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Ghana's last hurdle to sustainability

A new legislative framework for the management of Ghana's forests is being considered by the nation's parliament. The new legislation, embodied in the Timber Resources Management Regulations, establishes a framework for the allocation of forestry resources for exploitation in Ghana. The old system of concession leases is being replaced by a system of Timber Utilisation Contracts. The contracts provide the state with much greater leverage over the performance of the private sector in managing Ghana's forests. Stumpage fees and land rent are also being increased so that they more accurately reflect the real economic value of the Ghanaian forest resource. The importance of the new legislation is reflected in a recent statement from Ghana's Daily Graphic: "the dismantling of the concession system is imperative if Ghana is to have any realistic hope of utilising forest resources on a sustainable basis".

Under the system of Timber Utilisation Contracts, the government as stewards of the forest will invite bona fide timber companies to apply for a contract to harvest logs under strict conditions. Only those companies that can operate in an environmentally responsible and

efficient manner will receive contracts. Applicants will have to demonstrate that they are properly equipped and staffed and that they are prepared to invest in plantation development programmes. They will also have to demonstrate their commitment to social responsibility agreements with local communities. The contracts will place tight legal obligations on companies to comply with standards for sustainable forestry drawn up by the new Forest Service in consultation with local communities. Contracts may be suspended or revoked if they are not met. Contracts will drawn up so that total log production does not exceed the national sustainable limit of 1 million m3 per year.

A greater proportion of funds derived from the state allocation of forest resources is to be fed back to the communities, and more money will be available for forest management. A stumpage fee for each tree felled will be payable and calculated on the basis of the current market value of the timber. Part of the stumpage fee will be paid as royalties to the traditional land holding stools and part to the Forest Service as a fee for forest management. These fees will be considerably higher than under the existing concession lease system. Land rent will continue

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Malaysia launches certification

Malaysia is investing heavily in the development of a national certification scheme to ensure continuing access to environmentally aware European markets. At a recent meeting with representatives of the UK trade in London, Primary Industries Minister Dr Lim, stressed Malaysia's determination to meet the environmental requirements of even the most demanding customers.

Dr Lim's visit to London coincided with the launch of the Malaysian National Timber Certification Council (NTCC). The Council is an independent, non-governmental body monitoring the work of assessors and certifiers in Peninsula Malaysia. NTCC is private

company managed by a board of trustees comprising representatives from the timber industry, government agencies, research and development institutions and non-governmental bodies. It has been launched with a M\$10.6 million grant from the Malaysian government. The NTCC will build on the work of a variety of state committees and the Malaysia-Netherlands Joint Working Group which has been developing a pilot certification program. Under the pilot scheme forest management in three Malaysian states (Pahang, Selangor, Terengganu) has been audited by SGS against the "Malaysian Criteria, Indicators, Activities and Management Specifications for Forest Management Certification" or MC&I. These

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Uncertain future for China

China is increasingly a focus of attention for the forest products sector. It is the only market in the Far East, and one of the few world markets, that can claim to be booming. Demand in

China is largely responsible for the recent recovery in log prices in the Far East, a trend which is filtering through to the plywood and sawnwood sectors. But China's influence goes much further than this. To a large extent the recovery of other Asian economies will depend on continuing economic growth in China.

On the surface China's economy looks buoyant. Even before the year had come to a close, China's government officially decreed that real GDP growth in 1998 reached 7.8%, close to the

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STATISTICS IN THIS ISSUE

U.K. IMPORTS

logs, sawn, plywood, veneers
sleepers, blockboard

Outside E.C.

September & October 1998

Intra E.C.

August & September 1998

CHINA IMPORTS

logs and lumber, all species and grades

January to November 1997 /1998

EUROPEAN HARDWOOD IMPORTS

logs, sawn, veneer, plywood

9 European countries by continent

Years 1995, 1996, 1997

JAPAN IMPORTS

logs, lumber, plywood

Estimated consumption/projected demand

Years 1998, 1999

ASIA FOREST AREA, LOG REMOVALS & LONG RUN SUSTAINED YIELD

By country

EUROPEAN GDP GROWTH

Predictions for 1998 and 1999

- Tropical Timbers, editor: Rupert Oliver
- Market and Environmental Information for the Forest Products Industry

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Malaysian Certification- Continued from page 1

standards were developed by a government committee to be compatible with ITTO's Criteria and Indicators for sustainable forest management. While the 3 states did not fully meet the certification standards, SGS issued a "declaration" stating that buying timber under the scheme would contribute to sustainable forestry in Malaysia. The three states also committed to continuously improve forest management to ensure full compliance with the MC&I by 2000. Sawn timber, plywood and mouldings from the 3 states were subject to a chain of custody audit by SGS in Malaysia and through the Keur Hout program in Holland. The products were successfully marketed to Dutch Local Authorities and Municipalities using the Keur Hout label. By end December 1998, 15,452 m3 of wood had been shipped to Holland under the pilot programme. 29 Malaysian companies and 30 Dutch companies have been involved in chain of custody audits.

The pilot study demonstrated that demand for certified products is relatively low compared with overall wood consumption. However current levels of certified supply are insufficient to meet demand. The pilot study also showed that the declaration provided by SGS was adequate to reassure the market. There was little enthusiasm from most buyers to pay a green premium. However in certain niche markets a

substantial premium could be achieved.

Efforts are being made to expand the certification scheme to the remaining states of Peninsular Malaysia. NTCC will manage the scheme, while the Department of Standards Malaysia may also be involved to further develop the MC&I. These may be redrafted in the form of an official Malaysian standard. Local certifiers may be accredited by the Malaysian Standards and Accreditation Council.

At the London seminar, Dr Lim said he was optimistic that 100% of Peninsular Malaysia's forest area would be certified by 2000. The target was driven more by the nation's desire to achieve sustainability on the ground than by the strength of market demand for certification. The large 1995 Plus Group contingent at the seminar suggested that the Malaysian scheme should converge with the Forest Stewardship Council. Dr Lim implied that Malaysia could enter into dialogue with FSC with a view to reaching some form of accommodation. In making this statement, Dr Lim may have been encouraged by the Memorandum of Understanding that exists between FSC and LEI, the national certification scheme now being developed by Malaysia's main competitors in Indonesia. Under this Memorandum, LEI and FSC have agreed to work towards mutual recognition of their respective certificates.

Ghana - Continued from page 1

to be payable and will be increased from 1000 cedis/ hectare/year to 1500 cedis/hectare/year inside reserves. A levy of 1000 cedis/hectare/year is also to be levied outside reserves. Sub-letting of a lease to a third party, including millers and chain saw operators, will become a thing of the past. The existing system of ad-hoc temporary logging permits is being withdrawn. A section of Ghana's forest industry continues to resist the proposals and is busy lobbying to have the new legislation thrown out. Some companies are arguing that the increased stumpage fees and land rents will lead to decreased profitability, plant closures and job losses. But proponents of the new legislation claim that, where margins are tight in Ghana's timber sector, this usually reflects low efficiency and high costs. These are factors which have themselves been encouraged by low stumpage rates. They also suggest that demand for timber from Ghana's processing sector is currently three times in excess of sustainable supply, implying that rationalisation and restructuring is inevitable.

The introduction of Timber Utilisation Contracts is closely linked with the development of Ghana's national certification framework. The Ghanaian authorities are hoping these initiatives will guarantee continued access to Europe's increasingly environmentally conscious markets.

China - Continued from page 1

official government target of 8%. There seems little doubt this figure is politically manufactured. In truth it is fiendishly hard to estimate real GDP growth in China. When data relies on provincial reporting rather than statistical sampling, and when provinces are ordered to find economic growth at any cost, there is a great temptation to massage the figures. The *Economist's* best guess is that growth is overstated by anywhere between 1% and 3%. While this leaves room for impressive growth, other data suggests that China's economy faces real challenges. Corporate profitability is falling in the face of deflation combined with huge corporate debts and high interest rates. Structural reform, while boding well for the future, is creating its own problems. Workers are saving money, not spending it, against the risk of being fired. Banks aren't lending and companies are weighed down with unsellable inventories. Now China's exports are slowing in the face of Asia's woes.

China's government has little room for manoeuvre. In any "normal" economy, the obvious answer would be to cut interest rates. However this is not an easy option in China. The four largest banks are insolvent. Cutting interest rates would further erode their profitability. Another answer is for China to increase infra-structure spending. In 1998, China committed to spending an extra 200 billion yuan, around US\$ 24 billion, on infra-structure over the next two years.

Devaluation of the yuan would be another way to stimulate demand. Some analysts feared that the recent devaluation of the Brazilian *real*

would lead to contagion in international financial markets forcing China to devalue. So far these fears have not been realised and a forced devaluation now seems unlikely. The yuan is not fully convertible and China has foreign exchange reserves of US\$145 billion. In January China reiterated her commitment not to voluntarily devalue. But if China's internal difficulties persist, attitudes may change.

Despite uncertainties over China's economic future, the country provides new opportunities for wood exporters. Recent estimates suggest Chinese wood consumption in 1998 reached 59.2 million m3, while imports increased to about 9 million m3. These increases are set to continue as China reduces domestic production by around 10 million m3 over the next two years. Cuts in logging have been encouraged by severe

WOOD IMPORTS TO CHINA		
January to November, all species and grades		
	LOGS	LUMBER
VOLUME (m3)		
1997	391million	1,173,884
1998	419million	1,469,598
% Change	7	25.2
VALUE (\$000s)		
1997	596,661	233,926
1998	522,572	300,533
% Change	-12.4	28.5

Source: Pacific Rim Wood Market Report

flooding widely regarded as the result of overlogging of natural forests. In North East China's Liaoning Province, the annual allowable cut has been reduced from an average of 4.05 million m3 to 3.45 million m3 last year. The cut will be reduced further to 2.9 million m3

this year. Heilongjiang province, home to China's largest expanse of forest, has set its 1999 cut at 6.17 million m3, down 0.5 million m3 from 1998. The cut will be reduced by a further 2 million m3 in 2000. In central Hubei Province, hit particularly hard by the flooding, the annual allowable cut has been reduced from 8 million m3 to 7 million m3.

Imports are rising rapidly and foreign exporters are looking for new opportunities. Recent data suggests that Shanghai port, the main Chinese port for imported timber, handled 77% more imported sawlogs and 15% more plywood during 1998 compared with 1997. Much of the demand has come from repair work after the flooding. Chinese buyers have also been encouraged by the low prices on offer. Efforts to prevent smuggling have been instrumental in pushing up official import figures.

Evidence of continuing economic growth during 1998, combined with China's more liberal trade policies have encouraged a significant increase in inward investment. The country's forest sector has attracted US\$2.1 billion in overseas investment since the end of 1996. This includes loans from foreign governments totalling nearly US\$200 million, World Bank loans of US\$600 million, and grants of nearly US\$ 500 million. 58% of new investment has been directed towards plantation establishment, and 35% to secondary industries including wood based panels and furniture. US industry is taking a particular interest in developments in China. Members of the American Hardwood Export Council and American Forest and Paper Association recently met with senior Chinese government officials and industry association representatives to discuss opportunities.

INDICATIVE PRICES

Latest indicative prices available at time when preparing this report. 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

	Nov	Dec	Jan
Ex Cameroon Fr.F/m3 FOB Douala LM			
N°GOLLON			
70cm+20% 60/69	1350	1350	1350
BOSSE 60cm+	1550	1550	1550
AYOUS 70cm+	1000	1000	1000
BIBOLO 60cm+	1375	1375	1375
SAPELE			
80cm+20% 70/79	1650	1650	1650
SIPO			
80cm+20% 70/79	1900	1900	1900
IROKO			
80cm+20% 70/79	1650	1650	1650
Ex Gabon Fr.F/m3 FOB Owendo LM			
ACAJOU			
70cm+20% 60/69	1175	1175	1175
DIBETOU 60cm+	1175	1175	1175
DOUKA			
70cm+15% 60/69	1150	1150	1150
SIPO			
70-79cm10%/60/69	1700	1700	1700
80-99cm	1900	1900	1900
Ex Cote d'Ivoire Fr.F/m3			
Fr.F/£	9.50	9.37	9.49
FOB Abidjan FAS			
6"+ avg 9"-10"			
6"+ avg 10"-11"			
1"-2"			
IROKO	3300	3300	3275
SIPO	3500	3500	3550
MAHOGANY	2750	2750	2700
FRAMIRE	2000	2000	2000
SAMBA No.1 C&S	1550	1550	1525
AZOBE dim. stock	2100/	2100/	2100/
	2700	2700	2700
OPEPE dim. stock	1850/	1850/	1850/
	2450	2450	2450
Ex Malaysia US\$/ton, C&F UK port			
M\$/£	6.31	6.40	6.24
US/£	1.66	1.68	1.64
M\$/US\$	3.80	3.80	3.80
(Rates given for M\$ are official rates)			
DARK RED SERAYA/MERANTI			
Select & better GMS			
width 6"+ avg 7"/8"			
length 8'+ avg 12'/14'			
1-2" KD	735	765	770
2.5" KD	760	790	795
3" KD	775	820	825
KERUING			
Standard & Better GMS			
1"-3"			
width: random or fixed			
length 16'+	460	480	490
KAPUR			
Standard & Better GMS			
1"-3" plnd			
width 6"+ avg 7"-8"			
length 16'+	475	495	500
TEAK (Official price list basis)			
FEQ/equivalent			
Boards: 6"+ avg 8", 6'+ avg 8'			
Shorts: 6"+, 3'/5.5' avg 4'			
Ex. Burma 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\$/£	1.66	1.68	1.64
6"+ avg 9-10"			
6"+ avg 10-11"			
MAHOGANY (Swietenia)			
1"-2" AD	1100	1100	1100
2.5"-3" AD	1120	1120	1120
1"-2" KD	1190	1190	1190
2.5"-3" KD	1210	1210	1210
VIROLA			
1" KD No.1 C&B			
boards	400	400	400
strips	370	370	370
CEDRO			
1"-1.5" KD	700	720	720
2" KD	700	720	720
2.5"-3" KD	750	750	750

Hardwood Markets

Highlights

- Tightening Asian supplies lead to price rises
- African availability is generally good.
- Sapele prices weakening
- Lack of quotas for Brazilian shipments.
- Hard maple prices continue to firm.
- Weakening demand for US lower grades.

Asian Hardwoods

Supplies of Asian tropical hardwoods are becoming increasingly difficult to obtain and this is reflected in rising prices for all species and grades. Continuing heavy rains have meant that logging has more or less come to a halt throughout Malaysia. There has also been reduced activity over the Ramadan holiday season. With the Chinese New Year vacation lasting for two weeks in mid February, supplies are not expected to improve until March at the earliest. Supplies of sawn Seraya from East Malaysia have also been affected by the Sabah and Sarawak governments' decision to allow the export of logs. This decision coupled to continuing strong demand for logs from China, has disrupted the supply of logs to East Malaysian mills. Supplies are so tight that ships from the Far East are being delayed in the absence of sufficient cargo.

While tightening supplies are expected to lead to rising prices after the holiday season, uncertainty exists over the scale of the increase. Producers representatives in Europe are advising buyers that price levels at present are "purely academic" as sawn Meranti is currently unavailable. Forward market prices are being quoted at around US\$765/ton for containerised 2" DRM for March shipment, and some shippers are indicating prices of around US\$800 for April/May shipment. Meanwhile there are numerous delayed contracts in the UK and stocks of DRM ordered several months ago are only just arriving. These are being invoiced at prices agreed several months ago at around US\$735/ton. A clearer picture of the price situation for Asian hardwoods should become apparent after Chinese New Year.

Despite evidence of rising prices, many importers remain reluctant to commit to forward contracts for Asian hardwoods. Nevertheless producers seem confident that there will be plenty of buyers to sustain higher prices when logging gets underway again after the rains. And despite the likely increases, DRM prices continue to be competitive against Sapele.

Indonesian sawn timber is being offered for sale but hasn't yet generated much interest. Due to export duties on Indonesian sawn timber, prices are currently higher than Malaysian, although this could change if Malaysian price increases are sustained.

African Hardwoods

The logging season in Africa is now well underway and availability is said to be good for most species. However European markets for

Sawn Timber

Ex Ghana DM/m3 FOB Takoradi

FAS (includes notional agent's commission of 5%)			
6"+ avg 9" C/£	3906	3940	3868
6'+ avg 9' DM/£	2.83	2.79	2.83
A.MAHOGANY AD	995	995	800
A.MAHOGANY KD	1135	1135	960
EMERI AD	760	760	760
UTILE KD	1365	1365	1220
ODUM AD	1030	1030	990
ODUM KD	1240	1240	1150
SAPELE KD	1155	1155	950
EDINAM AD	860	860	700
EDINAM KD	1020	1020	880
WALNUT AD	705	705	705
NIANGON AD	895	895	895
DANTA AD	680	680	680
DANTA KD	945	945	945
WAWA AD	490	490	450
WAWA KD	550	550	515
MAKORE AD	790	790	790
MAKORE KD	1100	1100	960

Ex Cameroon Fr.F/m3 FOB

FAS width 6"+, length 6'+			
SAPELE	2950	2900	2850
SIPO	3500	3500	3680
BIBILO	2850	2850	2850
N°GOLLON	3200	3200	3200
AFRORMOSIA	3550	3550	3650
IROKO	3400	3400	3400

Ex Gabon FR.F/m3 FOB

FAS width 6"+, length 6'+			
OKOUME AD	2000	2000	2000

Ex Zaire Fr.F/m3 FOB

FAS width 6"+, length 6'+			
SAPELE	2850	2800	2800
SIPO	3400	3400	3500
MAHOGANY	2950	2950	2950
AFRORMOSIA	3500	3500	3550
IROKO	3300	3300	3300

African species have been slow to pick up in the New Year. Buyers are generally able to dictate prices. Sapele is now in oversupply which has led to weakening prices. In the UK, supplies of Sapele are already in excess of market demand. Future prospects for Sapele are heavily dependent on DRM price increases which, if sustained, would serve to put a floor under prices. Agents are confident that European buyers, notably in Spain, would move back to Sapele if DRM prices continue to rise. Prices and demand for iroko remain fairly firm. There is some demand for Makore from Spanish buyers but the price has to be right. Availability of the species is tight.

Wawa is in oversupply and prices are weakening. Only long term buyers of the species are interested and few, if any, new markets are being created. Demand in Germany is relatively slow, a reflection of continuing sluggish economic conditions in the country.

Utile, like other high price red woods, is difficult to sell these days and business is said to be slow.

Paolo Gardino President of the ATIBT (TTJ Timber and Wood Products, January 1999) summarised the position of European markets for African hardwoods. He noted that demand is slack in Germany, the Netherlands and Belgium and stocks are high, as they are in the UK. Sales in France during 1998 have been quite good, although a recent weakening in demand has created considerable price competition. Italian buyers that traditionally buy white species from the Ivory Coast are now turning towards countries such as Liberia, Cameroon, and Gabon. The Spanish market is stable. In Portugal, which buys mostly sapele, agba and iroko, stocks are high and a quiet period is forecast.

Log and timber supplies from West Africa are being affected by political developments in the region. Cameroon's government is planning to severely restrict the export of logs during 1999. Exporters remain concerned about the lack of domestic processing capacity in the country. The announcement of the ban at the end of 1998 prompted a rush by log importers to engage in large volume forward contracts. This coupled with continuing firm demand for African logs from China, led to upward pressure on log prices.

Reports from the Democratic Republic of Congo (formerly Zaire) suggest that unrest and civil war are impeding the timber industry. Timber production is being affected by fuel shortages and restricted availability of logs. Exports of logs from the country have fallen, although shipping companies are again calling at Matadi. Shipments from the Republic of Congo (Brazzaville) via Pointe Noire continue to be disrupted by river and railway transport difficulties.

Liberia has not yet been able to establish itself as a reliable supplier of timber in the aftermath of its civil war. Only the occasional trial shipment is made available and no regular export has developed. Species available from Liberia would include Sapele, Khaya, Sipo,

Tali, Azobe, Abura, Dibetou, Framire, Tetraberlinia, and Niangon. The quality of trial shipments arriving into Germany in the summer were said to be disappointing.

South American Hardwoods

The Brazilian authorities continue to delay allocation of quotas for 1999 and no shipments have yet been made. Nearly all the unshipped stocks available at Belem were sold by the end of last year. IBAMA's recalculation of the 1998 quotas in early December meant that shipping had to be delayed until allocation of the 1999 quota. The remaining small volumes of unsold stock have been purchased by US buyers.

Brazil is now well into the rainy season, logs are in very short supply and new supplies will not materialise until later in the year. With the European trade no longer pre-financing the Brazilian mahogany industry, activity is expected to be very low this year. US demand for Swietenia remains firm. Against the background of very tight supply and limited activity, the flotation and 23% devaluation of the *real* on 15 January has had little impact on prices.

North American Hardwoods

The first signs of slowing US economy may be impacting on the US hardwood sector with slight weakening in the demand for logs and lumber. ITTO's Market News Service notes that the overall price index for rough domestically grown hardwood lumber has been falling since February 1998. At end November 1998, the index was 1.4% down on the previous year. Signs of weakening domestic demand have been particularly apparent for lower grade material. Hardwood Review Export reports that across most regions of the US #2 and #3 common lumber, both green and kiln dried, is stacking up. It is unclear whether this is a short term situation or will last for a while.

Nevertheless optimism in the US hardwood sector remains high. 1998 was a record year for many companies and, despite the concern over low-grade markets, a fair amount of lumber continues to be sold both at home and abroad. US demand for dimension and other added value lumber, such as wooden components, was on a rising trend during 1998. Initial reports in 1999 have suggested improved domestic demand for certain species in larger sizes and higher grades. Severe weather hitting the US in early January has apparently had little effect on production.

US exporters interviewed by Hardwood Review Export in early January reported that European demand was steadily increasing with markets for White Oak and Hard Maple strengthening. A number of exporters also reported a pickup in business to the Middle East. Asian markets were generally quiet however.

Contacts in the UK report steady demand for US hardwoods and stable prices. Prices quoted for Hard maple vary widely but are generally showing a firming trend. Cherry prices remain firm but business is tougher than last year. Prices and demand for White Oak, the major seller in the UK, remains steady. Selling Ash

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

	Nov	Dec	Jan
\$/£	1.66	1.68	1.64
RED OAK			
1"	1850	1850	1850
1.25"	1950	1950	1950
1.5"	2030	2030	2030
2"	2280	2280	2280
WHITE OAK			
1"	1675	1675	1675
1.25"	1730	1730	1730
1.5"	2100	2100	2100
2"	2670	2670	2670
ASH			
1"	1215	1215	1215
2"	1545	1545	1545
TULIPWOOD			
1"	1080	1080	1080
1.25"	1100	1100	1100
1.5"	1160	1160	1160
2"	1250	1250	1250
CHERRY			
1"	3350	3350	3350
1.25"	3350	3350	3350
1.5"	3400	3400	3400
2"	3550	3550	3550
HARD MAPLE			
1"	2020	2020	2030
1.25"	2265	2265	2395
1.5"	2275	2475	2475
2"	2420	2610	2610

continues to be an uphill struggle.

In mid January, the German magazine EUWID reported on German markets for US hardwoods. The US hardwood market in Germany has developed only slowly in the last few months. Supply and demand are largely in balance and there has been little change in price. German imports continue to focus on white oak, cherry, alder and hard maple. There is little interest in Ash and business in red oak and tulipwood is negligible. Inventories in Germany are high and uncertainty has been created by fluctuations in the dollar exchange rate which led to a devaluation of stocks. Beech is providing increased competition for US hardwoods in several European countries and has contributed to a fall in German demand. Although demand for Hard maple is still firm, price increases are prompting a search for alternatives. German customers are becoming increasingly interested in acquiring fixed widths, but US export mills have often been unable to comply. A few large US exporters are capable of offering Just in Time deliveries of commercial dimension stock direct from port warehouses in the Netherlands and Germany. These exporters are finding an increasingly receptive market in Germany as importers look for ways to reduce the risks associated with holding stock.

UK Hardwood Market

UK agents are reporting a quiet start to the year. Where there is activity, volumes handled are generally small. Just-in-Time purchasing re-

mains standard practice and there is little willingness to commit to the forward market, despite evidence of rising prices in the Far East. Existing stocks in the country are able to cope with current levels of relatively sluggish demand. Smaller buyers appear to be content to top up stocks as and when needed from the major importers. Some of the larger buyers whose financial year ends at the beginning of April may be cutting down stocks to improve year-end figures.

Competition at importer level is intense and prices are being cut to the bone, often below replacement cost. Underlying demand is sluggish, although there are some bright spots around. Millennium projects are generating a certain amount of activity. Demand from construction of prestige buildings and shop fitting is reasonably good. Markets in the furniture sector and parts of the joinery sector, including hardwood window frames, are sluggish. Importers capable of offering a value added service such as kilning or milling seem better placed than those relying only on the trade.

Smooth birth of euro fails to dispel gloom

The birth of the euro at the beginning of January was relatively smooth. The currency immediately strengthened against the dollar. This partly reflected the expectation that Europe's economy would be more robust than the US in 1999. Unlike the US, Europe has a large current account surplus. Weakness in the dollar rate fed off concerns that recent US expansion is unsustainable, that the US has a negative personal savings rate and that US stocks are overvalued. A strong euro should encourage European imports. However, it is already raising fears over the competitiveness of European exports. Despite the euphoria accompanying the euro's launch, predictions for European growth this year have grown gloomier. The Economists January poll of forecasters indicates that predictions for growth have been revised downwards for 7 European countries. Predictions for growth in Spain, one of the few hardwood markets booming over recent months, averaged over 3% in November, but have now fallen to around 1.8%. Overall Euro-11 GDP growth of 2.1% is about equal to predictions for the US.

Predictions for the UK suggest growth, but at a snails pace. Against expectations, jobless figures fell in December. However, manufactur-

ing jobs continue to be lost, placing greater pressure on services. Unemployment is at its lowest level since 1980. Low unemployment explains the Bank of England's resistance to reducing interest rates to below 6%. The Bank are concerned that lower rates could still trigger inflation. The Bank's governor said in January that he would be "surprised" if the Bank forecast a "steep or protracted recession" in next month's inflation report. This comment, however, leaves room for a shallow and short one.

FORECASTS OF GDP GROWTH -
JANUARY AVERAGES
(previous month's, if changed)

	1998	1999
Austria	2.8	2.1 (2.2)
Belgium	3.0 (2.9)	2.0 (2.1)
Britain	2.6 (2.7)	0.4
Denmark	2.7	2.0 (2.2)
France	3.0	2.2
Germany	2.8 (2.7)	1.8 (1.9)
Italy	1.5 (1.6)	1.8 (1.9)
Netherlands	3.7	2.5 (2.6)
Spain	3.3	1.8 (1.9)
Euro-11	2.8	2.1 (2.2)
United States	3.6	2.1 (2.0)

The Economist - Poll of Forecasters

Plywood supplies interrupted by rain and Chinese New Year

Supplies of logs in the Far East have continued to tighten during January due to the Ramadan holiday season and continuing heavy rains throughout Malaysia and Kalimantan. The Chinese New Year period is due to start in mid February. Plywood mills throughout the region will be out of action for 2 weeks starting 8 February. Government moves to allow log exports have further eroded supplies to the East Malaysian and Indonesian mills. The mills have been unable to match prices paid for logs on international markets, notably by Chinese buyers. Indonesian log prices have risen to around US\$110/m³. Tight log supplies have meant that many mills have closed or are operating at low capacity. Prices have continued to firm, now standing at around INDO96 less 10 for BB/CC grade with prices of INDO96 less 7 being mentioned by some producers.

Producers are confidently predicting continuing price rises after Chinese New Year in the face of long term log shortages. One exporter noted that despite the recent plywood price increases, prices are still considerably lower than they were 2 years ago before the Asian crises. He also noted that US dollar prices are now 14% lower than they were at the beginning of the 1980s - although at that time global plywood capacity was considerably lower than it is today.

Some agents remain sceptical about the prospects for continuing price increases after Chinese New Year. The continuing weakness of log and plywood markets in Japan and Korea, sluggish European markets and evidence that the US market may have reached its peak all argue against sustained price gains. Much hinges on the willingness and ability of the Indonesian

authorities to tackle problems of overcapacity in the sector, constrain log production and avoid a return to over-supply during the coming logging season.

Another determinant of future price movements will be the ability of Brazilian manufacturers to re-enter the market. Prices for plywood have reached a level where Brazilian products should be competitive. The Brazilian government's decision on 15 January to allow the *real* to float against the dollar, which led to an immediate 23% devaluation, should also improve the competitive position of Brazilian exporters. But Brazil has only recently entered the rainy season and is also suffering from a shortage of hardwood logs. Operational conditions remain tough in Brazil. The devaluation brought in its wake increases in interest rates, rising from just under 30% to 32%, and promises costlier imports. Increases in the price of fuel are pushing up transport costs. Devaluation also punishes any company owing dollars. Financing the Brazilian plywood industry is likely to remain difficult. Nevertheless, Brazil will be looking to increase its plywood exports in the months to come, particularly as domestic markets will be severely depressed as the country descends into recession. Brazil's National Association for Mechanically Processed Timber (ABIMCI) is currently negotiating with the Federal Government, through a program called CADEX, ways to create incentives for exports. Brazilian shippers seem ready to wait and see how events develop in the Far East after Chinese New Year before committing to specific price levels.

Many importers also appear to be playing a waiting game. Demand from UK importers is

variously described as "dull" and "spasmodic" despite expectations that holes would start to appear in stocks during January. Underlying demand in the UK remains weak and there is intense competition between importers for the limited opportunities available. Sales are being made at below replacement cost and there is little willingness to accept higher prices. The 9 boats arriving into Tilbury from the Far East in January contained large quantities of mainly softwood ply from Korea.

ITTO's Market News Service notes that Indonesian plywood exports are predicted to fall by 25% during the 1998/1999 financial year due to the Asian crises, the financial difficulties of mills and log shortages. Exports are expected to reach no more than 6 million m³ between April 1998 and March 1999, compared to 8 million m³ the previous year. Forecasts for log production suggest a 50% fall over the same period.

Imports of plywood into Japan continue to weaken due to rising prices and sluggish demand. Domestic plywood mills are also slowing production in the face of weak demand and are trying to force up prices. According to ITTO's Market News Service, two price rises were pushed through in December. These were apparently "accepted" by the market, although the demand climate remains unchanged.

With decreased domestic demand and devalued currencies, Asian producers have been looking for new market opportunities. The US in particular has been absorbing increasing quantities of Asian hardwood ply. Hardwood ply imports to the US rose 12% in the first five months of 1998 compared with the previous year.

UK Imports

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 volumes, weights and values are reconciled by estimates based on previous performance and marked 'E'.

From countries outside the E.C.

UK IMPORTS SAWN TROPICAL			
Classifications: 440724.90.0, 440725.60.0, 440725.80.0, 440726.70.0, 440726.80.0, 440729.61.0, 440729.69.0, 440729.99.0, 440799.98.0			
m3	Sept 1998	Oct 1998	Cum. 1998
BOLIVIA			482
BRAZIL	871	1007	10829
BURMA			30
CAMEROON	3200	1135	18053
CONGO			139
COSTA RICA			13
ECUADOR			18
GABON			128
GHANA	2475	1662	22298
GUYANA	249	370	5532
HONDURAS			28
INDIA	21		62
INDONESIA	134	209	2848
IVORY COAST	1035	1443	13450
M'GASCAR		74	74
MALAYSIA	3916	5618	48449
MEXICO			33
NIGERIA	53	36	371
PAPUA N.G.	143	53	417
PERU	27		111
PHILIPPINES	93		533
SINGAPORE	428	224	2178
SOL. ISLANDS			16
SOUTH KOREA		55	55
TANZANIA	65		213
THAILAND	20		238
TRIN. & TOB.			30
ZAIRE			322
TOTAL	12730	11916	127097

UK IMPORTS SLEEPERS			
Treated & Untreated			
Classifications: 440610.00.0, 440690.00.0			
m3	Sept 1998	Oct 1998	Cum. 1998
AUSTRALIA	464	1314	6625
CZECH REP.			33
NIGERIA	36		36
POLAND			18
RUSSIA			50
SLOVAKIA		35	39
TOTAL	500	1349	6801

UK IMPORTS LOGS TROPICAL			
Classifications: 440341.00.0, 440349.10.0, 440349.20.0, 440349.30.0, 440349.40.0, 440349.50.0, 440349.60.0, 440349.70.0, 440349.90.0, 440399.99.0			
m3	Sept 1998	Oct 1998	Cum. 1998
BURMA			30
CAMEROON	2971	1963	28520
CONGO			239
ECUADOR			27
EQ. GUINEA			157
GABON	162	77	3796
GHANA		22	22
INDONESIA		62	219
IVORY COAST		141	240
LIBERIA			345
MALAYSIA	854	605	3326
MOZAMBIQUE	40		64
NIGERIA	55	25	705
PAPUA N.G.			87
SINGAPORE			130
TANZANIA	8		18
TOTAL	4090	2895	37925

UK IMPORTS LOGS TEMPERATE HARDWOOD			
Classifications: 440391.00.0, 440392.00.0, 440399.10.0, 440399.20.0, 440399.30.0, 440399.50.0, 440399.99.0			
m3	Sept 1998	Oct 1998	Cum. 1998
BEECH			
CANADA			7
ROMANIA	27		460
SERB. & MONT.			30
BIRCH			
CANADA			324
ESTONIA	1071	252	10573
LATVIA	838	2632	5363
LITHUANIA			34
POLAND	91	71	688
RUSSIA	105	119	704
CHESTNUT			
CZECH REP.		43	43
EUCALYPTUS			
AUSTRALIA	1		1
OAK			
CANADA		26	26
CZECH REP.			1
RUSSIA		16	119
POPLAR			
CZECH REP.			19
USA			39
OTHER			
AUSTRALIA		2	86
CANADA	310	616	2412
CZECH REP.			14
ESTONIA*	3693	4120	30030
FRANCE		17	17
LATVIA*	129	422	40130
LITHUANIA			173
NORWAY			172
POLAND	13	25	343
RUSSIA	1444		2668
S. AFRICA		110	209
USA	1191	1226	12174
TOTAL	8913	9697	106859

*May contain softwood

UK IMPORTS SAWN TEMPERATE			
Classifications: 440791.90.0, 440792.90.0, 440799.91.0, 440799.93.0, 440799.98.0			
m3	Sept 1998	Oct 1998	Cum. 1998
BEECH			
CANADA			131
JAPAN			11
POLAND	29		66
ROMANIA	24	100	669
RUSSIA			55
SERB. & MONT.	22		117
SLOVAKIA			71
USA	43	2	209
OAK			
CANADA	490	382	4789
CZECH REP.		21	29
ESTONIA	397	325	1773
HONDURAS			28
ICELAND			115
LATVIA			86
LITHUANIA			196
POLAND	26		26
RUSSIA		30	246
SERB. & MONT.			22
SLOVAKIA	22		277
UKRAINE	35		291
USA	4872	4679	50486
POPLAR			
CANADA		43	345
LATVIA	1571		2500
LITHUANIA			39
RUSSIA			56
USA	633	717	7090
WALNUT			
CANADA	58	46	510
USA	66	58	963
OTHER			
AUSTRALIA		20	345
CANADA	962	1872	12296
CHILE			167
CHINA	107	65	247
ESTONIA*	391	1141	10555
LATVIA*	6501	6043	65265
LITHUANIA			168
NORWAY	43		717
POLAND			98
RUSSIA	98	143	1664
S. AFRICA	60	42	433
USA	2726	3125	36703
TOTAL	19176	18854	199854

* May contain softwood

UK IMPORTS BLOCKBOARD, LAMINBOARD, BATTENBOARD			
Classifications: 441222.91.0, 441229.20.0, 441292.91.0, 441299.20.0			
m3	Sept 1998	Oct 1998	Cum. 1998
BRAZIL	202	256	2182
CHINA			123
CZECH REP.			40
DUBAI		101	101
INDONESIA	3238	1584	16954
LATVIA		77	153
LITHUANIA	41		170
MALAYSIA	33		590
NORWAY			110
POLAND		15	180
SINGAPORE			2
SWITZERLAND			16
USA			351
TOTAL	3514	2033	20972

Based on Abacus Data Services

UK IMPORTS PLYWOOD & OTHER LAMINATED BOARD			
Classifications: 441213.11.0, 441213.19.0, 441213.90.0, 441214.00.0, 441219.00.0, 441222.99.0, 441229.80.0, 441292.99.0, 441299.80.0			
m3	Sept 1998	Oct 1998	Cum. 1998
ARGENTINA			8
BELARUS			329
BRAZIL	13611	18016	121306
CANADA	4005	731	48548
CHILE	1824	4803	11764
CHINA	257	1020	4723
ESTONIA	250	571	4777
GHANA			280
GUYANA			3298
HONG KONG	1802		1802
HUNGARY		3	3
INDIA			3
INDONESIA	27344	17097	158892
ISRAEL	103	108	1289
JAPAN		5	61
LATVIA	1824	2136	27119
LITHUANIA	318	610	9368
MALAYSIA	18890	16984	130421
MOROCCO	50		712
NORWAY	346	342	2709
PHILIPPINES			155
POLAND	39	225	1817
ROMANIA			11
RUSSIA	6617	7459	81782
SINGAPORE	256	67	589
SLOVENIA	22	138	487
SOUTH KOREA	1502	11214	19772
SPAIN			65
SWITZERLAND	5		403
TAIWAN			7
THAILAND	903	24	1041
USA	2749	1527	202051
TOTAL	82717	83080	835592

UK IMPORTS VENEERS			
Classifications: 440831.11.0, 440831.21.0, 440831.25.0, 440831.30.0, 440839.11.0, 440839.21.0, 440839.25.0, 440839.31.0, 440839.35.0, 440839.51.0, 440839.61.0, 440839.65.0, 440839.81.0, 440839.89.0, 440839.91.0, 440839.99.0, 440889.81.0, 440890.89.0			
m3	Sept 1998	Oct 1998	Cum. 1998
AUSTRALIA			2
BRAZIL	5		48
CAMEROON		20	99
CANADA	156	156	855
CHINA			28
CONGO		45	186
DOM. REP	25		25
ESTONIA	61		121
GHANA	244	88	2550
HUNGARY			65
INDONESIA			213
IVORY COAST		15	183
LATVIA	162	146	1234
MALAYSIA	21		135
RUSSIA	34	64	478
S. AFRICA	263	141	1839
SINGAPORE	34		66
SLOVENIA	31		308
SWITZERLAND	127		468
THAILAND	136		426
SA	1012	475	9005
ZAIRE		494	1627
TOTAL	2311	1644	19961

UK imports from within the E.C.

HM Customs & Excise data for trade within the E.U is subject to delay. Because of new methods of statistical collection returns remain incomplete. Statistics are recorded as received and may be corrected subsequently (C).

INTRA E.C. UK IMPORTS HARDWOOD LOGS			
Classifications: 440341.00.0, 440349.10.0, 440349.20.0, 440349.30.0, 440349.40.0, 440349.50.0, 440349.60.0, 440349.70.0, 440349.90.0, 440399.99.0			
m3	Aug. 1998	Sept 1998	Cum. 1998
BEECH			
DENMARK			264
FRANCE			222
GERMANY	64		84
SWEDEN			21
FINLAND			40
CHESTNUT			
FRANCE	2		2
OAK			
GERMANY		11	17
BELGIUM			230
DENMARK			7
OTHER			
BELGIUM	21	16	106
DENMARK	107		107
FINLAND	101		3738
FRANCE		51	C653
GERMANY	306	11	C1489
IRELAND	1	3	58
NETHERLANDS	154		275
SPAIN		121	122
SWEDEN			7351
TOTAL	756	213	C14786

INTRA E.C. UK IMPORTS PLYWOOD			
Classifications: 441213.11.0, 441213.19.0, 441213.90.0, 441214.00.0, 441219.00.0, 441222.99.0, 441229.80.0, 441292.99.0, 441299.80.0			
m3	Aug. 1998	Sept 1998	Cum. 1998
AUSTRIA			29
BELGIUM	743	2031	C8361
DENMARK	35	49	746
FINLAND	4376	4599	C49456
FRANCE	2561	1306	C19331
GERMANY	91	317	5932
IRELAND	93	26	C1884
ITALY	37	430	6073
NETHERLANDS	12	145	970
SPAIN	90	309	3408
SWEDEN	503	634	C4810
TOTAL	8541	9846	101000

INTRA E.C. UK IMPORTS BLOCKBOARD, LAMINBOARD, BATTENBOARD			
Classifications: 441222.91.0, 441229.20.0, 441292.91.0, 441299.20.0			
m3	Aug. 1998	Sept 1998	Cum. 1998
BELGIUM			C69
DENMARK		101	334
FINLAND	72	553	C3858
FRANCE			36
GERMANY	75	187	758
IRELAND		6	23
ITALY		44	349
NETHERLANDS		210	C1349
SWEDEN			373
TOTAL	147	1101	C7149

INTRA E.C. UK IMPORTS SAWN HARDWOOD			
Classifications: 440724.90.0, 440725.60.0, 440725.80.0, 440726.70.0, 440726.80.0, 440729.61.0, 440729.69.0, 440729.99.0, 440799.98.0			
m3	Aug. 1998	Sept 1998	Cum. 1998
BEECH			
BELGIUM	100	186	641
DENMARK	93	349	1670
FINLAND			66
FRANCE		164	798
GERMANY	2550	2933	22064
ITALY			43
NETHERLANDS		40	145
SWEDEN			35
OAK			
FINLAND			97
FRANCE	81	460	4408
GERMANY	436	192	1417
IRELAND	96		97
NETHERLANDS	95	54	454
WALNUT			
FRANCE			2
IRELAND			1
OTHER			
BELGIUM	325	311	C3908
DENMARK			C421
FINLAND	532	343	3538
FRANCE	85	520	C3440
GERMANY	369	631	C7265
IRELAND	416	76	C1136
NETHERLANDS	245	1279	C8847
SPAIN	101	126	C1592
SWEDEN	1542	1470	C19322
TOTAL	7066	9134	C81407

INTRA E.C. UK IMPORTS VENEERS			
Classifications: 440831.11.0, 440831.21.0, 440831.25.0, 440831.30.0, 440839.11.0, 440839.21.0, 440839.25.0, 440839.31.0, 440839.35.0, 440839.51.0, 440839.61.0, 440839.65.0, 440839.81.0, 440839.89.0, 440839.91.0, 440839.99.0, 440889.81.0, 440890.89.0			
m3	Aug. 1998	Sept 1998	Cum. 1998
BELGIUM	145	162	1550
DENMARK	42	17	445
FINLAND	15	50	236
FRANCE	32	102	C1331
GERMANY	182	480	C2942
IRELAND	2	3	356
ITALY		6	214
NETHERLANDS	2	42	219
PORTUGAL	11		35
SPAIN			C48
SWEDEN	1		122
TOTAL	432	862	C7498

INTRA E.C. UK IMPORTS SLEEPERS TREATED & UNTREATED			
Classifications: 440610.00.0, 440690.00.0			
m3	Aug. 1998	Sept 1998	Cum. 1998
BELGIUM	18		88
DENMARK			6
FRANCE	484	922	C5240
GERMANY			2959
IRELAND		40	160
ITALY	83	3	87
NETHERLANDS	3	805	1551
PORTUGAL		2	2
SPAIN			C692
SWEDEN			70
TOTAL	588	1772	C10855

East Europe pressurises US hardwoods

US hardwood accounts for around 5.5% of the European hardwood lumber market. While this percentage is not forecast to rise during 1999, volumes exported are likely to increase as overall European markets expand in 1999. However US hardwoods will come under increasing pressure from Eastern European suppliers. These predictions were made during the 6th Annual European American Hardwood Export Council Convention held in Paris during November. Data presented at the conference shows that the European hardwood lumber market amounts to around 16.3 million m³, and that US share of this market is around 0.9 million m³. Optimism about future growth of the overall European hardwood market in 1999 stems from recent predictions of GNP growth in Europe provided by the Organisation for Economic Co-operation and Development, suggesting that growth should average around 2.9% in 1999 and 2.7% in 2000. A number of themes emerged from discussions at the Convention. These were:

Changing structure of the European hardwood market: There is an overall trend within the European hardwood market towards higher labour and environmental costs. There is also growing automation which is leading to tighter specifications, particularly in the areas of moisture content, custom grading and precision cutting. Yield and quality are becoming more important, and manufacturers are increasingly looking to form closer long-term relationships with suppliers.

Growing competition from Eastern Europe: The major competition for US hardwoods is likely to come less from tropical producers and more from Eastern Europe. Quality is variable from Eastern Europe but is improving with growing investment in processing capacity. Growing competition from Eastern Europe is recognised as a factor in Germany, the United Kingdom, Belgium, Spain, and France

Growing use of MDF and secondary quality wood: For many applications there is a general trend away from high quality solid wood towards use of composite materials comprising MDF/lower quality wood with a veneer coating.

Growing demand for fixed widths and dimension: Demand for dimension is growing and European mills are not ready to satisfy this demand. Demand for dimension is affecting every sector of the European hardwood market. Manufacturers need to focus on their core activities and are looking for ways to avoid resawing imported wood and wasting time and resources transporting unusable material. Growing interest in dimension is apparent in Germany, France, Scandinavia, the United Kingdom, and Spain. In Spain, the quality of dimension material is undermining growth of the market. Demand for dimension in Belgium is less as the high prices are unacceptable to customers.

Differences over the potential for increased use of lower grades: AHEC have been keen to stress the environmental and commercial value of encouraging architects and furniture makers to increase their specification of lower grades. Increased use of lower grades increases the range of opportunities for US exporters and leads to more efficient utilisation of US forest resources. UK participants at the seminar felt that furniture makers would be reluctant to go down this route for high volume production. Belgian and German importers were sceptical about the potential for greater use of lower grades. However importers into the Netherlands felt there may be opportunities.

Just-In-Time Ordering: Availability is a key factor. European manufacturers need to maintain their production and require a permanent supply of wood in their warehouses. The financial costs of maintaining this inventory is encouraging greater reliance on just-in-time ordering. JIT was identified as increasingly significant in Germany, France, the UK, and Scandinavia

Pricing: Stable pricing was highlighted as a key factor in winning the confidence of consumers.

Environmental issues: Environmental concern is not a short term fashion, but is here to stay. The market for certified products is set to grow. This should be regarded as an opportunity to US producers that are better placed than most to meet environmental demands.

Cambodia

Various recent Reuters reports have focused on the difficulties of Cambodia's forest sector. Development within the sector has been severely hampered by political insecurity and illegal logging. Stung by international criticism and the loss of tax income and financial aid, the Cambodian authorities are trying to crackdown.

At the end of 1997, the International Monetary Fund (IMF) suspended a support programme to Cambodia primarily due to the government's failure to collect revenue from the logging sector. The IMF said the government lost revenues of more than \$100 million due to illegal logging in 1996. During 1998, revenue collection from forestry operations failed to pick up. In the first ten months of 1998, the government collected less than US\$5 million in logging taxes compared to US\$12.7 million in 1997.

Cambodia's government claims that its failure to collect revenue has been due to an unstable political situation and declining production as markets have collapsed throughout the Far East. The government is seeking to increase revenue collection next year through a substantial increase in stumpage fees from US\$14 to US\$54 per cubic meter. It also intends to reduce the annual cut to around 400,000 cubic meters.

World Bank-funded technical assistance teams have estimated that the current harvest amounts to over 4 million cubic meters, 90% felled illegally. They claim that only a small proportion of the 30 timber companies operating in Cambodia are adhering to national forestry regulations. At current rates of exploitation, Cambodia's forests will be depleted in 3 to 5 years. Environmentalists and opposition politicians in Cambodia claim that powerful local military and business figures are behind illegal logging, with many of the logs being exported despite an official ban on log exports. Prime Minister Hun Sen's new government, appointed in November, seems determined to demonstrate they are tackling the problems. In December, the authorities seized 1,000 illegally felled logs and destroyed the trucks in which they were being carried. The government has announced that it will use the military to crack down on illegal loggers. In an effort to tackle the problem of illegal exports, the World Bank has proposed a series of regional talks bringing together the Cambodian government with its neighbours. The talks have been scheduled for January and February 1999.

Philippines

The Philippines Department of the Environment and Natural Resources is considering planting a "tree corridor" of 700,000 hectares comprising short rotation industrial crops. This would be in addition to 200,000 hectares the government hopes will be established by the private sector. The Philippines currently imports around 65% of its wood requirements. DENR estimates the country needs to establish 350,000 hectares of plantations to meet domestic wood requirements, forecast to reach 4.8 million m³ in 2000.

Nigeria stages political recovery

Nigeria is well on its way to a political recovery. On 9 January, the country elected state governors and representatives to state assemblies. In February a new parliament and president is to be elected. Nigeria will have its first civilian government for over 15 years. However, the country continues to have serious economic problems. Crude oil accounts for 95% of foreign income and when the oil market collapsed in 1998, oil revenue was halved. The country is struggling with a public sector debt of over US\$30 billion. Nigeria's neighbours are concerned that its economic problems will lead to cuts in regional development budgets. To tackle these problems, the government of General

Abubakar, which took over last June has announced a belt tightening budget. It scrapped the dual exchange rate which allowed favoured individuals to change naira at inflated rates. It has drawn up detailed plans to diversify the economy and accelerate privatisation. The central bank has been given autonomy over monetary policy. As part of the reform process, the Organised Private Sector of Nigeria is urging the government to introduce a ban on exports of all unprocessed wood products. The OPS claim that unregulated exploitation of wood is posing a serious threat to the nation's forest resources. OPS recommended that only fully processed timber, machined furniture parts and sawnwood should go for export.

Light at the end of Japan's tunnel?

Japan's economy at the end of 1998 showed little sign of improvement. Recent data shows that economic conditions worsened during November. The figures are particularly disappointing given that there were hopes of improvement following the yen 16 trillion yen (US\$143 billion) stimulus package introduced last autumn. Corporate restructuring led to increased unemployment while slow domestic demand reduced industrial output by 2% during November, compared with a 1.1% drop between October and September. The failure of public works spending to increase construction output was highlighted by a Ministry of Construction announcement that total construction orders received by Japan's 50 leading domestic contractors in November were 21% lower than the previous year, while public sector orders were down 15%. The disappointing performance of the Japanese economy is strongly reflected in the tropical hardwood trade. Southsea log imports into Japan during November were down 41.5% compared with the same month in 1997, and consumption and inventory both decreased. Total imports and consumption of Southsea logs for the first 10 months of 1998 were 41% and 29% respectively lower than last year.

But even against this catalogue of economic

hardship and decline, some reporters are taking a more optimistic view. Asia Pacific Economic Review notes that Japan's economic crises has forced major reforms in the financial system, aided by a US\$500 billion government injection into the failing banking system. Overseas investors are moving in to take advantage of bargain buyouts and take-overs, and this is contributing to a turnaround in Asian stock markets. In December, the Government of Japan proposed tax incentive programs to encourage home buying. The combination of tax incentives and mortgage interest rates, which are at an all time low of 2.2% led to a surge in demand for home buyers in December. Housing applications were up nearly 45% for the same period in 1997. The first glimmers of light appeared in the hardwood sector in November with reports that prices for Southsea logs gained by about 2% for plywood uses and were up between 0% and 2% for lumber uses depending on species. The recovery price trend is expected to continue. The same cannot be said for the recent spurt in housing activity. Housing starts for 1999 are forecast at between 1.26 million units and 1.32 units, an increase of only 5 to 10% over 1998 levels at around 1.2 million.

PNG log exports up

Papua New Guinea's government is coming under heavy fire from sections of the forestry community and environmentalists as it moves to stimulate increased log exports and revive its flagging logging industry. The government is keen to boost log exports to bring in much needed foreign currency, boost the country's weak currency, and generate employment. In pursuit of this aim, the government pushed through a series of tax breaks during October. Under the new regulations, logging companies pay no tax on logs exported at a price of under 125 kina (about US\$60) per cubic meter. At current prices virtually no log export taxes are being collected. From the government's perspective, the logs are being given away to subsidise the flagging timber industry - though landowners continue to receive K10 (US\$ 5) per cubic meter in royalties. A recent study by researchers at the Australian National University found that PNG's government captures only 2.75% of total value under the new tax rates compared to around 33% under the previous regime.

The new tax rates, combined with rising demand for logs in the Far East, led to a rapid increase in PNG log exports. Between January and October 1998, around 100,000 m3 of logs were exported every month. In November around 250,000 m3 were exported. Exports rose by 28% to US\$9.5 million (K20 million) in that month. They rose further in December by 43% and are estimated to have increased by another 14% to US\$15.5 million in January 1999.

Concerns have been expressed in the PNG national press over the extent of the cut in log export taxes. A recent editorial in the Post-Courier newspaper condemned the government for backtracking on log export taxes which were initially introduced to slow down logging operations and safeguard the country's forest resources. The tax breaks are seen as particularly dangerous coming at a time when support for independent monitoring of log exports by SGS has been cut from the PNG budget. In response to the criticism, PNG's Prime Minister Bill Skate told the Post-Courier that his government had secured donor-funding of US\$ 35 million from the United States, Japan and the Netherlands and had opened a trust account to "protect trees and the environment". He said that the government will strictly enforce the conditions of its Forest Management Agreements to ensure that the maximum allowable cuts are not exceeded. He has also stressed that that the export of logs and development of downstream processing will create 50,000 jobs and boost infrastructure. The Australian National University study notes that PNG has a licence and quota system in place that should restrict maximum allowable cut to within sustainable levels, although its success depends on government discipline.

Total exports from PNG in 1998 are estimated to be 1.6 million m3, compared with 3 million m3 in 1997, a 47% per cent decrease.

PROJECTED DEMAND FOR WOOD PRODUCTS IMPORTS TO JAPAN IN 1999

Units: 1000 cubic meters

	1999 Projected Demand as of December 1998	1998 Estimated Consumption as of December 1998	Projected demand % Change from 1998 Consumption
LOGS			
Southseas and Africa			
for plywood	3,800	3,460	+9.8
for lumber	360	497	-27.6
Subtotal	4,160	3,957	+5.1
North America	4,958	4,876	+1.7
Russia	4,800	4,840	-0.8
NZ and Chile	1,800	1,782	+1.0
Europe	50	88	-43.1
Log total	15,768	15,543	+1.4
LUMBER			
North America	4,173	4,144	+0.7
Southseas	1,000	823	+21.5
Russia	350	316	+10.8
NZ and Chile	650	622	+4.5
Europe	1,100	1,044	+5.4
Lumber total	7,273	6,949	+4.7
PLYWOOD	4,100	4,009	+2.3

Note: Projected domestic plywood production in Japan for 1999 is 3.5 million m3 comprising 2.1 million m3 hardwood, 1 million m3 softwood and 0.4 million m3 hardwood/softwood

Source: Pacific Rim Wood Market Report from Joint meeting in December 1998 of Japan Lumber Importers and Manufacturers Associations.

WWF go for ISO14001

WWF-UK have commissioned SGS Yarsley to certify the environmental management system at their UK office to ISO14001, the international standard. They note that "this process may take a few years but certification will indicate our responsible approach to the environmental problems we all face."

Forest policy reports

A new series of reports on forest policy in a range of tropical countries has been published. The reports cover Pakistan, Papua New Guinea, India, Ghana, Zimbabwe, and Costa Rica and are priced at £12.50 each. Available from IIED, Tel +44 (0) 171 388 2117, Fax: +44 1713882826

Cameroon log ban

Reuters report that the government of Cameroon is to push ahead with its ban on the export of logs from July of this year, despite concerns of exporters that there is insufficient processing capacity. The Ministry for Environment and Forests will continue to issue log export permits until midnight on January 19, 1999. All permits then in existence will be valid until the end of the financial year, June 30, 1999. Secondary log species with no ready outlet on international markets will not be affected by the ban. Industrialists are meeting government officials in April to discuss which species may still be exported. The ban forms part of the country's programme to promote added value processing and sustainable forestry practices. The Cameroon government are keen to implement the ban before a high-level forest conservation summit which brings together Central African leaders and aid agencies in Yaounde in March. Prior to the Asian financial crisis, Cameroon earned 19 billion CFA francs (US\$34 million) in export taxes from logs. The crisis, and now the log ban, mean that much of this income will be lost. The Cameroon government is implementing various measures to soften the impact of the ban. It is introducing fiscal incentives to encourage local wood processing. It is upgrading the Mbalmayo Forestry School to provide training for processing specialists. The government intends to establish a National Timber Authority to organise the domestic market. Cameroon is also hoping to better exploit its vast wildlife resources through the granting of hunting rights and game licences. The government is hoping that implementation of the law will create around 20,000 new jobs. In 1996, there were 71 processing units in Cameroon. Two-thirds of these were basic saw mills. Since then 11 processing units have been established and 12 others are in the pipeline. Eight old plants have recently been upgraded. However many exporters believe that the country is not ready for the ban. Despite the recent investment in local wood processing capacity, only 1.2 million cubic metres may be processed locally. This volume is expected to increase to 1.7 million cubic metres when all the new units start operating. Cameroon currently produces around 2.9 million cubic metres so. The log ban therefore implies a 40 to 50% drop in production. One major exporter has predicted that the ban will mean a loss of around 80-100 billion CFA francs in tax revenues, around 10 percent of total tax receipts. However government officials stress that these figures are alarmist and remain confident that the necessary adjustments can be made. As if to back up this claim, ITTO's Market News Service reported in January that a Chinese company is planning to invest in Cameroon's processing sector. Jilin Industry Corp. has established a subsidiary, CFIC, to invest 6 billion F CFA in four processing units, each with a capacity of 150,000 m³ annually. Even after the ban, logs will still be shipped from Douala. In addition to permitted exports of secondary species, the port will continue to handle timber transported by lorry from neighbouring Congo Republic and Central African Republic.

Reduction in Asian harvest - Continued from back page

offset by the establishment of plantations. Fires have caused serious damage to forests over the last 15 years, notably in India, Indonesia, and Brazil. Specific examples of country's where major reductions in timber harvest are being or have been implemented include: the Philippines where all logging in "old growth and virgin forests" has been banned and these forests have been placed under the National Integrated Protected Area System; China, where a ban on timber harvesting in natural forest was imposed in July 1998; Surinam, where 1.5 million hectares of natural forest were set aside as Wilderness Nature Reserve in 1998; and Brazil which announced its intention to protect 25 million hectares in April 1998.

FAO's model predicts there will be a considerable tightening of tropical hardwood log supply in Asia and Oceania in the near future. In these areas, current levels of harvesting are considerably higher than estimated long-run sustained yield, even if deforestation and illegal logging are ignored. In Africa by contrast, harvesting levels are well below the long-run sustained yield level due mainly to the large area of unexploited forest in the Democratic Republic of the Congo. In Latin America and the Caribbean, current harvest levels are more in balance with sustained yield.

Continental figures hide considerable variations at national level. For example, Asian countries (see Table) like Thailand and Bangladesh are effectively logged out and have no commercially available areas of either undisturbed or semi-natural forest, while other countries like Cambodia and Myanmar have extensive areas of undisturbed natural forest. Most countries lie between these extremes. The major timber producing countries of Malaysia and Indonesia both produced well in excess of the long-term sustained yield during the years 1990 to 1995,

partly owing to the large proportion of wood derived from conversion forest. Other countries where harvest levels from natural and semi-natural forests need to be severely curtailed include the Solomon Islands, Fiji and India.

Future timber production is not constrained by the existing area of natural and semi-natural forest and may be increased through the establishment of industrial plantations. Global forest plantation area is estimated at 118 million hectares in 1995. In the tropics, forest plantations are dominated by eucalyptus and pine which together account for 44% of plantation area. A variety of countries are seeking to encourage expansion of plantations through incentive schemes. Indonesia is offering tax concessions and joint ventures between the state forest enterprises and private sector investors are being encouraged. India focuses more on educational programmes linked with the provision of free seedlings. At present, most plantations focus on lower quality material.

A wide variety of other measures may be introduced to increase the supply of fibre to the forest products industry including: improved utilisation through better forestry planning, waste reduction and the development of new products; development of harvesting and silvicultural regimes to increase long term sustained yield; increased use of trees outside forests; government policy initiatives and development of infra-structure to open up currently inaccessible areas for exploitation; and increased use of non wood fibre for pulping.

This article is taken from a paper by FAO's G. Bull and I.J. Bourke on Global Wood Resources and Forest Products presented to the ITTO/China Forestry Academy workshop on The Changing Market of Global Tropical Forest Products and Its Trends to the Year 2010. Beijing, 8-10 December, 1998.

FOREST AREA, HARDWOOD LOG REMOVALS AND LONG RUN SUSTAINED YIELD							
ASIA AND OCEANIA							
	Semi-Natural Forest Available (000s Ha)	Total Hardwood Forest Area Available (000s Ha)	Average Hardwood Log Production 1990-95 (000s m ³)	Year When Available Natural Forest Logged	Average Sustained Yield When all SNF (000s m ³)	SNF Harvest Volume As Percent of 1990-95	
Bangladesh	0	0	294	None	0	0%	
Bhutan	212	550	762	>500 yrs	476	4297%	
Brunei Dar.	193	234	427	>500 yrs	427	207%	
Cambodia	1,044	3,940	4,984	>500 yrs	2,081	1149%	
Fiji	207	100	307	2095	105	70%	
India	0	19,232	19,232	None	7,693	49%	
Indonesia	37,197	35,071	72,268	2078	22,632	68%	
Laos	495	2,000	2,495	>500 yrs	936	302%	
Malaysia	2,640	8,295	10,935	2004	8,182	21%	
Myanmar	2,872	16,300	19,172	>500 yrs	7,764	364%	
Papua NG	7,500	1,500	9,000	2188	2,571	93%	
Philippines	0	2,010	2,010	1,078	2,010	186%	
Solomon Is.	497	104	601	2038	86	19%	
Sri Lanka	0	0	0	44,667	None	0%	
Thailand	0	0	0	167,483	None	0%	
Vanuatu	143	50	193	2156	28	82%	
Vietnam	0	2,525	2,525	2,445	None	2,233	91%
Total	53,000	91,911	144,911	97,605	57,224	59%	

Source: Food and Agriculture Organisation 1998

Reductions in Asian harvest

A new model of global wood fibre supply highlights that the area of natural forest currently available for wood production is diminishing due to deforestation and the designation of forests as strict conservation areas. In tropical regions, the model predicts considerable reductions in tropical hardwood log supply in Asia in the near future.

The Food and Agriculture Organisation's "Global Fibre Supply Model" provides information on potential sources of industrial wood and pulp and illustrates the factors that may have an impact on future supply. To develop the model, a team of experts worked on a country by country basis through the latest available forest inventory reports. This was linked to world-wide data derived from FAO's Forest Resource Assessment carried out in 1995.

The area of the world's forests, including natural forests and forest plantations was estimated to be 3,454 million hectares in 1995, about 25% of the world's land area. The world's forests are almost equally divided between tropical and temperate/boreal forests. Only about 3% of the world's forests are plantations, the remaining 97% are natural or semi natural forests. More than 60% of the world's forests are located in seven countries: Russia, Brazil, Canada, United States, China, Indonesia, and the Democratic Republic of the Congo.

Around half of the estimated 3,200 million hectares of natural forest area world-wide are available for wood supply under current legal and market conditions. An additional 365 million has of natural forest are currently unavailable due to infra-structure constraints, but have potential for commercial timber harvesting should economic conditions change. Deforestation, past timber harvesting and the recent inclusion of areas of natural forest in countries' protected areas systems are driving a gradual shift in timber harvesting from undisturbed "old growth" forests to semi natural forests, plantations and trees outside forests.

Over 4 million hectares of forest area was lost each year between 1990 and 1995. Between 1980 and 1995, global forest area decreased by 180 million hectares. During the 15 year period, the developing world lost nearly 200 million hectares of natural forest, most through clearance to agriculture. This was only partially

SHARE PRICES FOR SOME U.K. COMPANIES

	52 Week High	52 Week Low	25 Sept	26 Oct	26 Nov	15 Dec	29 Jan
J. Latham	203.5	141.5	151.5	146.5	143.5	141.5	143.5
Meyer International	445.5	244	255.5	313	349.5	360.0	338.5
Travis Perkins	628.5	360	412.5	435	437.5	383.5	360.0
Barratt Devs.	341	155.5	169.5	210	223.5	231.5	223.5
John Laing	397.5	233.5	361.5	339	287.0	270.0	233.5
Alfred McAlpine	181.5	106.5	111	143	131.5	132.0	151.5
J. Mowlem	150	77.5	107.5	93.5	97.5	94.5	106.0
George Wimpey	143.5	91.5	92	111.5	116.5	112.0	104.5
Cornwell Parker	182.5	66.5	103.5	97.5	78.5	66.5	94.5

EXCHANGE RATES FOR ONE POUND STERLING

		26 Oct	24 Nov	16 Dec	29 Jan
Australia	Aus.\$	2.7279	2.5850	2.6993	2.6149
Bangladesh	Taka	82.0936	80.5828	81.6595	79.5938
Belgium	Belgian Fr.	57.1219	58.4184	57.6499	58.3546
Belize	B\$	3.3853	3.3230	3.3674	3.2856
Bolivia	Boliviano	9.4958	9.3543	9.4961	9.3147
Botswana	Pula	7.3828	7.3196	7.5648	7.4826
Brazil	Real	2.0154	1.9893	2.0287	3.3842
Fr. Africa*	CFA Fr.	928.250	949.670	936.900	948.890
Chile	Peso	783.612	773.844	798.663	803.575
China	Yuan	14.0114	13.7536	13.9374	13.5988
Denmark	Danish Krone	10.5205	10.7676	10.6346	10.7594
France	Franc	9.2825	9.4967	9.3690	9.4889
Germany	D-mark	2.7679	2.8320	2.7934	2.8293
Ghana	Cedi	3935.42	3906.19	3939.87	3868.80
Guyana	Guyanese \$	252.713	249.225	255.586	257.919
Hong Kong	HK\$	13.1175	12.8667	13.0461	12.7297
India	Rupee	71.5822	70.4850	71.6436	69.8273
Indonesia	Rupiah	13795.2	12710.49	13090.81	14703.09
Irish Republic	Punt	1.1104	1.1392	1.1248	1.1393
Italy	Lira	2738.50	2803.86	2765.90	2800.95
Japan	Yen	200.054	200.460	195.966	191.025
Kenya	K. Shilling	101.221	98.926	105.82	101.53
Korea South	Won	2227.95	2082.69	2039.80	1930.29
Malaysia	Ringgit	6.4321	6.3137	6.3981	6.2427
Myanmar	Kyat	10.5819	10.3872	10.5260	10.2703
Netherlands	Guilder	3.1218	3.1932	3.1482	3.1879
Nigeria	Naira	146.753	142.723	145.640	143.417
Philippines	Peso	71.1422	65.712	65.496	63.248
Portugal	Escudo	283.697	290.671	286.658	290.012
Singapore	Singapore \$	2.7459	2.7194	2.7764	2.7801
South Africa	Rand	9.6883	9.4336	10.1485	9.9476
Spain	Peseta	235.126	240.876	237.696	240.689
Taiwan	\$	55.6941	53.9905	54.3036	53.0871
Tanzania	Shilling	1118.93	1107.56	1134.69	1117.12
Thailand	Baht	63.5167	60.1962	60.8405	60.7015
Uganda	New Shilling	2225.83	2271.27	2294.88	2262.14
U.S.A	US \$	1.6927	1.6615	1.6837	1.6428
Venezuala	Bolivar	965.276	947.471	944.354	943.378
Vietnam	Dong	23538.0	23073.2	23393.3	22802.1
Zimbabwe	\$	60.0892	62.0571	62.6758	64.4800

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

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