	na	na

	Dec	Jan	Feb
Ex <b>Cote d'Ivoire</b> Fr.F/m3			
Fr.F/£	10.46	10.89	10.69
FOB Abidjan FAS			
6"+ avg 9"-10"			
6'+ avg 10'-11'			
1"-2"			
<b>IROKO</b>	3400	3500	3400
<b>MAHOGANY</b>	2750	2750	2750
<b>FRAMIRE</b>	2000	2000	2000
<b>SAMBA</b> No.1 C&S	1525	1525	1525
<b>AZOBE</b> dim. stock	2500/	2500/	2500/
	2900	2900	2900
<b>OPEPE</b> dim. stock	2100/	2100/	2100/
	2600	2600	2600
<b>DABEMA</b> dim. stock	1950	1950/	1950/
	2550	2550	2550

Ex <b>Malaysia</b> US\$/ton, C&F UK port			
M\$/£	6.11	6.14	6.06
US/£	1.61	1.62	1.59
M\$/US\$	3.80	3.80	3.80

(Rates given for M\$ are official rates)

**DARK RED MERANTI (KILN DRIED)**

Select & better GMS			
width 6"+ avg 7"-8"			
length 8'+ avg 12'/14'			
1-2" KD	920	920	920
2.5" KD	950	940	940
3" KD	990	980	980

**KERUING**

Standard & Better GMS			
1"-3"			
width: random or fixed			
length 16'+	550	545	545
<b>KAPUR</b>			
Standard & Better GMS			
1"-3" plnd			
width 6"+ avg 7"-8"			
length 16'+	555	555	555

**TEAK** (Official price list basis)

FEQ/equivalent			
Boards: 6"+ avg 8", 6'+ avg 8"			
Shorts: 6"+, 3'/5.5' avg 4'			
Ex. <b>Burma</b> US\$ per ton of 50cu.ft.			
FOB Yangon (Rangoon)			
Boards 1" 8"x 8"	3890	3890	3890
Boards 1" 8"x 8"	2670	2670	2670
Teak from Singapore and Hong Kong nearer S\$3500 for 1" Boards, 1.5" US\$3550, 2" 3750, and US\$3850 for 2.5"			

Ex **Brazil** US\$/m3 C&F

FAS US\$/£	1.61	1.62	1.59
6"+ avg 9-10"			
6'+ avg 10-11'			

**MAHOGANY (Swietenia)**

1"-2" AD	1225	1300	1300
2.5"-3" AD	1235	1310	1310
1"-2" KD	1295	1370	1370
2.5"-3" KD	1325	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

## Hardwood Market Highlights

- Dull Asian/Europe trade due to weak euro
- European demand for African picks up
- African forward markets heavily booked
- US domestic markets boom.....
- ....and export market prospects improve
- European beech prices weakened by storm

Asian Hardwoods  
Trade dull due to  
winter and euro rate

The market for Malaysian sawnwood has been generally quiet in early February during the Chinese New Year celebrations between 4 and 14 February. Other reasons for slow activity include continuing rains in many areas, which constrains logging, and weaker demand during the traditional winter off-season in major consuming markets both in Asia and Europe. Despite the heavy rains, shippers now report reasonable availability of most grades.

Another factor slowing European demand for Malaysian sawntimber has been the weakness of the euro which has contributed to higher US dollar prices for DRM/seraya. The weak euro has also improved the competitive position of African Sapele, for which prices are quoted in French francs. Prices for kiln dried Sapele entering the European market are now comparable, and many importers are opting for the quality advantages of the African wood where it is available.

European stocks of DRM/seraya are reasonably high and importers are generally steering clear of the forward market for the time being. Where necessary, importers are able to pick up supplies from landed stocks of the large hardwood trading companies. However one major Sabah shipper continues to report steady forward purchasing of kiln dried Seraya in the Netherlands.

Malaysian shippers are maintaining forward prices for the time being. Kiln dried DRM/Seraya CIF prices to Europe have remained static now since September last year. Far Eastern shippers continue to talk up the price, pointing to generally improving economic conditions in the Far East, increasing government restraints on logging, and recent freight rate rises to Europe due to oil price increases. However some UK agents predict that DRM prices will ease off in April and May as supplies become more readily available.

The European trade journal EUWID reports a shortening in supply of white seraya from Sabah available to the European market. The journal also reports that German importers are having difficulty obtaining particular sizes and grades of Asian hardwoods due to growing competition for the same products from China. German importers note an increasing reluctance on the part of Asian shippers to supply their stringent

**Cont. page 4**

### Asian Hardwoods *Cont.*

quality requirements at prices now prevailing in Germany. Asian shippers supplying Europe are finding the Dutch market more rewarding. Trade press reports suggest that Sarawak shippers have agreed contracts to supply US buyers with large quantities of sawn keruing in truck flooring sizes.

Turning to the Asian log market, log production in Sarawak has been slow due to poor weather and the Chinese New Year holidays. Log inventories have been declining which has meant a steady rise in FOB prices. By contrast, improving weather conditions in Papua New Guinea has meant that the log supply situation is easing. FOB prices for the major PNG species Taun and Calophyllum are weakening, a trend which is heightened by slow Chinese purchases since October last year. Similarly, good log

production in the Solomon Islands during January and slow buying in China has led to a weakening in prices from there.

Tropical log markets in both Japan and Korea are also dull. Japan's plywood market is sluggish, reducing demand for logs for plywood manufacture. The weak yen and higher FOB prices from Sarawak, the main region of supply, have contributed to slower buying. In December, Japan imported 228,000 m<sup>3</sup> of tropical logs, the lowest monthly import volume during 1999. Overall Japan imported 3.6 million m<sup>3</sup> of tropical logs in 1999, a 7.2% increase over 1998 levels.

Korea's tropical log market has been very difficult during the opening weeks of 2000, with importers unable to pass on increased FOB prices to their customers. However, ITTO's

Market News Service suggests that Korean importers should increase purchases during the second half of February in anticipation of rising prices as China's market warms up after Chinese New Year.

ITTO's Market News Service reports on the Indonesian government's programme to reduce the export levy on logs. In 1999 the export levy on logs and rattan was reduced from 20% to 15%. The rate will gradually be reduced to 10% by 2001, 5% by 2002 and 0% by 2003 under an agreement with the IMF. To offset reductions in government revenue resulting from the lowering of export taxes, the Indonesian Government is currently considering increasing concessionaires' contributions to the Provision Fund for Forest Resources.

### African Hardwoods

## European demand picks up

European demand for African redwoods has picked up since the beginning of the year. Improving economic prospects in France, the UK, Italy, Germany, and continuing buoyancy in Spain may have contributed to a mood of greater optimism amongst importers. The European trade press refers to relatively low stocks of African timbers in Germany and France. In the euro-zone, the weakness of the euro against the dollar has improved the competitive position of African redwoods against competing Malaysian species. While demand has picked up, the weak euro has also meant that continental European markets are very competitive. On the supply side, although the logging season is well underway, supplies of many species remain relatively tight for the time of year and prices for African redwoods remain firm.

Looking first at Sapele, log supplies in the Cameroon have improved since the start of the logging season. However agents report that forward markets for sawn timber are heavily booked until June/July. Prices continue firm, with reports that the better Cameroon suppliers of Sapele command around 3400 FrF/m<sup>3</sup> FOB for air dried FAS sawn. European sales of the species have picked up during February.

Sapele is now widely recognised as the principle utility sawn redwood on the UK market and agents report steady purchasing. Fair volumes of kiln dried Sapele are now entering the UK market, but there are some reports of shortages of thicker specifications. Some UK importers are turning to stocks on the continent to make up short falls.

Supplies of Iroko sawn from Ivory Coast are very tight. Supplies are booked through until April/June. Logging this year has been hampered by the late issue of logging permits, which has meant harvesting operations have not been ongoing during the peak dry season. One agent described the supply situation to the major Irish market as "critical". However demand for the species in the UK has been undermined by the dire state of the country's garden furniture sector, which is heavily stocked. Shippers efforts

to push Iroko prices higher continue to meet with resistance from UK and Irish importers. Prices remain stable.

Supplies of Ghanaian timbers are also restricted by regulatory constraints. Shippers continue to await logging permits after the forest authorities announced a review of all logging operations at the end of 1999. The review forms part of the Ghanaian policy to replace existing concession agreements with Timber Utilisation Contracts including firm commitments to sustainable logging levels. TUC's are being allocated only to the larger companies with resources available for sustainable logging and value added processing. Overall log production in Ghana is being reduced from current levels of around 1.3 million m<sup>3</sup> to a long-term sustained yield of 1 million m<sup>3</sup>.

In the short term, the regulatory controls have meant that many Ghanaian contracts are delayed. Even supplies of wawa, Ghana's most abundant commercial species, have been affected. Demand for Ghanaian wawa is now steady, with particularly firm demand from South Africa, and prices are stable. Volumes of redwood available from Ghana are very limited. Khaya is now being exported only as kiln dried to the US. Very small volumes of Ghanaian walnut are being sold in the UK at slightly higher prices than Cameroon stock. Agents report numerous enquiries for Danta, which is bought as a general joinery wood in Spain and used for flooring in the Far East, but very little is available for sale. Danta prices remain stable. The European trade journal *EUWID* reports that supplies from the Congo basin are still extremely difficult due to political conflict and serious transport problems. The war in the Democratic Republic of Congo (formerly Zaire) has meant only very limited volumes are being exported from certain areas. In Congo (Brazzaville) logs are being extracted in the North of the country, but these still have to be exported over the lengthy overland route to Douala in the Cameroon due to continuing conflict and difficulties of rail and river transport to

Pointe Noire. Only limited volumes of logs of khaya, doussie and wenge are reported to be reaching Douala from Congo Brazzaville.

FFBTA-FFIBN, the French timber trade association, confirms the limited availability of African logs for export to the French market. The Cameroon log ban has been 100% effective, and log exports from Douala are limited to supplies from the Central African Republic and Congo (Brazzaville). Logs of tali, badi, and frake are reported to be particularly difficult to obtain as low price levels for these species do not justify the high costs of overland transportation.

There are reports of significant shipping problems from West African ports. One agent noted that for the first time ever a "Port Congestion Surcharge" has been implemented in the Ivory Coast. Another noted that only around 40% of shipments expected out of Douala in the Cameroon during January actually left the port. Reports of the reasons differ, one explanation being low water levels in the port, another being the problems created by recent mergers in the region's shipping industry. The European trade journal *EUWID* also reports that overall shipping capacity to West African ports is being reduced to reflect the declining availability of tropical wood for export. As a result shipping times are getting longer and wood is having to be stocked for much longer periods at dockside. This in turn is having a damaging effect on quality. The problem has been particularly apparent at the Gabon port of Owendo where poor storage facilities and long stock periods have led to worm investment and serious decline in quality.

FFBTA-FFIBN report on the recent opening of a 1.3 million ha concession in Liberia awarded to the Indonesian group Djajanti. Harvesting operations at the concession have begun and the first boats have left the port of Buchanan. Djajanti currently have concessions of 1.4 million hectares in Maluku, East Java and own two Indonesian plywood companies: Artika Optima and Nusantara. The Liberian logs are being shipped initially to supply Djajanti's plywood factories in Indonesia, and then major Far Eastern markets, notably China and India. Another Malaysian group has also just made a large investment in Liberia, but no details are provided.

## North American Hardwoods

## Euro undermines European market

Three major factors are currently impacting on the North American hardwood market. The first factor is the continuing strength of the US economy. Signs of inflationary pressure encouraged 3 interest rate hikes last year. However housing starts still managed to rise by 7.1% in December last year. Over 5.2 million existing houses were also sold last year. Further interest rate increases are expected this year, but forecasts of house starts, although down on last year, suggest they will continue at near record levels. The furniture industry is thriving, with analysts suggesting this year may be even better than last. The flooring and cabinet industries are reported to be busy. However the more cautious suggest that interest rate increases will start to dampen overall US economic growth from the summer onwards.

The second factor is improving economic conditions in major export markets, both in the Far East and Europe. Both Japan and Korea have gradually increased purchases, while China, Taiwan and Hong Kong continue to buy significant quantities, notably of red oak. Economic prospects in the major European markets of Italy, the UK, even Germany, are looking more healthy. Spain, which has been buoyant for some time, should continue strong this year. To end November 1999, US hardwood exports were running around 10% higher than the same period the previous year.

However, the third factor - the strength of the dollar against both the euro and yen - acts as a brake on the more rapid growth of export sales. *Hardwood Review Export* reports that the weak euro is particularly dampening sales to France and Germany. Importers in both countries are having difficulty passing price increases on to their customers. The weak euro and high prices for US hardwoods mean that many European importers have been shy of the forward market

and are relying more heavily on landed stocks. The strength of the dollar also impacts on US domestic markets, increasing timber and wood products imports from other parts of the world. *ITTO's Market News Service* points to the growing trend amongst US furniture manufacturers to cut costs by increasing imports of furniture parts, notably from the Far East, and confining themselves to assembly operations. US flooring manufacturers are also under increasing pressure from cheap imports. Looking at the supply side, European agents report that they can still obtain most species and grades, although only if willing to pay the asking price. *Hardwood Review Export* reports that sawmill production in the United States is good as colder weather has firmed up the ground and allowed a free flow of logs to the mills. However kiln dried inventories are generally low due to a combination of firm markets and slower kiln turnover in the cold winter weather which minimises air drying.

Overall hardwood production is expected to remain high in the USA this year. Because log costs are rising more rapidly than kiln dried sawn, many mills are being squeezed. Some of the smaller sawmills may be forced to close during 2000. However, the lost output will tend to be offset by increases in the production of larger and more efficient mills.

Considering individual species:

\* export demand for veneer logs and better sawnwood grades of cherry is very strong. Demand for cherry veneer both in domestic and export markets is firm, which is serving to maintain high sawnwood prices. Supplies are tight but due to favourable logging conditions in the Appalachians, significant log volumes are currently being extracted. However intense demand over recent months has meant that log quality is generally falling.

## South American Hardwoods

## Brazilians lead in buoyant France

FFBTA-FFIBN, the French timber importers association, notes that demand for Brazilian hardwood in the significant French market is steady and that stock levels are satisfactory. Demand from the French joinery sector is good. FFBTA-FFIBN data indicates that in the first 10 months of last year, France imported 112,723 m3 of Brazilian sawnwood, up from 107,327 m3 during the same period in 1998. Brazil was by far France's largest supplier of tropical sawnwood. The increase in French imports from Brazil coincided with a massive drop in imports from Malaysia (from 54,214m3 to 33,124m3), and falling imports from Africa (109740m3 to 101783 m3), suggesting some substitution of Asian and African woods by Brazilian hardwoods.

Spain is the second largest European importer of Brazilian hardwoods. Imports during the first 9 months of 1999 amounted to 69,993 m3, almost exactly equivalent to the same

period the previous year (69,801 m3). In a rerun of recent events in the UK, Greenpeace has targeted Spain's Brazilian import trade. On the supply side, heavy rains mean that tropical log harvesting in Brazil is very limited. Logs from many regions will not be available until May. No Brazilian mahogany is available. Brazilian cedar continues to find a restricted market in the UK and is selling steadily. To September 1999, the UK imported only 9830 m3 of Brazilian hardwood, almost exactly the same volume as the same period the previous year (9822 m3).

Meanwhile Brazil's domestic market is reported to be more buoyant than usual for the time of year. Demand is strong but *real* prices remain stable. However dollar prices are increasing due to recent appreciation of the real (the exchange rate stands at around 1.77 *reais* to the US\$ compared with 2.0 *reais*/US\$ in November last year).

USA TEMPERATE HARDWOODS  
INDICATIVE PRICES  
(North Appalachian)  
US\$ CIF UK MBM KD square edged  
net measure after kilning

	Dec	Jan	Feb
\$/£	1.61	1.62	1.59
RED OAK			
1"	1900	1850	1830
1.25"	2100	2050	2060
1.5"	2360	2250	2225
2"	2800	2700	2610
WHITE OAK			
1"	1625	1600	1600
1.25"	1750	1760	1760
1.5"	2300	2220	2220
2"	2800	2800	2770
ASH			
1"	1360	1370	1370
2"	1800	1800	1785
TULIPWOOD			
1"	1275	1250	1250
1.25"	1295	1260	1260
1.5"	1310	1280	1285
2"	1350	1300	1310
CHERRY			
1"	3580	3550	3530
1.25"	3600	3650	3650
1.5"	3800	3830	3830
2"	4000	4160	4160
HARD MAPLE			
1"	2700	2700	2800
1.25"	2750	2750	2900
1.5"	2900	2900	2950
2"	3150	3100	3250

\* demand for higher grades of hard maple remains strong and supplies are limited, particularly in the thicker sizes. Log extraction has increased over the winter months - but a high proportion is lower grade. Prices for high grade material are expected to continue to firm. Overseas buyers are increasingly reluctant to book forward due to the very high prices (up almost 30% on the same time last year). Demand for lower grade material is only fair.

\* Sales of ash on export markets are good. There is continuing steady demand from major European markets. The high dollar rate is discouraging buying of higher quality wood in Japan. Some reports of shortages of thicker sizes are emerging. Demand for lower grades in the Far East is improving.

\* export sales of tulipwood have slowed as overseas buyers have been unwilling to pay prices now available on the US domestic market. However export demand for tulipwood continues to exceed supply, which is limited.

\* white oak markets have been slow during February. Demand in Spain, Italy and Germany is impeded by the weakness of the euro. Purchasing of FAS in the UK has been fair, but the market is highly competitive and buying focuses heavily on price.

\* demand for red oak is firm in Mexico, but demand from Europe and the Middle East has slowed. Demand for lower grades from China and Taiwan is strong, but the market is unwilling to pay prices equivalent to the US. Flooring plants in the Far East are increasingly interested in US Red and White oak.

\*high prices for cherry and hard maple has led to growing interest in substitute species in export markets, including alder and soft maple. China is buying more Basswood, perhaps due to the high price of tulipwood.

## UK HARDWOOD IMPORTS

UK market commentary  
February 2000

## Economy bouyant

Only 2 months into the New Year, and the Bank of England has already raised interest rates twice; by 0.25% in January and an equivalent amount in February to hit 6%. High interest rates reflect concerns over rising inflation now that the economy is at "full capacity", characterised by low unemployment and rising consumer spending. Analysts expect UK interest rates to level out at around 6.5% this year. At these levels sterling should remain strong against the euro, and maintain current levels against the US dollar. *The Economist* February Poll of Forecasters expects GDP in the UK to grow by 3.2% this year. UK construction activity is still buoyant and the housing sector continued to grow strongly in January. Particularly strong growth was recorded in the commercial construction sector. The house market is expected to remain bouyant, but to grow less strongly than last year. Halifax predicts house prices will grow by an average 8% this year, compared with 16% in the year to January. After reporting strong retail sales growth in December 1999, the CBI reports slower sales in January, and predicts another slow-down in February. However furniture and DIY retailers are amongst sectors continuing to report strong growth.

## Builders' survey brings good news

According to *TTJ Timber and Wood Products*, a recent survey of 700 builders undertaken by the Nordic Timber Council and builders merchant Travis Perkins has highlighted improving perceptions of timber in the UK's building profession. Respondents covered the full range of operators from small independent builders to large contractors. 30% of respondents felt that timber is being specified more often than in the past. 57% said that their timber use had risen in the last year. 65% of respondents suggested that timber was becoming more fashionable. 72% and 69% believed that home style magazines and tv programmes were fuelling growing demand for timber flooring and decking respectively. 60% of survey respondents said that the country pine look was the most usually specified. The "New England" style was also a favourite. Reasons for wood's popularity were natural appearance (mentioned by 85%); anti-allergenic properties (30%), heat resistance (52%), fire resistance (52%) and environmental properties (50%). However, respondents said that only 15% of customers actually ask if timber is 'environment friendly'. In addition to flooring and decking, the survey found that builders are buying more timber for panelling and bathroom fixtures. 67% of respondents considered wood a 'high quality product', but over half felt it is still 'underestimated'. More than 50% viewed price and durability as 'key priorities' for them to use and sell more.

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

Country	Species	LOGS				SAWN				TOTAL			
		Oct 99	Oct 98	Cum 99	Cum 98	Oct 99	Oct 98	Cum 99	Cum 98	Oct 99	Oct 98	Cum 99	Cum 98
BURMA				42	30	25	30	256	177	25	30	298	207
CAMEROON		1229	1963	19884	28520	1274	1135	15377	18053	2503	3098	35261	46573
CONGO				292	239	324		2072	139	324		2364	378
GABON		269	77	3460	3796			194	128	269	77	3654	3924
GAMBIA								275				275	
GHANA						1311	1684	17992	22320	1311	1684	17992	22320
GUINEA								843				843	
GUYANA				25		254	370	1021	5532	254	370	1046	5532
INDONESIA		17	62	201	219	414	209	5197	2848	431	271	5398	3067
IVORY COAST						990	1584	10189	13690	990	1584	10189	13690
LIBERIA					345							345	
MALAYSIA		302	605	2803	3326	4959	5618	47718	48449	5261	6223	50521	51775
NIGERIA			25	410	705	73	36	161	371	73	61	571	1076
PAPUA N.G.					87	85	53	523	417	85	53	523	504
PERU				50				404	111			454	111
PHILIPPINES				35		121		735	533	121		770	533
SINGAPORE		54		149	130	122	224	1927	2178	176	224	2076	2308
TANZANIA				25	18			212	213			237	231
THAILAND								95	238			95	238
ZAIRE									322			322	
OTHER					248	22	129	368	329	22	129	368	577
<b>TROPICAL</b>		<b>1871</b>	<b>2732</b>	<b>27376</b>	<b>37663</b>	<b>10966</b>	<b>12079</b>	<b>116381</b>	<b>127359</b>	<b>12837</b>	<b>14811</b>	<b>143757</b>	<b>165022</b>
AUSTRALIA			2	185	87	23	20	140	345	23	22	325	432
CANADA		567	642	3544	2769	3267	2343	27994	18071	3834	2985	31538	20840
of which	Oak	31	26	87	26	630	382	4906	4789	661	408	4993	4815
of which	Poplar					38	43	444	345	38	43	444	345
of which	Walnut						46	436	510		46	436	510
CHILE									167			167	
CHINA						65	251	247		65	251	247	
CZECH REP.			43	95	77	21	85	29		64	180	106	
ESTONIA		775	252	7639	10573	1258	325	8991	1773	2033	577	16630	12346
of which	Birch	775	252	7639	10573					775	252	7639	10573
of which	Oak					1193	325	8926	1773	1193	325	8926	1773
ICELAND									115			115	
LATVIA		1388	2632	6447	5363	81	2180	2586		1469	2632	8627	7949
of which	Birch	1038	2632	6097	5363					1038	2632	6097	5363
of which	Oak							298	86			298	86
of which	Poplar					350		350				2232	2500
LIECHENSTEIN								319				319	
LITHUANIA				63	207	619	1151	403		619	1214	610	
of which	Oak					183	615	196		183	615	196	
NORWAY				125	172	102	416	717		102	541	889	
POLAND		59	96	314	1031			258	190	59	96	572	1221
of which	Beech							102	66			102	66
of which	Birch		71	24	688						71	24	688
ROMANIA		15		790	460	47	100	550	669	62	100	1340	1129
of which	Beech			733	460	28	100	432	669	28	100	1165	1129
RUSSIA			135	1363	3491		173	2936	2021		308	4299	5512
of which	Birch		119	1078	704						119	1078	704
of which	Oak		16	119			30	864	246		46	864	365
S. AFRICA		21	110	215	209		42	221	433	21	152	436	642
SERB. & MONT.					30			22	139			22	169
of which	Beech				30			22	117			22	147
SLOVAKIA		25		58		45		258	348	70		316	348
of which	Beech			33				94	71			127	71
of which	Oak					45		135	277	45		135	277
UKRAINE				18		114		139	291	114		157	291
of which	Oak					52		77	291	52		77	291
USA		1941	1226	13993	12213	8234	8581	80003	95451	10175	9807	93996	107664
of which	Beech					225	2	629	209	225	2	629	209
of which	Oak					4087	4679	40589	50486	4087	4679	40589	50486
of which	Poplar			84	39	828	717	8380	7090	828	717	8464	7129
of which	Walnut					56	58	809	963	56	58	809	963
OTHER		19		183		31		191	26	50		374	26
<b>TEMPERATE</b>		<b>4810</b>	<b>5138</b>	<b>35032</b>	<b>36682</b>	<b>13821</b>	<b>11670</b>	<b>126105</b>	<b>124021</b>	<b>18631</b>	<b>16808</b>	<b>161137</b>	<b>160703</b>
AFRICA		1519	2175	24319	34053	3972	4555	47579	55743	5491	6730	71898	89796
ASIA		373	667	3230	3792	5734	6254	56975	55215	6107	6921	60205	59007
AUSTR/PACIFIC			2	218	87	38	20	155	361	38	22	373	448
E. EUROPE		2281	3023	15476	17741	2194	446	13775	6443	4475	3469	29251	24184
N. AMERICA		2508	1868	17537	14982	11501	10924	107997	113555	14009	12792	125534	128537
RUSSIA			135	1363	3491		173	2936	2021		308	4299	5512
S. AMERICA				140	27	1246	1377	12334	17210	1246	1377	12474	17237
W. EUROPE				125	172	102		735	832	102		860	1004
<b>TOTAL</b>		<b>6681</b>	<b>7870</b>	<b>62408</b>	<b>74345</b>	<b>24787</b>	<b>23749</b>	<b>242486</b>	<b>251380</b>	<b>31468</b>	<b>31619</b>	<b>304894</b>	<b>325725</b>

SLEEPERS FROM OUTSIDE THE EU  
(cubic metres)

	Oct 99	Oct 98	Cum 99	Cum 98
AUSTRALIA	300	1314	7044	6625
GUYANA	101		983	
NIGERIA	18		445	36
RUSSIA	61		198	50
SLOVAKIA		35	304	39
OTHER	36		217	51
<b>TOTAL</b>	<b>516</b>	<b>1349</b>	<b>9191</b>	<b>6801</b>

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

	Oct 99	Oct 98	Cum 99	Cum 98
BELGIUM	52		459	88
FRANCE	400		2699	4280
GERMANY	872		4816	2959
NETHERLANDS	1963	713	4821	2264
SWEDEN		965	590	1035
OTHER	141		583	865
<b>EU TOTAL</b>	<b>3428</b>	<b>1678</b>	<b>13968</b>	<b>11491</b>

## UK HARDWOOD IMPORTS

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

Country	Species	LOGS				SAWN				TOTAL			
		Oct 99	Oct 98	Cum 99	Cum 98	Oct 99	Oct 98	Cum 99	Cum 98	Oct 99	Oct 98	Cum 99	Cum 98
AUSTRIA	Beech						30		30		30		30
BELGIUM				344	336	379	465	3280	4972	379	465	3624	5308
	Beech			103		93	244	730	885	93	244	833	885
	Oak				230			139			139	230	
DENMARK		12	26	126	404	412	387	3306	2436	424	413	3432	2840
	Beech	12	26	74	290	242	387	2610	2057	254	413	2684	2347
FINLAND		0	176	795	3954	583	188	6157	3889	583	364	6952	7843
FRANCE		192	5	1502	854	791	923	8867	8992	983	928	10369	9846
	Beech			32	222	184	143	1879	941	184	143	1911	1163
	Oak	28		240		464	568	4866	4976	492	568	5106	4976
GERMANY		172	0	1811	1201	4008	3060	34040	31105	4180	3060	35851	32306
	Beech			30	84	3091	2495	27396	24559	3091	2495	27426	24643
	Oak				17	137	213	1243	1630	137	213	1243	1647
IRELAND		14	10	286	68	149	239	1426	1422	163	249	1712	1490
ITALY		45	145	45	145	0	0	139	43	45	145	184	188
NETHERLANDS		23	80	381	355	2158	700	15527	9741	2181	780	15908	10096
	Beech						8	145			8	145	
	Oak					34	1	592	455	34	1	592	455
SPAIN		0	0	65	122	162	190	1413	1567	162	190	1478	1689
SWEDEN		0	0	3141	7372	2125	2383	17603	21385	2125	2383	20744	28757
<b>EU TOTAL</b>		<b>458</b>	<b>442</b>	<b>8496</b>	<b>14811</b>	<b>10767</b>	<b>8565</b>	<b>91758</b>	<b>85582</b>	<b>11225</b>	<b>9007</b>	<b>100254</b>	<b>100393</b>

VENEERS FROM OUTSIDE THE EU  
(cubic metres)

	Oct 99	Oct 98	Cum 99	Cum 98
BRAZIL			25	48
CAMEROON		20	76	99
CONGO		45	25	186
DOM. REP	25		25	25
GHANA	399	88	3926	2550
INDIA			4	
INDONESIA			32	213
IVORY COAST		15	60	183
MALAYSIA			22	135
SINGAPORE			35	66
THAILAND			182	426
ZAIRE	73	494	385	1627
<b>TROPICAL</b>	<b>497</b>	<b>662</b>	<b>4797</b>	<b>5558</b>
AUSTRALIA				2
BULGARIA			31	
CANADA	19	156	977	855
CHINA			80	28
CROATIA			31	
ESTONIA	114		1204	121
HUNGARY	32		124	65
LATVIA	56	146	774	1234
LITHUANIA			47	
NORWAY			82	
RUSSIA		64	253	478
S. AFRICA	200	141	1918	1839
SLOVENIA			341	308
SWITZERLAND	4		240	468
USA	653	475	7409	9005
<b>TEMPERATE</b>	<b>1078</b>	<b>982</b>	<b>13511</b>	<b>14403</b>
<b>TOTAL</b>	<b>1575</b>	<b>1644</b>	<b>18308</b>	<b>19961</b>

BLOCKBOARD AND PLYWOOD FROM OUTSIDE THE EU  
(cubic metres)

	BLOCKBOARD				PLYWOOD			
	Oct 99	Oct 98	Cum 99	Cum 98	Oct 99	Oct 98	Cum 99	Cum 98
BANGLADESH							430	
BRAZIL	113	256	1661	2182	21528	18016	198917	121306
BURMA							6576	
GHANA						35	1276	280
GUYANA						410	9808	3298
HONG KONG							178	1803
INDONESIA	1438	1584	10242	16954	11967	17097	221060	158892
MALAYSIA			2430	590	11158	16984	108078	130421
PHILIPPINES							30	155
SINGAPORE			8	2	95	67	491	589
SOUTH KOREA						11214	57944	19772
THAILAND						24	12262	1041
OTHER	62	0	107	0	31	0	459	3
<b>TROPICAL</b>	<b>1613</b>	<b>1840</b>	<b>14448</b>	<b>19728</b>	<b>45224</b>	<b>63402</b>	<b>617509</b>	<b>437560</b>
BELARUS							220	329
CANADA			25		3385	731	45152	48548
CHILE					861	4803	15465	11764
CHINA	22		153	123	744	1020	8726	4723
ESTONIA					257	571	5794	4777
ICELAND							260	
ISRAEL					45	108	1187	1289
LATVIA		77		153	5674	2136	32360	27119
LITHUANIA			81	170	456	610	9010	9368
MALTA							1007	
MOROCCO					65	440	712	
NORWAY	109		714	110	344	342	2943	2709
POLAND		15	42	180	188	225	1750	1817
RUSSIA					6918	7459	70727	81782
SLOVENIA					37	138	443	487
SWITZERLAND				16			33	403
USA				351	247	1527	22206	202051
OTHER	0	101	0	141	113	8	503	90
<b>TEMPERATE</b>	<b>131</b>	<b>193</b>	<b>1015</b>	<b>1244</b>	<b>19574</b>	<b>19678</b>	<b>219141</b>	<b>397968</b>
AFRICA	62		107		131		2337	992
ASIA	1460	1685	12833	17770	24060	46519	417032	318756
AUSTR/PACIFIC							37	
E. EUROPE		92	123	543	6894	3683	50579	43911
N. AMERICA			25	351	3632	2258	67358	250599
RUSSIA					6918	7459	70727	81782
S. AMERICA	113	256	1661	2182	22819	22819	224190	136376
W. EUROPE	109		714	126	344	342	4390	3112
<b>TOTAL</b>	<b>1744</b>	<b>2033</b>	<b>15463</b>	<b>20972</b>	<b>64798</b>	<b>83080</b>	<b>836650</b>	<b>835528</b>

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

	BLOCKBOARD				PLYWOOD			
	Oct 99	Oct 98	Cum 99	Cum 98	Oct 99	Oct 98	Cum 99	Cum 98
AUSTRIA					2		23	29
BELGIUM			114	31	1060	1544	11187	9700
DENMARK	58		307	334	22	101	457	847
FINLAND	174	249	3043	4037	6047	7327	68091	56515
FRANCE			64	36	1394	1386	15080	20134
GERMANY	61	97	3020	855	690	336	5287	6268
GREECE							26	
IRELAND	1		5	23	278	39	1818	1835
ITALY		101	632	450	637	1044	7716	7117
NETHERLANDS	2		89	1277	2	66	296	1036
SPAIN			45		308	443	4370	3851
SWEDEN				373	448	686	4823	5450
<b>EU TOTAL</b>	<b>296</b>	<b>447</b>	<b>7319</b>	<b>7416</b>	<b>10888</b>	<b>12972</b>	<b>119174</b>	<b>112782</b>

## 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 57677m3) and Latvia (total cum 1999 volume 113345 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)

	Oct 99	Oct 98	Cum 99	Cum 98
BELGIUM	281	217	1590	1767
DENMARK	81	41	479	486
FINLAND	20	14	664	250
FRANCE	111	88	938	1281
GERMANY	394	306	3220	2977
ITALY	34	16	396	230
NETHERLANDS		8	209	227
SPAIN	60		178	42
OTHER	10	12	67	524
<b>EU TOTAL</b>	<b>991</b>	<b>702</b>	<b>7741</b>	<b>7784</b>

UK statistical commentary  
October 1999

UK imports for the year to October indicate a 15% drop in tropical wood imports. The decline primarily reflects increasing problems of supply in African countries. The log export ban in the Cameroon has led to a significant decrease in log imports from there, while sawn imports from Ghana and the Ivory Coast have also fallen. Ghana however has significantly increased veneer exports to the UK, and with the removal of Congo DR (formerly Zaire) from the equation, now dominates UK supplies of tropical veneer. Imports from Guyana are also much reduced compared with 1998. Burma is a notable absentee from the list of significant tropical suppliers these days, reflecting declining UK teak demand as garden furniture manufacturers have shifted operations to the Far East. Declining tropical imports have not been made up by increased temperate log and sawn imports, which remain flat compared with the previous year. The shift away from the US, particularly White oak, has become more pronounced as the year proceeds. Declining hardwood imports from the US are compensated by increased Canadian shipments. Hardwood imports from Eastern Europe increased marginally in the year to October over the previous year, but are still relatively insignificant. Log and sawn imports from within the EU have remained flat compared with 1998. Imports of German beech are marginally higher than 1998. There is also a noticeable increase in imports of "other" species from the Netherlands, perhaps reflecting increased buying of both temperate and tropical hardwood from landed stocks in the Netherlands.

## Plywood

### Hopes of price rises remain unfulfilled

Hopes of rising plywood prices that emerged towards the end of 1999 have yet to be fulfilled. Indonesian prices struggled up to INDO96 less 16/18 at the end of 1999 in anticipation of tightening supplies in the Far East during the rains and various holiday periods. However they have now slipped back once again to INDO96 less 18/20. The scale of illegal logging in Indonesia has been widely reported and goes a long way to explain the continuing weakness of Indonesian plywood prices. It now seems that only radical changes in Indonesian regulatory practices will bring about a sustained increase in the price position of hardwood plywood. This in turn is dependent on sustained economic growth, stability and political will in Indonesia - none of which can be guaranteed.

At these levels, Malaysian producers remain uncompetitive. They continue to focus on speciality plywood for supply to Japan, and on the export of veneers. Malaysian shippers suggest that prices need to rise 10 to 12% before they would consider re-entering the European market for hardwood plywood.

Brazil too is out of the picture so far as the European market for the hardwood product is concerned. Weak markets and subdued prices for hardwood ply have been one factor encouraging a shift to softwood ply manufacture in Brazil. *ITTO's Market News Service* estimates that 2.1 million cubic metres of plywood were produced in Brazil during 1999, a record level for Brazil, with the greatest increase in production being in pine plywood for export (CDX- construction grade). Pine plywood production in 1999 reached 1.1 million cubic metres, while tropical plywood production accounted for 1 million m<sup>3</sup>.

The UK market for tropical plywood is reported to be dull and highly competitive. Prices are very weak reflecting both the low price of imported Indonesian plywood and intense competition from other panel products, notably OSB.

Despite signs of economic recovery in the Far East, the hardwood ply market is relatively subdued. To some extent this reflects lower activity during the traditional winter off-season. Japan's market is overstocked and buying is currently dull. The economic recovery in Korea is encouraging, but the construction sector has been slow to pick up and plywood buying remains slow.

Last year China reduced its imports of plywood of all types by around 38% to just over 1 million m<sup>3</sup>. To some extent the decline reflected the rising price of plywood from the very low levels apparent at the height of the Asian crises in 1998. It also reflects differential Chinese tariffs which are zero for imported logs and sawnwood and 15% for plywood. China's domestic manufacturers have been able to import logs relatively cheaply and compete effectively with overseas manufacturers.

## European Hardwoods

### Loggers race against time

The European hardwood sector is grappling with the effects of the storms that hit the continent in the closing weeks of 1999. Logging companies are racing against time to extract as much volume as possible before warmer weather in the spring leads to rapid deterioration of log quality. Harvesting is concentrated on the larger sizes of beech, a species which succumbs rapidly to blue stain if left on the forest floor during the summer months. High quantities of beech logs are now being offered for sale - some French forest administrations are reported to be offering lots of up to 50,000 m<sup>3</sup>. This inevitably impacts on beech log prices. The European trade journal *EUWID* reports that depending on grade French beech log prices are running 20 to 50% lower than the 4th quarter of 1999. The problem in the beech log market is compounded by existing high stocks at European sawmills which had been building inventories since the beginning of the logging season last Autumn.

Trade analysts emphasise that the impact on beech prices will be relatively short-lived, and will focus more heavily on logs and utility sawnwood grades than on quality sawn prices. Many of the felled trees were snapped rather than thrown - which severely impairs opportunities for conversion. The window of opportunity for extraction of beech logs is limited to only the next two to three months. Irrigation storage capacity is restricted and beech logs can be stored in this way for no more than 12 months without significant loss of quality. The volume of high grade kiln dried material that can be produced is also limited by existing sawing and kilning capacity. Many central European sawmilling companies are relatively small scale, and have difficulty financing large stockpiles of logs. Furthermore, the long term impact of the storm should be considered. Producers believe the storm has severely reduced the ability of French and German beech forests to supply good quality logs in succeeding years. The impact of the storms may be to intensify an existing trend, already apparent over the last two years, towards declining western European beech log quality. A shortage of quality beech logs is now expected next year.

On the market side, major buyers of sawn European beech are reported to have adopted a cautious policy due to the ready availability of green logs. There are wide-spread expectations of lower prices, although producers are emphasising the limited supplies of high quality material and lack of storage capacity. Lower log prices have impacted on sawn prices, but price reductions have been less pronounced. Many French and German companies are seeking to off-load large quantities of beech veneer and sawing logs to China. *EUWID* reports that numerous Chinese importers are visiting storm damaged regions during February. However China is reported to have ample stocks of beech and there is no let up in Chinese expectations for good quality. Prices to China were falling

even before the storm damage. Romanian shippers were contributing to this trend, by offering goods to China at 10% to 15% lower than Western European shippers. *EUWID* reports that since the end of last year CIF prices to China for kiln dried double edged sawn Central European beech have fallen from over US\$900/m<sup>3</sup> to nearer US\$800/m<sup>3</sup>. The decline in price coupled with increased freight rates to the Far East has meant tightening margins for European sawmillers, despite the advantages offered by the euro's current weakness against the dollar. *EUWID* also reports the Chinese market is "overwhelmed" by offers from new exporters at low prices, but the Chinese focus on quality has meant importers generally prefer existing tried-and-tested suppliers.

Demand for European beech in the Spanish market was fairly lively prior to the storms, with many importers shifting away from high priced French stock, in favour of cheaper German produce. Price increases of 5 to 6% for German sawn beech were experienced at that time. After the storms, Spanish buyers have reverted to French suppliers to reduce transport costs.

The Italian market has been less influenced by the storm damage, despite the Italian furniture industry's current fashion for light tinted beech. Italy's furniture sector is now heavily reliant on beech from the former Yugoslavia. Significant volumes of beech from this region are also being bought by Italian importers for subsequent shipment to China both in log and sawn form. The situation in the European oak market differs from that of the beech market. Very little European oak is being harvested as operations focus on less durable beech and softwood species. Many European mills are short of green logs of the species. It is estimated that the total volume of oak felled in France was equivalent to around one year's harvest. The storm's impact on oak markets will be spread over a number of years. As with beech, there is a question-mark over the quality of storm-felled oak. There may be only limited impact on the market for high quality sawn material.

More accurate data is now emerging of the extent of damage to forest stands. The European Organisation of Sawmillers estimate that the total possible conversion volume of wood felled during the European storms amounted to around 150 million m<sup>3</sup>. Much of this wood is not of sawing quality. Of the 150 million m<sup>3</sup>, there are around 55 million m<sup>3</sup> of softwood saw-quality logs, and 30 million m<sup>3</sup> of saw-quality hardwoods. Of the total 85 million m<sup>3</sup> of sawing logs, around 28 million m<sup>3</sup> will be stored in ponds; around 39 million m<sup>3</sup> should be used domestically; and up to 15 million m<sup>3</sup> may be exported. Much of the storm damage was concentrated in France. The total possible conversion volume of wood felled in France amounted to 107 million m<sup>3</sup>. Around 42% of this volume consisted of hardwoods comprising 18 million m<sup>3</sup> of beech; 15 million m<sup>3</sup> of oak; and 12 million m<sup>3</sup> of other species (notably Poplar).



## Spain

## US shippers exploit bouyant demand

1999 was a boom year for the Spanish economy, partly because the linking of the peseta to the euro has brought the lowest interest rates for years. *The Economist* indicates that GDP growth during 1999 reached around 3.7%, well above the Euro-11 average of 2.2%. Spending in the construction sector grew by around 10.2%. Apartment construction starts reached 525,000 units, up from 467,000 in 1998. Prospects this year look good, with *The Economist* February "Poll of Forecasters" predicting GDP growth of around 4% in 2000. The high level of construction starts in 1999 should mean large numbers of completions this year, suggesting strong demand for inside finishing and furniture. Trade reports suggest the hardwood flooring market is growing, particularly in the North (the South prefers marble and ceramics). Incumbent President Jose Maria Aznar recently announced his intention to increase spending on public building projects if he is reelected in March, which may also boost demand for wood. Despite the positive economic picture, imports of many hardwood products during the first half of 1999 were subdued compared with 1998. Tropical log imports were particularly hard hit declining 24% compared with the same period in 1998. Cameroon has been the primary source of logs to Spain, but supplies from this source were disrupted during 1999 in the run up to the log export ban coming into force on 1 July last year. Spain was also characterised by relatively high stocks of sapele in the first half of 1999. Imports of sawn tropical wood were down around 7%, a trend which affected all the major supply sources. The strength of Spanish demand for hardwood veneer during 1999 suggests one possible contributory factor; increasing numbers of manufacturers may be turning away from solid lumber in favour of veneered

panels to keep down costs. Spanish imports of veneer during the first nine months of 1999 were up 12% on the same period the previous year. Spanish imports of European oak continued at relatively high levels during the first half of 1999, with a noticeable shift away from French to German sources. Imports of European beech however declined by 6%. In part this reflects the high costs of beech from Spain's traditional suppliers in France due to continuing strong Chinese demand.

North American hardwood exporters appear to have been the major beneficiaries of the booming Spanish economy. The continuing strength of North American sales in Spain during 1999 is particularly impressive given the weakness of the euro vis-a-vis the dollar, and rising prices for many American species. North American imports between January and June were up 18% on the previous year. Interestingly this is despite a significant decline in Spanish imports of White oak, traditionally the main species sold into the Spanish market. Import data seems to confirm the anecdotal evidence of growing interest amongst Spanish manufacturers to experiment with a wider range of species. Like elsewhere in Europe, Spanish furniture manufacturers have sought to exploit strong consumer preference for Cherry and Maple. As prices for these species have increased, they have also actively sought out alternatives such as Soft maple and Walnut. However there continues to be little interest in red oak or tulipwood. While Spanish manufacturers are open to new species, they are also increasingly focused on quality and remain generally resistant to natural characteristics and colour variations. There are reports of increasing interest in blanks for components and strips for moulding amongst Spanish manufacturers.

Although Spanish imports of American hardwoods were good throughout the first half of 1999, reports of high inventories were beginning to emerge by the end of the year.

The environmental issue is just beginning to have an impact in Spain. Greenpeace has launched a campaign targeting Spain's tropical imports from Brazil. Scandinavian exporters marketing FSC-certified products also report that there is growing demand for certified products, although from a very small base. This demand derives primarily from public building projects, and from manufacturers selling to members of WWF Buyers Group in Northern Europe.

**Spain Hardwood Imports  
January to June - Volume (m3)**  
Source: AEIM

	1998	1999	% Chng
<b>Tropical Logs</b>			
Cameroon	92,394	65,468	-29
Equatorial Guinea	26,556	17,406	-34
Gabon	16,626	11,894	-28
Central Afr. Rep.	8,085	12,789	58
Ivory Coast	1,184	2,140	81
Congo	1,259	3,772	200
Liberia	4,566	3,380	-26
Other Europe	5,270	4,132	-22
Other Africa	3,218	41	-99
Other Asia	204	53	-74
Total	159,362	121,075	-24
<b>Tropical Sawn</b>			
Cameroon	81,936	70,032	-15
Ivory Coast	66,233	64,523	-3
Brazil	56,677	51,430	-9
Central Afr. Rep.	14,769	12,373	-16
Congo	11,219	10,437	-7
Ghana	3,245	4,876	50
Chile	1,231	3,065	149
Gabon	1,440	1,733	20
Indonesia	1,547	309	-80
Other Europe	3,548	5,934	67
Other America	3,177	1,653	-48
Other Africa	1,417	1,718	21
Other Asia	106	381	259
Total	246,545	228,464	-7
<b>Temperate Logs</b>			
European Oak	67,362	70,871	5
from France	55,978	50,471	-10
from Germany	2,558	8,264	223
European Beech	97,645	91,677	-6
from France	82,440	62,370	-24
from Germany	5,948	3,123	-47
from Belgium	5,730	12,219	113
from Ukraine	2,004	6,885	244
Eucalyptus	503,361	666,865	32
from Portugal	221,101	268,341	21
from Argentina	145,569	128,940	-11
from Uruguay	81,076	97,336	20
Other species	35,336	42,299	20
Total	703,704	871,712	24
<b>Temperate Sawn</b>			
European oak	22,431	23,145	3
from France	15,228	13,451	-12
from Austria	3,391	4,476	32
from Germany	940	2,600	177
European Beech	108,287	90,094	-17
from Germany	56,671	48,421	-15
from France	34,673	27,478	-21
from Austria	5,999	6,228	4
N. American	71,961	84,587	18
from U.S.A *	67,034	78,463	17
from Canada	4,927	6,124	24
Other	28,741	36,968	29
Total	231,420	234,794	1

\* US oak imports registered a decline of 12%

## Another round of consolidation

The last few weeks have taken to a new level the trend towards international consolidation in the wood products sector. Stora Enso, the Swedish-Finnish forestry and paper group announced that it would acquire Consolidated Papers, its American rival, for US\$4.8 billion, to create the world's largest producer of paper and board. The deal came a week after Finland's UPM-Kymmene bought America's Champion International for US\$ 6.5 billion. Meanwhile concentration in European builders merchant sector continues. On January 27, the French building group Saint-Gobain announced the take-over of London-based Meyer International Plc. The takeover price was £1.04 billion. Saint Gobain's sales during 1998 amounted to £17.8 billion, while Meyer's sales were £2.1 billion. Through its subsidiaries Graham and Jewson, Meyer has 169 and 378 sites respectively. Sources: *The Economist/EUWID*.

## US propose to double aid for tropical forests

President Clinton's administration announced proposals in early February to nearly double US financial assistance for tropical forest protection. President Clinton's FY 2001 budget proposes a \$150 million spend on a new "Greening the Globe" initiative. This would represent the biggest increase in U.S. aid for tropical forest conservation on record. Last year only \$US80 million were allocated. \$100 million (up from \$62 million in FY 2000) would be channeled through forestry projects run by the US Agency for International Development (USAID). \$37 million would be allocated for Debt-for-Nature Swaps, three times current funding. \$3 million (a 50% increase) would be channeled through the US Fish and Wildlife Service for protection of endangered species. \$10 million, more than three times current funding, would go to the International Programs Office of the Forest Service to increase technical assistance for tropical forest management.

## European construction

## Prospects favourable

The prospects for the European Construction Industry into the new Millennium appear more favourable than at any time during the 1990s. This is the conclusion of a paper forecasting the development of the European construction sector to the year 2002 issued at the 48th Euroconstruct Conference in Cambridge, UK, at the beginning of January.

The Euroconstruct paper notes that total growth throughout the European construction sector slowed to + 0.96% and + 0.93% in 1997 and 1998 respectively. Growth in 1999, estimated at around + 2.9%, was considerably higher. This trend is expected to continue. Growth during 2000 and 2001 is forecast at + 2.7% and + 1.8% respectively. Taking a look at individual sectors:

**\* New residential construction:** During 1999, the "Big Five" European economies (comprising Germany, France, UK, Italy and Spain) saw significant increases in new house construction compared to previous years. This was largely due to a halt in the decline in Germany and strong performances in France (+13%) and Spain (+12.9%). This trend is expected to moderate over the following two years (+1.6% and 0.4%) due largely to a forecast decline in French house starts in 2001 and 2002.

House starts are also expected to continue to rise outside the "Big Five" during 2000, with Sweden (+16.8%), Ireland (+8.8%), Norway

(+4.8%) and Portugal (+3.2%) leading the way. Growth in Ireland and Portugal is expected to falter by 2001 due to capacity constraints (private house completions are expected to peak at around 45,000 units by 2001 in Ireland).

In Eastern Europe, Poland is forecasting a particularly strong average annual growth of 12.6%. In Slovakia the government is committed to significantly increasing the proportion of flats built.

**\* Non Residential Construction:** Growth in 1999 in the "Big Five" is estimated at 4.3% - surpassing earlier expectations. Germany's declining output of recent years now seems to have hit bottom, while there was particularly strong performances due to private investment in offices and industrial buildings in France (+10.0%) and the UK (+7.7%). However growth in this sector in the "Big Five" is forecast to slow to +2.6% in 2000 and +1.5% in 2001. Growth in non residential construction in other areas of Europe is expected to continue to rise during 2000. Ireland, Sweden and the Netherlands are expected to be particularly buoyant (forecasting growth of +10.9%, 9.7% and +4.9% respectively).

**\* Civil Engineering:** After years of stasis in civil engineering throughout the "Big Five", robust growth is forecast to return over the next three years (+3.8%, +3.3% and +1.5%) albeit at a declining rate. Spain in particular is anticipating strong growth in the sector (+8.0% averaged annually), where years of budgetary restrictions are being compensated for with major investments, particularly in transportation and communication infrastructure.

Elsewhere in Europe, there is expected to be particularly strong growth in civil engineering activity in Ireland - with average annual growth of +4.6% forecast to 2001. This reflects Ireland's recognition in its newly published National Development Plan 2000-2006 of the need to underpin development of its dynamic economy with more robust physical infrastructure.

**\* Repair and Maintenance:** Repair and Maintenance activity throughout Europe is forecast to rise on average by 2.3% each year in the period 1999 to 2001. In the "Big Five", the most important sector, residential (55% of total R&M), is forecast to grow at an average annual rate of +2.7%. The UK is expected to perform particularly well here, growing on average 3.9% each year between 1999 and 2001. This is due largely to the release of local authority capital receipts, which are being used primarily for the renovation of existing stock rather than the building of new. In the non-residential sector (forecast to grow by 2.1% annually in the "Big Five"), Spain expects the highest growth rate of +6.2% between 1999 and 2001.

Repair and maintenance activity throughout the rest of Western Europe is forecast to progressively increase to the end of 2001. In Eastern Europe however, the rate of growth in this sector is forecast to be considerably slower than in new build.

## Malaysia shifts to Radiata for US furniture market

According to a report on the High Point Furniture Show in US journal *Furnishings Digest*, US furniture imports are continuing to gain in strength. They note that "The product continues to improve and it is more difficult to differentiate from those produced domestically". A notable beneficiary of this trend is Malaysia. The Malaysian Government has targeted US\$1.8 billion for furniture exports over the next 4 years. The US is by far Malaysia's largest export market for furniture. Latest data indicates that between January and July last year, Malaysian furniture exports to the US were valued at US\$197 million and accounted for 40% of Malaysia's total furniture export of US\$517 million m3. Malaysia's furniture exports to the US were 7% up on the previous year.

An interesting facet of the Malaysian furniture industry is the extent to which New Zealand Radiata pine is now substituting for rubberwood as the raw material of choice. Radiata pine is estimated to account for around 20% of the sector's raw material input. In part this reflects problems of rubberwood supply in Malaysia. It also reflects the ease with which Radiata pine can be stained, machined, moulded and sanded; together with the species ready availability, and consistent quality. The US market also apparently favours the grain and more knotty appearance of pine over the uniformity of rubberwood. Increasing demand for Malaysian furniture in the US is expected to increase the share of pine supplied to Malaysia's furniture sector. (Based on IWPA News).

## Forest certification report

The independent non-profit organisation, Sustainable Forestry & Certification Watch (SFCW) has issued a detailed review of forest certification and environmental developments during 1999. The paper "*Forest Certification Watch: 1999 Year in Review*" is a special edition of SFCW's regular newsletter. The review provides in-depth coverage of developments in markets for certified wood, and in the implementation of forest certification schemes world-wide. For more information or ordering, please call SFCW at +1 514 2735777 or fax at +1 514 2774448. The publication can also be ordered online by logging on SFCW's website at <http://sfcw.org>.

## FSC samples at Hartlepool

Edinburgh-based Just World Trading is landing sample stocks of FSC-certified wood at Hartlepool, UK. Unsold material is available. The species include plantation grown mahogany (*swietenia macrophylla*) from Central America; and Santa Maria (*calophyllum braliense* - the Central American variety of *jacareuba*). The latter is a very durable red hardwood suitable for exterior joinery. Details available from John Canning at JWT, Tel: 0131 663 7478; Fax: 0131 663 7433.

## Building production in Euroconstruct countries

	1998	1999	2000 (f)	2001 (f)	2002 (f)
f = forecast					
<b>Billion euros, based on 1998 prices</b>					
Belgium	26.8	27.7	28.4	29.0	29.6
Denmark	16.3	15.8	15.5	15.8	16.1
Germany	212.8	212.4	214.7	217.7	221.9
Finland	12.9	13.6	14.5	14.7	15.0
France	100.9	106.7	110.5	112.1	114.1
Great Britain	91.6	93.4	96.0	97.8	99.1
Ireland	11.8	13.3	14.8	15.6	16.2
Italy	102.6	108.1	110.9	111.7	112.3
Netherlands	36.8	38.5	39.8	39.7	40.0
Norway	15.3	14.5	14.6	15.2	15.6
Austria	25.3	25.6	26.0	26.5	27.0
Portugal	13.4	14.0	14.5	14.8	15.6
Sweden	16.2	17.0	17.9	18.6	19.0
Spain	55.6	61.3	64.4	65.7	67.0
Switzerland	23.9	23.2	23.4	23.9	24.3
EC-15	762.3	785.1	805.8	818.5	832.8
Czech Republic	4.7	4.4	4.4	4.5	4.7
Hungary	4.1	4.4	4.9	5.4	5.9
Poland	17.6	18.6	19.6	20.8	22.6
Slovakia	1.6	1.1	1.2	1.3	1.5
Total	790.3	813.6	835.9	850.5	867.5
<b>% Change on previous year</b>					
Belgium	-3.6	3.4	2.5	2.1	2.1
Denmark	0.7	-3.1	-1.9	1.9	1.9
Germany	-4.1	-0.2	1.1	1.4	1.9
Finland	11.0	5.4	6.6	1.4	2.0
France	1.9	5.7	3.6	1.4	1.8
Great Britain	1.7	2.0	2.8	1.9	1.3
Ireland	8.5	12.7	11.3	5.4	3.8
Italy	2.9	5.4	2.6	0.7	0.5
Netherlands	2.1	4.6	3.4	-0.3	0.8
Norway	-4.9	-5.2	0.7	4.1	2.6
Austria	4.3	1.2	1.6	1.9	1.9
Portugal	6.0	4.5	3.6	2.1	5.4
Sweden	5.2	4.9	5.3	3.9	2.2
Spain	6.1	10.3	5.1	2.0	2.0
Switzerland	-0.1	-2.9	0.9	2.1	1.7
EC-15	0.8	3.0	2.6	1.6	1.7
Czech Republic	-9.5	-6.4	0.0	2.3	4.4
Hungary	4.0	7.3	11.4	10.2	9.3
Poland	9.0	5.7	5.4	6.1	8.7
Slovakia	-4.0	-31.3	9.1	8.3	15.4
Total	2.3	2.9	2.7	1.7	2.0

## International Forest Policy

## New government forest forum

More than 100 governments met at UN Headquarters in New York during early February to discuss the future of international forest policy. Agreement was reached at the fourth and final session of the Intergovernmental Forum on Forests (IFF4) on the need for a permanent intergovernmental forestry forum, but delegates fell short of promising immediate negotiations towards a legally binding Global Forest Convention.

Delegates at the two-week conference agreed to create a permanent UN forum to coordinate international forest policy. The forum would meet at least once a year with a view to improving implementation of existing treaties and other global accords affecting forests. Unlike the IFF, the new United Nations Forum on Forests (UNFF) will not be under the UN Commission on Sustainable Development (CSD), but rather under ECOSOC (the higher body of CSD).

Delegates at IFF4 remained divided over a Canadian-led initiative to encourage immediate

negotiations towards a fully fledged international forestry convention. Canada gained firm support from a wide variety of nations, including Russia, Malaysia and francophone African countries. But they were opposed by an unusual coalition of Brazil, the United States, Switzerland, New Zealand, India, and several other developing nations. Some developing nations continue to be concerned over the potential costs of a legally binding framework. Internal divisions dulled the European Union's voice. Key members, including the UK, were opposed to the EU's official pro-convention line. After an all-night session delegates agreed they would "consider" within five years "recommending the parameters of a mandate for developing a legal framework on all types of forests." Both sides claimed they were satisfied with the outcome. Canada's director general of international environmental affairs, told participants they were moving "towards that legal framework for which Canada has worked for so long." Canada now seems set on building

political momentum for a new treaty to be launched at an inter-governmental environmental convention planned for 2002 (RIO+10) to mark the tenth anniversary of the 1992 "Earth Summit".

The U.S. State Department also declared themselves satisfied with the final text, having balked at earlier drafts that might have committed Washington to treaty negotiations. Environmental groups continued to campaign against a forest convention at IFF4, claiming it would sanction under international law existing logging practices which they regard as dubious. They also claim resources would be diverted from existing accords. For example Greenpeace note there are 40 international bodies dealing with forestry in some form and at least 20 treaties that touch on the issue. Environmental groups seemed satisfied with the agreement to develop the UNFF, particularly as the text included relatively strong language to promote "multi-stakeholder dialogues" allowing structured input by non-governmental groups. In addition to discussing a possible forest convention, delegates considered a wide range of "proposals for action" to promote sustainable forestry agreed by the Intergovernmental Panel on Forests' (the fore-runner to IFF). They considered the steps that should be taken to monitor progress in implementing these proposals. Also discussed were: the transfer of financial resources from North to South; trade and environment issues; and the international exchange of environmentally sound technologies to support sustainable forest management. The Forum succeeded in reaching a consensus in all these areas. Proposals for action agreed at IFF4 must now be submitted to the eighth session of the UNCSD to be held in April 2000.

## Japan

## Decline in tropical log imports predicted

Forecasts of Japanese wood imports suggest that trends observable in 1999 will intensify during 2000. The main trends are:

\* a decline in tropical log imports due to supply constraints and a significant shift to softwood logs for plywood manufacture.

\* the relatively high levels of Russian softwood log imports apparent in 1999 should be maintained during 2000.

\* North American lumber imports, which grew by around 10% between 1998 and 1999, should maintain these levels in 2000

\* European lumber imports, which increased by nearly 80% between 1998 and 1999, should grow by another 8% in 2000. Much of this volume is of softwood from the Nordic countries.

So rapid has been the growth of the market for Nordic softwood in Japan over the last 12 months that the *Japan Lumber Journal* recently devoted an article to explain the trend. The Journal credits the dramatic rise to the following:

\* increased demand for structural laminated timber following the introduction of Japan's new Housing Quality Assurance Law. From April this year builders must guarantee the quality of their structures for 10-20 years.

\* the inconsistent supply of Southsea hardwoods

\* the weakness of the euro against the yen

\* the green and "clean" image of Nordic countries and their lifestyle

\* increasing consumer demand for "white" timber and solid wood

\* the marketing strategy of the Nordic Timber Council, involving high profile participation in trade and consumer shows; and seminars for Japanese executives from the building, distribution and design sectors.

Housing starts in Japan are expected to maintain a slow steady improvement during 2000

because of general improvement in the national economy. The government also plans to extend the tax incentive program designed to stimulate the residential sector until June 2001 (it was to expire at the end of 2000). Sources: *Pine Magazine/Pacific Rim Market Report*

Projected Demand for Wood Products Imports to Japan in 2000			
Units : 1000 cubic metres			
	1999 Est.	2000 Proj.	Proj. %
	Consmptn.	Demand	Chng.
<b>North America</b>			
logs	4986	4996	0.2
lumber	4565	4610	1.0
total	9551	9606	0.6
<b>Southseas &amp; Africa</b>			
plywood logs	3381	3000	-11.3
lumber logs	355	320	-9.9
lumber	890	1000	12.4
total	4626	4320	-6.6
<b>Russia</b>			
logs	5439	5500	1.1
lumber	441	450	2.0
total	5880	5950	1.2
<b>New Zealand &amp; Chile</b>			
logs	1584	1600	1.0
lumber	603	650	7.8
total	2187	2250	2.9
<b>Europe</b>			
logs	10	0	-
lumber	1849	2000	8.2
total	1859	2000	7.6
<b>Total Logs</b>	15755	15416	-2.2
<b>Total Lumber</b>	8348	8710	4.3
<b>Total Plywood</b>	4662	4200	-9.9
<b>Grand Total</b>	28765	28326	-1.5

Note: projected domestic plywood production for 2000 is 3.3 million m<sup>3</sup>; 1.54 million m<sup>3</sup> of hardwood ply; 1.46 million m<sup>3</sup> of softwood ply; 0.3 million m<sup>3</sup> is combination hardwood/softwood ply.

Source: *Pacific Rim Market Report* - based on Joint Meeting of Japan Lumber Importers Assns., dealers Assns., and manufacturers Assns. of major imported wood product

## "Tidal wave" Cont. from page 12

challenge for the tropical hardwood industry is to invest in more comprehensive market research and market development programmes. Anecdotal evidence also suggests that high value western markets for tropical woods will only be maintained and expanded if reliable systems of environmental quality assurance are developed. So the tropical industry faces another costly challenge; to create credible forest certification systems.

Unfortunately, there couldn't be a worse time to start, as the asian crises has severely undermined cash flows for market research and promotional activities. However Leslie argues that this is a challenge that must be faced: "Failing that, the future for tropical forestry is highly likely to be one in which timber production is in rapid decline and a low-output, low-return, weak and fragile competitor in a cut-throat commodity timber export market. The main purpose of tropical forests will increasingly be in their conservation, environmental and ecotourism values; since sustainable forest management will be essential for this and the tropical timber industry in no shape to bear the cost, the industry will virtually disappear."

## Market forecast

## “Tidal wave” of plantation wood

**A report from the International Tropical Timber Organisation argues that the tropical hardwood sector must shift rapidly out of commodity wood trading and focus on maintaining and expanding markets in the high value decorative and environmentally certified sectors. If this doesn't happen soon, tropical wood from natural forests will be overwhelmed by a “tidal wave” of plantation grown wood.**

The report by A.J. Leslie, a consultant to an ITTO forestry project based in Sarawak, argues that the international competitive position of tropical wood from natural forests is set to decline very rapidly as the industry feels the impact of two developments. The first, described as the “*sustainable forest management effect*”, will push up the cost of timber harvesting and management in natural forest. The second, the so-called “*plantation effect*”, will limit the extent to which tropical hardwood prices can be increased to cover higher production costs.

Leslie suggests that the tropical timber market after recovery from the Asian economic crisis of 1997–99 will be very different from that existing before the slump. “*This is because the main factor that will change the market is not anything arising from economic restructuring but a massive increase in the potential supply of plantation wood, which will start to enter the Asia-Pacific region and then the world demand-supply balance soon after the year 2000.*”

Two features characterise the new plantation supplies. First, they will be very largely in the form of general-purpose, utility timber (commodity timber) and pulpwood. Second, the age class distribution of the plantation resource is such that it will arrive as two “tidal waves”, rather than as a steadily rising flow. The first tidal wave will arrive around 2005, consisting of an additional 35 to 40 million m<sup>3</sup> of industrial wood hitting international markets from around 2005 onwards. This wood derives from maturing plantations established in the planting boom of the 1970–85 period in New Zealand, Australia and Chile. As the volumes involved amount to only around 2% of present world wood consumption, the first wave is unlikely to have much of an impact at world level, but

the regional impact on Pacific Rim markets will be considerable.

The second tidal wave will be more substantial, as an additional 100-150 million m<sup>3</sup>/annum of industrial plantation wood from existent plantations worldwide come on-stream beginning around 2010/15. This resource has the potential to meet at least 70% of the world's present consumption of industrial wood. Therefore, it is argued, “*in both the Pacific Rim and, before long, the world, the outlook is for over-supplied markets for commodity timbers and pulpwood.*”

Leslie notes that a significant proportion of the wood sourced from natural tropical forest continues to be sold into commodity markets.

He also suggests that the markets for speciality and decorative timbers will “*be affected to some degree [because] the mass market for [these] products can be met through technological developments that eliminate the technical differences between softwoods and hardwoods and reproduce the decorative features through overlays.*”

Nevertheless the continuing popularity of teak, mahogany, rosewood, cherry and walnut, despite rising prices, provides anecdotal evidence to suggest there will always be some markets “*where only the genuine article will do*”. Accurate information on the distribution and size of these markets is difficult to come by, so a key

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Exchange rates for one pound sterling and one US dollar

		22 Dec		1 Feb		25 Feb	
		£STG	US\$	£STG	US\$	£STG	US\$
Argentina	Peso	1.6067	0.9998	1.6147	0.9998	1.5936	0.9995
Australia	Aus.\$	2.4931	1.5513	2.5472	1.5773	2.5836	1.6204
Bangladesh	Taka	81.9571	51	82.3625	51	81.317	51
Belgium	Belgian Fr.	64.3118	40.0198	66.9651	41.4657	65.7165	41.2158
Belize	B\$	3.1979	1.99	3.2299	2	3.1889	2
Bolivia	Boliviano	9.5135	5.92	9.6413	5.97	9.6305	6.04
Botswana	Pula	7.4278	4.62214	7.6448	4.7337	7.5424	4.7304
Brazil	Real	2.928	1.822	2.8981	1.7945	2.827	1.773
Fr. Africa*	CFA Fr.	1045.76	650.75	1088.9	674.27	1068.6	670.2
Canada	Canadian \$	2.3739	1.4772	2.3372	1.4472	2.3152	1.452
Chile	Peso	862.235	536.55	837.351	518.5	807.509	506.45
China	Yuan	13.3053	8.2796	13.3676	8.2774	13.1998	8.2786
Czech Republic	Koruna	57.6688	35.886	59.5246	36.8585	57.8547	36.285
Denmark	Danish Krone	11.8645	7.383	12.3529	7.6491	12.1328	7.6094
Estonia	Kroon	24.9434	15.5217	25.9698	16.081	25.4894	15.9863
Europe	Euro	1.5943	1.008	1.66	0.9729	1.6291	1.0217
Finland	Markka	9.479	5.8986	9.87	6.1117	9.686	6.0749
France	Franc	10.4576	6.5075	10.889	6.7427	10.686	6.702
Germany	D-mark	3.1181	1.9403	3.2467	2.0104	3.1862	1.9983
Ghana	Cedi	5608.45	3490	5829.98	3610	5990.36	3757
Guyana	Guyanese \$	288.617	179.6	291.498	180.5	287.479	180.3
Hong Kong	HK\$	12.4877	7.7708	12.5649	7.7804	12.409	7.7826
India	Rupee	69.9125	43.505	70.4139	43.6013	69.5491	43.6195
Indonesia	Rupiah	11353.5	7065	11991.01	7425	11719.2	7350
Irish Republic	Punt	1.2556	0.7813	1.3074	0.8095	1.283	0.8047
Italy	Lira	3086.89	1920.9	3214.25	1990.31	3154.32	1978.31
Japan	Yen	163.215	101.565	174.253	107.9	176.904	110.95
Kenya	K. Shilling	116.989	72.8	117.326	72.65	117.272	73.55
Korea South	Won	1818.32	1131.5	1819.24	1126.5	1812.09	1136.5
Liberia	Liberian \$	1.607	1	1.615	1	1.5945	1
Malaysia	Ringgit	6.1066	3.8	6.1369	3.8	6.0589	3.8
Myanmar	Kyat	5.4802	3.4102	10.0935	6.25	9.766	6.125
Netherlands	Guilder	3.5133	2.1863	3.658	2.2653	3.59	2.2516
New Zealand	NZ\$	3.1198	1.9414	3.2878	2.0358	3.2687	2.05
Nigeria	Naira	157.004	97.7	160.364	99.3	162.714	102.05
Papua NG	Kina	4.3682	2.7182	5.0708	3.14	5.0023	3.1373
Philippines	Peso	64.9229	40.4	65.5347	40.58	65.2131	40.9
Poland	Zloty	6.6642	4.147	6.8474	4.24	6.613	4.1475
Portugal	Escudo	319.618	198.89	332.804	206.077	326.599	204.835
Romania	Leu	28861.7	17960	29828.1	18470	30087.3	18870
Russia	Rouble	43.0034	26.76	46.1311	28.565	45.7767	28.71
Singapore	Singapore \$	2.6762	1.6653	2.7422	1.698	2.7277	1.7107
Solomon Islands	Slmn. Is. \$					8.0622	5.0564
South Africa	Rand	9.8855	6.1515	10.1532	6.287	10.057	6.3075
Spain	Peseta	265.26	165.065	276.204	171.029	271.054	169.999
Sweden	Krona	13.6611	8.501	14.189	8.786	271.054	169.999
Taiwan	\$	50.8793	31.661	49.5491	30.6815	49.0453	30.76
Tanzania	Shilling	1280.78	797	1287.92	797.5	1275.56	800
Thailand	Baht	60.4714	37.63	60.5365	37.485	60.3101	37.825
Uganda	New Shilling	2412.913	1501.5	2483.79	1538	2405.23	1508.5
U.S.A	US \$	1.607	1	1.615	1	1.5945	1
Venezuala	Bolivar	1036.11	644.75	1058.6	655.5	1054.77	661.525
Vietnam	Dong	22533.4	14022	22693.3	14052	22413.2	14057
Zimbabwe	\$	61.9499	38.55	61.7315	38.225	61.3067	38.45

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

### SUBSCRIPTIONS

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