

# TROPICAL TIMBERS

an independent publication providing market information

## Forest management certification

### Towards a global system

*The area of forest independently certified as "well managed" or "sustainable" around the world will increase rapidly during 2000. Much of this area will be certified under a series of largely uncoordinated national and regional schemes. By the end of this year, there should be vastly improved supplies of certified material at competitive prices. But there is also a growing threat of market confusion. To overcome this, the timber industry is working on the development of an international framework for mutual recognition of different certification schemes.*

To date, the impact of forest certification on world markets has been limited by lack of supply. The most recent figures issued by the Forest Stewardship Council (FSC), the only organisation that has so far marketed significant volumes of certified wood, indicate that around 18 million hectares are recognised under the scheme worldwide. Based on FAO forest area data, FSC certified forest area amounts to around 0.5% of total world forest area. Data on FSC certified timber volume is less easy to come by, but best estimates place it at perhaps 30 to 35 million m<sup>3</sup>/annum or around 2% of world industrial roundwood production. However the year 2000 is set to be a watershed for certified wood products. Forest certification under a wide range of national and regional schemes operating outside the FSC framework is set to increase rapidly. Notable amongst these schemes are the Pan European Forest Certification scheme (PEFC); the AF&PA "Sustainable Forestry Initiative" in the United States; the Canadian Standards Association scheme; and national schemes in Malaysia and Ghana (see box overpage).

All this activity bodes well for the future of certified forest products, promising vastly increased supplies at a more competitive price. At last a large section of the industry should be in a position to provide independently endorsed assurances of sustainable forest management. However this flowering of certification activity is not without inherent risks. There is a danger of increased confusion as a wide range of different certificates and labels hit the market place. Consumers will have difficulty determining which certificates are credible and which are fraudulent. Forest certification may lose its power to communicate.

It was recognition of this problem that led the International Forest Industry Roundtable (IFIR),

a global network of national associations from the 20 leading forest industry countries, to establish a working group in September 1999 to explore the most appropriate methods for international recognition of the various national and regional forest certification schemes. Through the Working Group, industry associations are exploring the potential for an "International Mutual Recognition Framework System" to link the various sustainable forestry programmes being developed around the world. The IFIR Working Group is building on work undertaken initially by the UK Paper Federation and Timber Trade Federation, and more recently by the Confederation of European Paper Industries (CEPI), to develop a comparative database of national forest certification schemes. The database was compiled following a questionnaire survey of forest certification schemes - including PEFC, FSC, and independent schemes. The database highlights the strengths and weaknesses of the various schemes. It also reveals that - underlying all the manoeuvring for competitive market position and the often vitriolic divisions that have emerged between advocates of different schemes - the various schemes share many features in common. Although there is still much work to be done, there is a solid basis from which to evolve an international framework and process for mutual recognition.

The IFIR Working Group has started the ball rolling with the drafting of 15 principles that constitute a "credible certification system". IFIR have also advocated a phased approach to the development of an international framework.

To begin with, existing national certification schemes would work on the development of "bilateral" mutual recognition agreements.

Under such an agreement, forest organisations

*Continued page 2 - col 2*

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#### Contents

Forest certification . . . . .	1/2
United States: exports. . . . .	2
Malaysia: export levies. . . . .	2
Teak . . . . .	3
Asian Hardwoods. . . . .	3
African Hardwoods. . . . .	4
Ghana. . . . .	4
Gabon. . . . .	5
Congo Brazzaville. . . . .	5
North American Hardwoods. . . . .	5
UK Hardwood Markets . . . . .	6/7
South American Hardwoods. . . . .	8
Plywood . . . . .	8
Vietnam . . . . .	9
European Hardwoods. . . . .	9
United States: greens & manufacturing . . . . .	9
New internet market place . . . . .	9
China . . . . .	10
Cambodia/Malaysia links . . . . .	10
Focus on Pacific . . . . .	10
Indonesian fires . . . . .	10
Value added eucalyptus . . . . .	10

#### Statistics in this issue

<b>UK hardwood imports</b> . . . . .	6/7
Outside and inside E.C Nov 1999/1998	
<b>US hardwood exports</b> . . . . .	2
Volume by country, Year 1998/99	
<b>Korea wood trade</b> . . . . .	8
Selected products, Year 1997/98/99	
<b>China wood imports</b> . . . . .	10
Volume by product, Year 1998/99	

## Certification Explosion

During 2000 there will be a rapid increase in the area of forests certified as either "sustainable" or "well managed". The following facts are illustrative:

\* Canadian forest organisations managing nearly 12 million hectares of forest have been certified to either the Canadian Standards Association (CSA) forestry standard or to the environmental management systems standard ISO14001 (seen as a first step towards CSA certification). These areas can supply 18 million m<sup>3</sup> of wood per annum. A further 5 million has should be certified during 2000.

\* The Pan European Forest Certification Scheme (PEFC), involving the representatives of 12 million private forest owners in 17 European countries, was finalised earlier this year. PEFC operates by recognising forest certification schemes developed at national level and marketing these under a single trademark. The remaining components of the scheme - a set of procedures for chain of custody auditing - were agreed at PEFC's General Assembly in February.

\* Three Nordic forest certification schemes are now seeking approval by PEFC. All these schemes are already operational. Under the Finnish Forest Certification System (FFCS), 13.5 million hectares of forests have been certified, and the total area is forecast to rise to 22 million hectares by the end of 2000. Over 53 % of Norway's harvested timber came from forests certified by the "Living Forests" scheme during 1999 and it is anticipated that by the end of 2000 the proportion will reach 90%. In Sweden, over one million hectares have been certified by the LRF Skogsgarna scheme.

\* In March 2000, Germany became the fourth country to put forward a national certification scheme for endorsement by PEFC. A recent survey indicates that owners of around 7.8 million hectares of German forest land (around 72% of total German forest area) intend to work towards PEFC certification.

\* France is expected to finalise a national certification scheme for PEFC endorsement no later than summer 2000.

\* Around 24 million hectares of US timberland have been enrolled in the American Forest and Paper Association's Sustainable Forestry Initiative (SFI). Of these, around 3.3 million hectares have so far been audited under the SFI "Voluntary Verification Process".

\* Certification schemes for tropical forests in Peninsular Malaysia and Ghana are expected to be fully operational by the end of 2000.

\* The principal European industry groups operating in tropical Africa that are members of the Interafrican Forest Industries Association announced in 1999 their intention to work towards a Pan African Certification scheme. Together these companies represent forestry concessions totalling 14 million has. and wood production of 3.85 million m<sup>3</sup>.

## Global certification continued

or products certified in either country can use each system's trade mark to support marketing activities. The Working Group envisages the early and extensive development of "multiple" bilateral agreements.

At the same time, the group envisages the ongoing emergence of regional systems of mutual recognition - frameworks linking certification schemes operating in similar forestry environments. PEFC in Europe already provides a working model that may be extended to produce a range of continental schemes.

These arrangements would serve to reduce numbers of forest certificates promoted around the world to manageable levels and reduce potential for confusion. Looking longer term, regional schemes may maintain their individual branding and compete with each other - and with FSC - in the market place. Alternatively, through a bottom-up process of dialogue, progressive improvement, information sharing and harmonisation, the various schemes could evolve into a truly international system for mutual recognition, linking all credible sustainable forestry claims within a single trademark.

Turning to more immediate concerns, the Working Group is due to report its findings to the next full IFIR meeting in October. Between now and then, the Working Group is seeking further input for its work from a wider range of stakeholders. It has, for example, held exploratory meetings with the World Bank/WWF Alliance who may well need to rely on mutual recognition arrangements to meet their own target of 200 million hectares of independently certified production forest by the year 2005. In the meantime, CEPI will be presenting preliminary results of their comparative survey of certification schemes at a press conference on 12 April in Brussels.

## Malaysia Increased export levies

Malaysian timber export taxes were revised on 1 March. The aim is to raise more funds for industry development, especially in the value added sector. An export levy of between RM120 and RM250/m<sup>3</sup> (US\$32 to US\$66) is being imposed on all products covered by cess collection including sawntimber, plywood, veneer and moulding.

A four-fold increase in cess rate, from RM1.36/m<sup>3</sup> RM5.00/m<sup>3</sup>, has also been introduced and cess collection has been extended to a wider range of timber products. Products not previously covered by cess (particleboard and blockboard, including battenboard and laminated board) will attract a cess rate of RM2 per cubic metre, but no export levy.

The new rate of cess will allow the Malaysian Timber Industry Board (MTIB) to collect between RM6-7 million annually. MTIB currently collects about RM2 million a year in cess. The cess rate has remained unchanged since it was introduced in 1988.

## United States Exports up 10%

In 1999, total US hardwood lumber exports were up 10% on the previous year, at 2.74 million m<sup>3</sup>. However exports fell short of record levels in 1997. Last year saw a recovery in exports to the Far East, with HK/China, Japan and South Korea all registering significant gains. Sales to the largest export market, Canada, were also noticeably up on the previous year. Some of this volume will have been transhipped through Canada to other markets.

US export performance in Europe during 1999 was mixed. Sales to Spain and the United Kingdom were down by 1.5% and 6% respectively. Exports to Italy increased slightly.

Considering specific species, red oak exports were 8% up on the previous year, with much of the gain attributable to increased Canadian sales. Increased Canadian sales also contributed to a 5% rise in White oak exports. Spanish imports of the species were flat between 1999 and 1998, while UK and Belgian imports were down 14% and 21% respectively. The increasing fashion for tulipwood is reflected by the data, with all major markets increasing their purchases of the species - with the exception of the UK. US exports of cherry were up 19%, with Canada again accounting for much of the increase. Both France and the UK increased their purchases of Cherry.

### US Hardwood Lumber Exports (m<sup>3</sup>)

Source: Hardwood Review Export/USDA

	1997	1998	1999
<b>All species</b>			
World	2889540	2502065	2742560
Canada	906334	815928	950589
Spain	148937	160258	157793
Mexico	170994	199812	222093
Italy	208384	180081	184670
Hong Kong	125912	119102	145651
Japan	246443	136731	151363
UK	125928	127521	119324
China	34461	32539	74510
Taiwan	151579	115173	109134
South Korea	96409	32026	70442
<b>Red Oak</b>			
World	648820	559326	604583
Canada	350536	301086	352705
Mexico	62572	61912	63904
Hong Kong	33070	34370	37282
Taiwan	53259	42377	36214
UK	11820	8861	8926
<b>White Oak</b>			
World	666008	564859	590981
Spain	124958	132320	130644
Canada	83007	71594	93998
UK	55803	57163	48941
Japan	63198	21159	29330
Italy	32194	26273	27012
Belgium	43763	38389	30030
<b>Tulipwood</b>			
World	203822	168986	202970
Italy	68152	56483	59583
Mexico	33243	40947	46098
Japan	33847	17265	24070
UK	15010	11782	8379
<b>Cherry</b>			
World	112524	136297	164882
Canada	44204	54251	72329
Italy	14750	15726	12464
UK	8347	9250	11077
France	3221	3456	6840

## Asian Hardwoods

### Supply and demand finely balanced

European forward markets for kiln dried Dark Red Meranti (DRM) are quiet. Demand in the UK is particularly slow, with agents reporting that stocks are high. Prices for DRM also remain uncompetitive compared with older arrivals of African sapele. In continental Europe, weakness of the Euro favours African redwoods over dollar-denominated Asian species.

Nevertheless, some Asian shippers are benefiting from the tight supply situation existing in other tropical hardwood supplying regions of Africa and South America. There are reports of active buying of both red and white seraya in continental Europe. Air dried white seraya is reported to be selling well in France, while Belgium and Holland are buying reasonable quantities of kiln dried Red seraya. Even in Germany, where poor economic conditions have put a brake on hardwood demand, purchases of KD red and white seraya are reported to be picking up. There are also reports of improved Japanese demand for dimension stock of quality white seraya.

On the supply side, production volumes are relatively low for the time of year. Rain is disrupting logging in parts of Sabah and Sarawak, which is unusual for the time of year. The *Sabah Times* reports that there is going to be a significant drop in log production in the state this year due to non renewal of many logging licenses and non availability of logging areas. This is already reducing log exports, which over the last two months are 30% down on the same period last year. Logging licenses in certain areas of Sabah are not being renewed as operations are being transferred to "Forest Management Units" in line with government commitments to sustainability.

Nevertheless mills throughout Malaysia have adequate stocks of logs and lumber to meet current levels of demand, which have been comparatively subdued during the winter season in Northern hemisphere markets. Sawnwood supply and demand are finely balanced. Prices continue stable for the time-being, although agents report that some mills may be willing to negotiate slightly lower prices than in previous weeks to maintain cash flow.

In conditions of relatively low supply and demand it's particularly difficult to predict price movements over the next few months. Some agents predict a slight easing in DRM prices in the spring as supplies become more readily available. However even slight increases in European and Far Eastern demand could push prices up quickly, particularly if logging is restricted by unpredictable weather patterns and new regulations. Increases in Malaysian export taxes coming into force on 1 March, also argue against any decline in DRM or Seraya prices. Turning to log markets, ITTO's Market News Service reports that FOB prices from Sarawak are firming, primarily because rain continued after the Chinese New Year holidays in early February and log production has remained low. The stand-off in Japan continues between shippers seeking to push FOB log prices higher, and importers refusing to accept price rises that

cannot be passed on to their customers. Demand for tropical logs in Japan's plywood industry is coming under pressure as the country imports larger volumes of cheap Indonesian plywood, and as Japan's domestic plywood manufacturers are switching to cheaper Russian softwood logs. The Korean hardwood log market is also reported to be struggling. Encouraged by reports of improving conditions in the national economy, many log importers had hoped the market would recover after the long slow down during Lunar New Year. However these hopes have not been fulfilled. Over the last three months, Korea's log market has been going through one of its worst patches since the Asian crises. Korean domestic sales prices for imported logs are weakening, with only the best quality logs selling at prices below replacement cost. Shippers in major supply countries, notably Solomon Islands and PNG, have been forced to drop FOB prices despite low levels of production. Nevertheless, FOB prices for Southsea logs are expected to continue firm as China should resume buying by April after the slow-down during Chinese New Year.

The *Sabah Times* reports that the total export from the timber sector of Sarawak last year came to about RM6.23 billion (US\$1.64 billion), an increase of 23% from RM 5.03 billion (US\$1.32 billion) in 1998. The increase was due both to a 17% increase in the volume of log exports coupled to more favourable foreign exchange.

### Asian Sawn Indicative Prices

	Jan	Feb	Mar
Exchange rates:			
M\$/£	6.14	6.06	6.06
US\$/£	1.62	1.59	1.60
M\$/US\$	3.80	3.80	3.80

#### Malaysia

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

#### Dark Red Meranti

Grade: Select & better GMS; Kiln dried

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

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

#### Keruing

Grade: Standard & Better GMS

Size: Random or fixed 16'+

1"-3"	545	545	540
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#### Kapur

Grade: Standard & Better GMS

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

1"-3" plnd	555	555	550
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#### Myanmar Teak

US\$/50 cu ft, FOB Rangoon/Bangkok/Singapore

Grade: Air dried boards

Size: Width 6"+ avg 8", Length 6'+ avg 8'

1"	2750/ 3700
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*Note private-sector prices for Myanmar teak boards vary considerably from one mill to the next. Prices from the cheapest private mills in Myanmar currently start at the lower end of the range. The most expensive mills, many based in Singapore and Bangkok, are selling boards from best quality teak logs at the top end of the range.*

## Teak

### A complex market

*Tropical Timbers'* listing of indicative teak prices has been amended this month. Based previously on official prices issued by the Myanmar Timber Enterprise (MTE), the listing now provides prices prevailing in the private sector. While private sector prices better reflect market conditions, their inclusion is far from straightforward. One UK agent noted that their efforts to evolve a price chart for teak ran to 31 pages to accommodate the subtleties of grade and thickness available. Part of the problem is that buyers of teak tend to specify precise sizes depending on application. The supply side creates further complexities. There are several mills producing high quality boards from Myanmar teak located in Singapore and Bangkok. In Myanmar itself, a range of private sector mills, owned both by Myanmar and foreign investors, have sprung up over the last 3 or 4 years following the introduction of a market liberalisation policy. Since then production and export of boards from MTE mills has more-or-less dried up. The various private sector mills producing boards for the export market vary enormously in terms of quality. The variety is reflected in the huge range of prices offered by these mills for what appears on paper to be an equivalent product. This month FOB prices (including agents commission) for air dried 1" boards (averaging 8" by 8") from the cheapest mills start at around US\$2750 per 50 cu ft, while prices from the most expensive mills have been quoted as high as US\$3700 per 50 cu.ft. As a market benchmark, we hope to monitor changes in teak board prices at the lower and upper ends of this band.

As far as the European market is concerned, imports of teak boards are now very limited - so prices for this product are probably of academic interest only. European garden furniture manufacturers formerly provided a good market for teak, but manufacturing has increasingly shifted to the Far East. Most garden furniture is now imported either fully finished or as semi-finished components.

Another complexity of the teak market is that plantation teak supplies from other areas of the world, notably West Africa, are just coming on stream. Teak plantations currently produce logs of small size and their impact is felt directly on the market for small components. At present, most plantation teak is sold for flooring specifications into the Far East. However excessive plantation production has contributed to a global glut of small teak components, and this is damaging the economic position of board producers. Teak board prices are currently holding steady, but producers are having great difficulty off-loading small dimension material. Teak logs are sold to the private sector at auctions held regularly in Myanmar. Many overseas buyers are from Thailand, although buyers also participate from Singapore, Japan, India, and Europe. Thai buyers tend to favour the best quality logs. Lower grade assorted teak logs are sold mainly to Indian buyers.

**African Hardwoods**

**European demand picks up**

African producing countries are now well into the dry season, yet supplies remain generally tight and prices for most species are firm. European demand for Sapele is very firm and agents report that the best shippers are sold out in the species until July/August. UK agents indicate that prices now prevailing on the forward market stand at around FFr3400/m3 for air dried stock FOB Douala. Agents expect prices to rise further over the coming weeks.

Demand for Sapele in the UK market has been good during early 2000. Significant volumes of Sapele came through on contracts bought some time ago at lower prices. Importers have been selling this wood on at competitive prices compared with Malaysian DRM. However there are some reports of activity at agent level tailing off towards the end of March as UK stocks have risen. Some importers may also have been distracted by administrative tasks associated with the financial year-end.

Agents report that there is steady (with some suggestions of strengthening) demand for Sapele in Spain and Portugal.

On the supply side, the only significant source of African sawn redwood these days is through the port of Douala in the Cameroon. The supply situation in both the Ivory Coast and Ghana is now very restricted due to resource constraints. Wawa is by far the most abundant species supplied out of Ghana. Demand for the species on international markets is now steady. However even for this species, there are reports of shortages on the ground, encouraging shippers to push up prices. A lot of contracts are also running late. There has been a delay in the issue of logging permits in Ghana this year, a situation which is only now being resolved. The limited volumes of Danta produced in Ghana

are finding a ready market as a joinery wood in Spain and for flooring in the Far East. Similarly, the very small volumes of Ghanaian makore produced are now sold kiln dried primarily into the Far East. Iroko prices from Ghana are firming reflecting very limited availability these days.

Iroko prices from both the Cameroon and Ivory Coast are also holding steady due to continuing tight supplies. UK demand for the species is unspectacular, having been undermined by overstocking in the garden furniture sector.

In the Democratic Republic of the Congo (formerly Zaire) the political situation is reported to be "calm". Government and rebel forces have reached a position of stalemate. Limited volumes of wood, mainly Sapele and Sipo, are being shipped by those operators still committed to the region. Prices are comparable to those prevailing from Cameroon. Activity is focused on meeting existing contracts.

The French Timber Trade Association FFBTA-FFIBN reports that despite recent political accords, the difficult supply situation from Congo (Brazzaville) continues. French importers expectations that their market was about to be flooded with cheap supplies of Niangon from Liberia have not materialised. To date Liberian production has been heavily oriented towards the supply of Asian markets. The Association also reports that overall stocks of African hardwood in France are currently adequate to meet levels of demand.

A highly critical report of the operations of the Oriental Timber Company in Liberia was published by the US-based magazine "The Perspective" at the end of March. The Company is reported to have been operating a huge concession (estimates varying from 900,000 to 1.44

**African logs indicative prices**

	Jan	Feb	Mar
Exchange rates			
Fr.F/£	10.89	10.69	1.60
<b>CAR &amp; Congo (Brazzaville)</b>			
Fr. Francs/m3; FOB Douala			
Grade: B+ & better (good UK sawing quality)			
All diameters in cm			
<b>N'gollon</b>			
70+ (20% 60-69)	1650	1700	1700
<b>Bosse 60+</b>	1650	1650	1650
<b>Ayous 70+</b>	1150	na	na
<b>Sapele</b>			
80+ (20% 70-79)	1950	1950	1950
<b>Sipo</b>			
80+ (20% 70-79)	2450	2450	2500
<b>Gabon</b>			
Fr. Francs/m3; FOB Douala			
Grade: B+ & better (good UK sawing quality)			
All diameters in cm			
<b>Acajou</b>			
70+ (20% 60-69)	1475	1475	1450
<b>Douka</b>			
70+ (15% 60-69)	1350	1350	1350
<b>Sipo</b>			
70-79 (10% 60-69)	1950	2000	2100
80-99cm	2300	2350	2450
<b>Liberia</b>			
US\$/m3, FOB Liberia			
Grade: B+ & better (good UK sawing quality)			
All diameters 60 cm+			
<b>A. mahogany</b>			215
<b>Walnut</b>			215
<b>Iroko</b>			320

million hectares) covering most of the SE Liberian forest block. OTC has also been responsible for the management of the port of Buchanan and upgrading the 108-mile dirt logging road connecting Buchanan to Greenville. The report suggests that logging has been well in excess of sustainable levels, including extensive removal of undersized logs. The report also suggests that OTC is exporting between 60,000-70,000 m3 per month to southeast Asia to supply its plywood factories. The excess production is sold in the port of Buchanan to buyers mostly for export to Europe (France and Spain are most frequently cited). However by the end of March, unconfirmed trade reports were emerging that OTC may have lost its concession rights in Liberia. Further details should be available next month.

**Ghana  
Shift to plantations**

The Forest Plantation Development Fund Bill is being considered by the Ghanaian government. The Bill would make provision for establishment of the Fund financed from the timber export levy established under the 1994 Trees and Timber Act. The new bill would replace the 1960 Forest Improvement Fund Act (and subsequent amendments). The new Bill represents a shift in government policy - which has so far focused more on state control and rehabilitation of natural forest - to encourage greater private sector investment in forest plantations. The new fund would be used to support, through financial incentives and technical assistance, private sector investment in commercial plantations throughout the high and transitional forest zones of the country.

**African Sawn Indicative Prices**

	Jan	Feb	Mar
Exchange rates			
Fr.F/£	10.89	10.69	10.94
<b>Cameroon, CAR, Congo (Braz.)</b>			
Fr. Francs/m3, FOB			
Grade and size: FAS, air dried, width 6"+, length 6'+			
<b>Sapele</b>	3300	3300	3400
<b>Sipo</b>	4200	4000	4100
<b>Bibolo</b>	2750	2700	2700
<b>N'Gollon</b>	3200	3200	3200
<b>Afromosia</b>	5500	5500	5500
<b>Iroko</b>	3600	3550	3550
<b>Cote d'Ivoire</b>			
Fr. Francs/m3; FOB Abidjan			
Grade: FAS, air dried			
Size: width 6"+ avg 9"-10"; length 6'+ avg 10'-11", thickness 1"-2"			
<b>Iroko</b>	3500	3400	3450
<b>Mahogany</b>	2750	2750	2750
<b>Framire</b>	2000	2000	2050
<b>Samba No.1 C&amp;S</b>	1525	1525	1525
Dimension stock			
<b>Azobe</b>	2500/	2500/	2500/
	2900	2900	2900
<b>Opepe</b>	2100/	2100/	2100/
	2600	2600	2800
<b>Dabema</b>	1950/	1950/	1950/
	2550	2550	2550
<b>Gabon</b>			
Fr. Francs/m3, FOB			
Grade and size: FAS, air dried, width 6"+, length 6'+			
<b>Okoume</b>	2000	2100	2150
<b>Ghana</b>			
Exchange rates			
DM/£	3.25	3.19	3.26
C/£	5830	5990	6666
DM/m3, FOB Takoradi			
Grade: FAS, Air dried (AD) or kilned (KD)			
Size: width 6"+, avg 9", length 6'+, avg 9'			
<b>A.mahogany AD</b>	1050	1100	1100
<b>A.mahogany KD</b>	1200	1250	1250
<b>Emeri AD</b>	760	760	760
<b>Utile KD</b>	1500	1550	1550
<b>Odum AD</b>	na	na	na
<b>Odum KD</b>	1275	1250	1300
<b>Sapele KD</b>	1125	1150	1200
<b>Edinam AD</b>	600	670	670
<b>Edinam KD</b>	780	850	850
<b>Walnut AD</b>	800	850	910
<b>Naingon 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	530
<b>Wawa KD</b>	585	580	600
<b>Makore KD</b>	1110	1110	1050

## Gabon SNBG in Asian contract

FFBTA-FFIBN reports that SNBG, the parastatal organisation controlling the export of logs of okoume and ozigo from Gabon has signed an agreement with the Asian organisation Shandong Huasheng for the delivery of 150,000 m<sup>3</sup> of okoume logs per month. The agreement follows a visit by SNBG to Asia in November last year.

In another report, at a recent Paris meeting between the French Wood Industries Union (UIB) and SNBG, UIB raised the question of declining log quality from Gabon and also queried SNBG's move to raise sale prices by 2% from February 2000. UIB claimed that logs delivered by SNBG to traditional European clients no longer fulfilled contractual obligations for quality. This was impairing French manufacturers ability to supply European demand for high quality plywood and came at a time when their market was under pressure from low priced Indonesian products. French manufacturers were concerned that the current situation could lead to long term depression of plywood prices.

The Director of SNPG identified three reasons for declining log quality from Gabon: increasing direct sales of quality logs to Asia; increasing use of logs by domestic processing mills in Gabon; and decreasing availability of quality logs from Gabon's forests. However he stressed SNBG's continuing commitment to supply good quality logs to the European market, and also SNBG's intention to promote a specific label for okoume.

## Congo (Brazzaville) Government plans 150% increase in harvest

The Panafrican news agency reports that the Congo Brazzaville government has signed two industrial timber logging contracts with Lebanese and Malaysian companies.

A 15-year renewable contract was signed with the Lebanese timber and veneering company. Under the agreement, the company will establish a base in the country's north-eastern region of Likouala, where it will run a forest development unit in a land area covering 199,000 hectares. The managing director of the company has said the raw logs will be processed on the spot.

The government signed a similar agreement with a Congolese-Malaysian company called Africaine Industrielle de Bois (AFRI-Woods). AFRI-Woods received an allocation of 104,000 hectares of forest at Nossendjo in the south-western Niari Region where it would set up its industrial plant.

The report suggests the Congolese government has granted a dozen new timber logging licences for the exploitation of the country's forests for timber. Their objective is to raise levels of timber production from 800,000 m<sup>3</sup> in 1999 to 2,000,000 m<sup>3</sup> in 2000.

## North American Hardwoods Firm domestic demand impedes export supply

After the second best year for exports on record in 1999, US export demand continued strong into February and March. However the continuing strength of US domestic markets has led to decreased availability for export.

Improving economic conditions have contributed to improved demand in Europe. *Hardwood Review Export* reports particularly strong buying in Spain and Portugal, with Italy being a little slower. US hardwood demand in the UK, after showing signs of improvement early in the year, slowed during March.

Although European orders are improving, other factors are having a dampening effect on demand. The weakness of the euro is leading to price resistance amongst continental European importers, and has encouraged a search for substitutes, notably Eastern European hardwoods. There has also been increased purchasing from landed stocks, although these are now getting patchy.

Reports from the recent Cologne International Furniture in Germany were not universally positive for US hardwoods. There was very little American oak in evidence, although European (mainly Eastern) oak was well represented. Beech was the leading species on display, followed by alder - both American and Polish. As expected, cherry and hard maple were both popular in veneer and solid form. There was a fair amount of birch on display, reflecting increasing popularity of the species in Europe.

In Asia, there continues to be firm demand for North American hardwoods from Hong Kong, China, and Taiwan, while Japanese demand is improving. Recent data indicating Japan went into recession during the second half of 1999, appears not to have dented growing confidence amongst Japanese hardwood lumber importers.

Despite expectations that economic performance in the US this year will not match levels of 1999, there is little sign of abatement in domestic hardwood demand. *ITTO's Market News Service* notes that prices for hardwood lumber across the board were higher in February 2000 than at year-end 1999. Hard Maple continues to be the price leader. During February alone, prices for green Hard Maple lumber from the Appalachian region increased 6.5%. High prices are being maintained despite reasonable production levels. *Hardwood Review Export* notes that most saw mills have adequate log supplies, with only a few reports of shortages appearing in the Mid West, North East and Canada. However domestic markets are buying such large volumes that availability for export is much reduced. Much production is focused on 4/4 and 5/4 sizes, resulting in lower availability of thicker sizes.

A summary of market developments for the major North American species follows:

\* there is strong demand for Hard maple both in Europe and the Far East. A significant number of suppliers, notably in Northern regions, are out of stock and have stopped quoting for the species. Prices increased again during March.

\* there is firm demand for Cherry on export markets, both for veneer logs and FAS. Prices maintain their current high levels. One UK agent notes he is sold as far forward as he has ever been in Cherry despite record prices. Demand for lower grades is less buoyant.

\* strengthening demand for Ash in Europe and Japan has encouraged producers to cut the species again after a lengthy lull in removals. Japanese buyers are increasing purchases of high grade ash, both lumber and dimension stock. European demand is improving, but there has been resistance to rising prices. There are some reports of shortages in the thicker sizes.

\* demand for red oak in Europe - primarily the UK and Belgium - is fair. Demand from Mexico and the Far East is steady.

\* export demand for White oak supplied from southern states is improving. Exports from northern states have been less strong. Sales to Southern European countries have picked up, but demand in Northern Europe is only fair due to the weak euro and substitution by European oak. There are some reports of tightening supplies for thicker sizes of white oak.

\* tulipwood prices have gained significantly during March due to unsatisfied domestic demand, increasing Asian demand, and tight availability. Sales into Italy and Germany have also been increasing, although with resistance to higher prices. Prices are at an all time high for an increasingly fashionable species.

\* a limited number of buyers are substituting birch for hard maple, and birch demand is steady. There are reports of increased interest in American Walnut in the Far East.

### US lumber indicative prices

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

	Jan	Feb	Mar
\$/£	1.62	1.59	1.60
<b>Red oak</b>			
1"	1850	1830	1835
1.25"	2050	2060	2060
1.5"	2250	2225	2225
2"	2700	2610	2610
<b>White oak</b>			
1"	1600	1600	1605
1.25"	1760	1760	1760
1.5"	2220	2220	2220
2"	2800	2770	2770
<b>Ash</b>			
1"	1370	1370	1345
2"	1800	1785	1810
<b>Tulipwood</b>			
1"	1250	1250	1295
1.25"	1260	1260	1305
1.5"	1280	1285	1325
2"	1300	1310	1345
<b>Cherry</b>			
1"	3550	3530	3465
1.25"	3650	3650	3620
1.5"	3830	3830	3810
2"	4160	4160	4160
<b>Hard Maple</b>			
1"	2700	2800	2950
1.25"	2750	2900	3060
1.5"	2900	2950	3250
2"	3100	3250	3365

## UK HARDWOOD IMPORTS

UK market commentary  
March 2000

The statistical data paints a picture of a strong and stable national economy. The 4th quarter of 1999 registered 2.9% annualised GDP growth. Most forecasts predict over 3% growth this year. Retail sales in the UK grew by 6.1% in the year to January. Unemployment stands at 5.9% - down from 6.2% a year ago. The Nationwide Building Society's index of house prices shows a 15% increase in the year to February, compared to 13.1% the previous month. A CBI poll of retailers indicates increasing confidence and a strong upturn in sales in February. The buoyant housing market has led to strong growth in sales of both furniture and DIY products. There are even signs of improved activity in the construction sector, which has lagged behind the rest of the economy. The Chartered Institute of Purchasing and Supply's "Construction Purchasing Manager's Index" indicates a sharp increase in orders during February. Particularly strong growth was recorded in the commercial construction sector. Civil engineering orders also increased for the second month running, while there was a modest increase in housing sector orders for the first time in 3 months.

But for all this, UK hardwood contacts continue to provide mixed reviews of underlying demand. The more gloomy suggest that UK stocks and overall hardwood demand are at historically low levels, a situation that has prevailed for at least the last two years. The market has become more and more competitive during this period. A concern for price has increasingly overtaken concern for quality. By contrast, there are contacts who suggest that the first two months of 2000 were characterised by very good sales, a situation which has only eased towards the end of March as importers turned to administrative activities related to the financial year end.

Of course, to a large extent the divergent nature of market reports reflects varying products and activities. For example, African redwoods are reported to be selling extremely well at present, whereas contacts dealing mainly in Asian woods - primarily Dark red meranti - report very slow sales so far this year. The UK market for North American hardwoods continues to be very competitive - but sales are reported to be better than the same period last year. Even white oak sales, disappointing last year, are reported to be picking up. Those trading companies able to offer wood just-in-time continue to report good sales.

Certain products are also reported to be doing well. A recent report in *TTJ Timber and Wood Products* highlights the strength of the wood decking market. B&Q among their sales of decking systems by 1000% between

Continued page 7 - col 3

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

Country	Species	LOGS				SAWN				TOTAL			
		Nov 99	Nov 98	Cum 99	Cum 98	Nov 99	Nov 98	Cum 99	Cum 98	Nov 99	Nov 98	Cum 99	Cum 98
BOLIVIA						105	24	587		105	24	587	
BRAZIL						1886	961	12684	11790	1886	961	12684	11790
BURMA				42	30	44	126	300	303	44	126	342	333
CAMEROON		1514	1728	21398	30248	1159	1724	16536	19777	2673	3452	37934	50025
CONGO				292	239			2072	139			2364	378
GABON		726	244	4186	4040		63	194	191	726	307	4380	4231
GAMBIA								275				275	
GHANA						1811	2938	19803	25258	1811	2938	19803	25258
GUINEA						96		939		96		939	
GUYANA				25		134	114	1155	5646	134	114	1180	5646
INDONESIA		34	33	235	252	232	339	5429	3187	266	372	5664	3439
IVORY COAST						882	753	11071	14443	882	753	11071	14443
LIBERIA					345							345	
MALAYSIA		348	125	3151	3451	6075	4301	53793	52750	6423	4426	56944	56201
NIGERIA			19	410	724	85	246	371		85	19	656	1095
PAPUA N.G.					87	56	28	579	445	56	28	579	532
PERU				50				404	111			454	111
PHILIPPINES				35		151	79	886	612	151	79	921	612
SINGAPORE				149	130	128	85	2055	2263	128	85	2204	2393
TANZANIA				25	18	15	55	227	268	15	55	252	286
THAILAND							30	95	268		30	95	268
ZAIRE									322			322	
OTHER		100		100	248	70	33	438	362	170	33	538	610
<b>TROPICAL</b>		<b>2722</b>	<b>2149</b>	<b>30098</b>	<b>39812</b>	<b>12824</b>	<b>11734</b>	<b>129205</b>	<b>139093</b>	<b>15546</b>	<b>13883</b>	<b>159303</b>	<b>178905</b>
AUSTRALIA		62	36	247	123		2	140	347	62	38	387	470
CANADA		269	190	3813	2959	2690	2007	30684	20078	2959	2197	34497	23037
of which	Beech				7		99	254	131		99	254	138
of which	Birch			67	324							67	324
of which	Oak			87	26	1039	454	5945	5243	1039	454	6032	5269
of which	Poplar							444	345			444	345
of which	Walnut					23	30	459	540	23	30	459	540
CHILE									167			167	
CHINA						45		296	247	45		296	247
CZECH REP.				95	77		30	85	59		30	180	136
ESTONIA		858	278	8497	10851	2056	1256	11047	3029	2914	1534	19544	13880
of which	Birch	858	278	8497	10851					858	278	8497	10851
of which	Oak					1968	1256	10894	3029	1968	1256	10894	3029
LATVIA		1650	840	8097	6203	381	980	2561	3566	2031	1820	10658	9769
of which	Birch	1650	840	7747	6203					1650	840	7747	6203
of which	Oak					14	111	312	197	14	111	312	197
of which	Poplar			350		367	869	2249	3369	367	869	2599	3369
LIECHENSTEIN								319				319	
LITHUANIA				63	207	158		1309	403	158		1372	610
of which	Oak							615	196			615	196
NORWAY				125	172	34		450	717	34		575	889
POLAND		16		330	1031	49		307	190	65		637	1221
of which	Beech					49		151	66	49		151	66
of which	Birch			24	688							24	688
ROMANIA		25	54	815	514	72	41	622	710	97	95	1437	1224
of which	Beech	25	54	758	514	29	41	661	710	54	95	1219	1224
RUSSIA				1363	3491	148	317	3084	2338	148	317	4447	5829
of which	Birch			1078	704							1078	704
of which	Oak				119	148	23	1012	269	148	23	1012	388
S. AFRICA		21	52	236	261		21	221	454	21	73	457	715
SERB. & MONT.					30			22	139	0	0	22	169
of which	Beech				30			22	117			22	147
SLOVAKIA				58		67	40	325	388	67	40	383	388
of which	Beech			33		54		148	71	54		181	71
of which	Oak					13	40	148	317	13	40	148	317
UKRAINE				18				52	139			52	157
of which	Oak							52	77			52	77
USA		2872	1100	16865	13313	9543	8009	89546	103460	12415	9109	106411	116773
of which	Beech					198		827	209	198		827	209
of which	Oak					4983	4328	45572	54814	4983	4328	45572	54814
of which	Poplar			84	39	582	830	8962	7920	582	830	9046	7959
of which	Walnut					90	85	899	1048	90	85	899	1048
OTHER		1		184		82		273	141	83		457	141
<b>TEMPERATE</b>		<b>5774</b>	<b>2550</b>	<b>40806</b>	<b>39232</b>	<b>15325</b>	<b>12755</b>	<b>141430</b>	<b>136776</b>	<b>21099</b>	<b>15305</b>	<b>182236</b>	<b>176008</b>
AFRICA		2261	2043	26580	36096	4084	5554	51663	61297	6345	7597	78243	97393
ASIA		447	158	3677	3950	6745	4994	63720	60209	7192	5152	67397	64159
AUSTR/PACIFIC		62	36	280	123		2	155	363	62	38	435	486
E. EUROPE		2550	1172	18026	18913	2865	2399	16640	8842	5415	3571	34666	27755
N. AMERICA		3141	1290	20678	16272	12233	10016	120230	123571	15374	11306	140908	139843
RUSSIA				1363	3491	148	317	3084	2338	148	317	4447	5829
S. AMERICA		35		175	27	2040	1207	14374	18417	2075	1207	14549	18444
W. EUROPE				125	172	34		769	832	34		894	1004
<b>TOTAL</b>		<b>8496</b>	<b>4699</b>	<b>70904</b>	<b>79044</b>	<b>28149</b>	<b>24489</b>	<b>270635</b>	<b>275869</b>	<b>36645</b>	<b>29188</b>	<b>341539</b>	<b>354913</b>

SLEEPERS FROM OUTSIDE THE EU  
(cubic metres)

	Nov 99	Nov 98	Cum 99	Cum 98
AUSTRALIA	316	814	7360	7439
GUYANA	20		1003	
NIGERIA	18		463	36
RUSSIA			198	50
SLOVAKIA		35	304	74
OTHER	105	0	322	51
<b>TOTAL</b>	<b>459</b>	<b>849</b>	<b>9650</b>	<b>7650</b>

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

	Nov 99	Nov 98	Cum 99	Cum 98
BELGIUM	52		511	88
FRANCE		422	2699	4702
GERMANY	1116		5932	2959
NETHERLANDS	3059	279	7880	2543
SWEDEN		440	590	1475
OTHER		56	583	921
<b>EU TOTAL</b>	<b>4227</b>	<b>1197</b>	<b>18195</b>	<b>12688</b>

## UK HARDWOOD IMPORTS

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

Country	Species	LOGS				SAWN				TOTAL			
		Nov 99	Nov 98	Cum 99	Cum 98	Nov 99	Nov 98	Cum 99	Cum 98	Nov 99	Nov 98	Cum 99	Cum 98
BELGIUM		83	0	427	336	731	431	4011	5403	814	431	4438	5739
of which	Beech												
of which	Oak	83		186		32	114	762	999	115	114	948	999
DENMARK		53	45	179	456	93	18	232	18	93	18	232	248
of which	Beech	53	45	127	335	174	282	2784	2339	227	327	2911	2674
FINLAND			612	795	4566	972	817	7129	4706	972	1429	7924	9272
FRANCE		63	115	1565	969	761	1281	9628	10273	824	1396	11193	11242
of which	Beech		44	32	266		84	1879	1025		128	1911	1291
of which	Oak			240		367	490	5233	5466	367	490	5473	5466
GERMANY		43	120	1854	1321	3439	2441	37479	33546	3482	2561	39333	34867
of which	Beech		86	30	170	3088	2055	30484	26614	3088	2141	30514	26784
of which	Oak			17	164	29	1407	1659		164	29	1407	1676
IRELAND		19	15	305	83	110	1090	1536	2512	129	1105	1841	2595
NETHERLANDS		21	104	402	459	1530	2547	17057	12288	1551	2651	17459	12747
of which	Beech							8	145			8	145
of which	Oak					67	7	659	462	67	7	659	462
SPAIN		0	0	65	122	98	125	1511	1692	98	125	1576	1814
SWEDEN		0	367	3141	7739	1866	2154	19469	23539	1866	2521	22610	31278
OTHER		26		71	145			139	73	26		210	218
<b>EU TOTAL</b>		<b>308</b>	<b>1378</b>	<b>8804</b>	<b>16189</b>	<b>9895</b>	<b>11168</b>	<b>101653</b>	<b>96750</b>	<b>10203</b>	<b>12546</b>	<b>110457</b>	<b>112939</b>

BLOCKBOARD AND PLYWOOD FROM OUTSIDE THE EU  
(cubic metres)

	BLOCKBOARD				PLYWOOD			
	Nov 99	Nov 98	Cum 99	Cum 98	Nov 99	Nov 98	Cum 99	Cum 98
BANGLADESH							430	
BRAZIL	67	86	1728	2268	23558	6735	222475	128041
BURMA							6576	
GHANA							146	280
GUYANA					1148	2413	10956	5711
HONG KONG							73	251
INDIA							1286	249
INDONESIA	768	1448	11010	18402	9897	22515	230957	181407
MALAYSIA	112	97	2542	687	8668	17996	116746	148417
SINGAPORE			8	2			68	491
SOUTH KOREA					2935	2112	60879	21884
THAILAND					1561		13823	1041
OTHER	0	0	107	0	93	0	582	155
<b>TROPICAL</b>	<b>947</b>	<b>1631</b>	<b>15395</b>	<b>21359</b>	<b>49365</b>	<b>52121</b>	<b>666874</b>	<b>489681</b>
BELARUS							1641	329
CANADA			25		2763	3494	47915	52042
CHILE					43	1703	15508	13467
CHINA			153	123	1022	382	9748	5105
ESTONIA					463	264	6257	5041
ISRAEL					108	160	1295	1449
LATVIA				153	3803	2302	36163	29421
LITHUANIA		41	81	211	872	909	9882	10277
MALTA							1007	
MOROCCO					38	71	478	783
NORWAY	77	40	791	150	209	418	3152	3127
POLAND	31		73	180	227	117	1977	1934
RUSSIA					6892	6183	77619	87965
SLOVENIA					29	96	472	583
USA		2		353	60	1263	22266	203314
OTHER	0	0	0	157	43	0	839	493
<b>TEMPERATE</b>	<b>108</b>	<b>83</b>	<b>1123</b>	<b>1327</b>	<b>18213</b>	<b>17362</b>	<b>237354</b>	<b>415330</b>
AFRICA			107		288	71	2625	1063
ASIA	880	1545	13713	19315	25580	43515	442612	362271
AUSTR/PACIFIC							37	
E. EUROPE	31	41	154	584	7035	3688	57614	47599
N. AMERICA		2	25	353	2823	4757	70181	255356
RUSSIA					6892	6183	77619	87965
S. AMERICA	67	86	1728	2268	24749	10851	248939	147227
W. EUROPE	77	40	791	166	211	418	4601	3530
<b>TOTAL</b>	<b>1055</b>	<b>1714</b>	<b>16518</b>	<b>22686</b>	<b>67578</b>	<b>69483</b>	<b>904228</b>	<b>905011</b>

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

	BLOCKBOARD				PLYWOOD			
	Nov 99	Nov 98	Cum 99	Cum 98	Nov 99	Nov 98	Cum 99	Cum 98
BELGIUM			114	31	1406	1208	12593	10908
DENMARK			307	334	25	34	482	881
FINLAND	248	347	3291	4384	5656	4936	73747	61451
FRANCE	38		102	36	997	600	16077	20734
GERMANY	185	333	3205	1188	530	405	5817	6673
IRELAND			5	23	62	1	1880	1836
ITALY	77	10	709	460	815	518	8531	7635
NETHERLANDS			89	1277	142	79	438	1115
SPAIN			45		1024	396	5394	4247
SWEDEN				373	499	287	5322	5737
OTHER							49	29
<b>EU TOTAL</b>	<b>548</b>	<b>690</b>	<b>7867</b>	<b>8106</b>	<b>11156</b>	<b>8464</b>	<b>130330</b>	<b>121246</b>

VENEERS FROM OUTSIDE THE EU  
(cubic metres)

	Nov 99	Nov 98	Cum 99	Cum 98
	BRAZIL			25
CAMEROON			76	99
CONGO	11		36	186
DOM. REP			25	25
GHANA	708	313	4634	2863
INDIA			4	
INDONESIA		43	32	256
IVORY COAST		32	60	215
MALAYSIA		25	22	160
SAUDI ARABIA	21		21	
SINGAPORE			35	66
THAILAND	10	48	192	474
ZAIRE		110	385	1737
<b>TROPICAL</b>	<b>750</b>	<b>571</b>	<b>5547</b>	<b>6129</b>
AUSTRALIA				2
BULGARIA			31	
CANADA	133	114	1110	969
CHINA	56	3	136	31
CROATIA			31	
ESTONIA	68	30	1272	151
HUNGARY			124	65
LATVIA			774	1561
LITHUANIA		327	47	
NORWAY			82	
RUSSIA	105	65	358	543
S. AFRICA	306	47	2224	1886
SLOVENIA	2	8	343	316
SWITZERLAND	4	52	244	520
USA	879	986	8288	9991
<b>TEMPERATE</b>	<b>1553</b>	<b>1632</b>	<b>15064</b>	<b>16035</b>
<b>TOTAL</b>	<b>2303</b>	<b>2203</b>	<b>20611</b>	<b>22164</b>

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

	Nov 99	Nov 98	Cum 99	Cum 98
	BELGIUM	158	150	1748
DENMARK	28	59	507	545
FINLAND	61	70	725	320
FRANCE	155	177	1093	1458
GERMANY	514	522	3734	3499
ITALY	29	15	425	245
NETHERLANDS	22	27	231	254
OTHER			245	566
<b>TOTAL</b>	<b>967</b>	<b>1020</b>	<b>8708</b>	<b>8804</b>

UK March Commentary *Cont.*

1999 and 1998 (from a small base). This year they expect the introduction of new decking accessories such as stair treads and risers for multi level decking to contribute to another four-fold increase in sales. The market is now very crowded, but decking continues to provide new opportunities for hardwoods, such as Balau from the Far East and Karri from S. Africa, at the quality end of the spectrum.

There are reports of good and improving activity in the UK's joinery sector. The year has started well in the windows, stairs and the custom-build sectors, although the door market is over-supplied.

Wood window manufacturers are at last turning the tables on uPVC, being helped along by the recent Greenpeace leaflet highly critical of uPVC on environmental grounds. Growing public sector enthusiasm for wood windows is now filtering through to private house builders.

Nevertheless the strength of the pound remains a concern for the UK hardwood market. UK manufacturers of furniture and other wood products are having difficulty competing with imported goods. With expectations of further increases in interest rates, this trend is expected to continue.

## 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 62036m<sup>3</sup>) and Latvia (total cum 1999 volume 126616 m<sup>3</sup>) 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".

## South American Hardwoods

### Heavy rains contribute to firming prices

Heavy rains continue in the Amazonian regions. Logs are not reaching the mills and road conditions are very poor. Supplies of Brazilian hardwood are therefore limited. New logs are expected to begin arriving at the mills in late April at the earliest, and new sawn lumber will not be available until May. As a result prices for Brazilian hardwood products on international

Brazilian sawn indicative prices			
	Jan	Feb	Mar
Exchange rates			
\$/£	1.62	1.59	
US\$/m3 C&F UK Port			
Grade & size: FAS, width 6"+ avg 9-10", length 6'+ avg 10-11', air dried (AD) or kiln dried (KD)			
<b>Mahogany (Swietenia)</b>			
1"-2" AD	1300	1300	1300
2.5"-3" AD	1310	1310	1310
1"-2" KD	1370	1370	1370
2.5"-3" KD	1400	1400	1400
<b>Virola</b>			
1" KD No.1 C&B			
boards	380	380	380
strips	360	360	360
<b>Cedro</b>			
1"-1.5" KD	700	700	700
2" KD	720	720	720
2.5"-3" KD	750	750	750

markets are tending to firm. This trend is reinforced by the recovery of the *real* against the dollar and improving domestic and export demand.

Prices for mahogany remain firm. UK traders report that they have no mahogany in stock and none on the water. Agents are uncertain how the year 2000 season for mahogany will develop. The level of interest in financing mahogany logging operations remains unclear at this stage. There continues to be strong US interest in the species. In recent times US importers have taken over the trade in FAS material, traditionally territory occupied by the UK import trade. The UK sawn hardwood trade with Brazil is now restricted to small volumes of cedar, which is selling at stable prices.

France is the largest European market for Brazilian sawn hardwood. The French trade association FFBTA-FFIBN reports that Brazilian woods arrived late in France during

1999, with the first real deliveries not arriving until late September/early October (usually arrivals begin in August). These stocks have been supplying France's interior markets in early 2000, but are insufficient to meet firm French demand, notably in the joinery sector. As a result prices for Brazilian wood sold in France are rising.

Total forest product exports from Brazil in 1999 reached US\$4 billion. Pulp and paper are the main exported forest products, but solid wood products now represent nearly 50% of the total. Plywood exports during the year, at 1.2 million m3, were more than double those of 1998. Most of the increase was attributable to pine-based plywood from plantations in Southern Brazil. Value added forest products are also becoming increasingly important to Brazil, a trend encouraged by increased inward investment and the rising value of the real against the dollar which forces producers out of commodity markets. Forest products now represent almost 10% of total Brazilian exports, increasing the strategic importance of forestry to the national economy.

Bankers and finance officials attending the annual meeting of the Inter-American Development Bank (IDB) at end March forecast 4% GDP growth throughout Latin America this year. The swift recovery after the economic turmoil of 1998-99 owes much to strong growth in rich consumer countries and to higher prices for raw materials, notably oil. Sound government policy has also played a role. Most Latin American governments have kept fiscal policy tight and stuck to pro-market policies. They have been rewarded with increased inward investment.

Nevertheless challenges remain. National governments throughout the region still have the task of introducing stronger banking systems, better developed capital markets, and improved corporate governance. Some countries remain in deep recession, notably Argentina, Colombia and Ecuador. The World Bank estimates that 36.4% of the region's people lived in poverty in 1998, and that figure has since risen. Unemployment the region is now at its highest level since the 1980s.

## Plywood

### Weak prices prevail

Indonesia continues to dominate the international hardwood ply market, undercutting Brazilian and Malaysian competitors. Prices for Indonesian plywood continue at around INDO96 less 19/20. Malaysian shippers are not participating in the European market at present, finding current price levels unacceptable.

With hardwood log supplies to Brazilian mills restricted by heavy rains in the north, hardwood ply exporters are selling occasionally only to maintain cash flow. As European importers are buying primarily from Indonesia, Brazilian suppliers are relying on sales to domestic markets and the Caribbean. The US offers another potential outlet, but exporters are nervous of the US tendency to switch demand on and off depending on immediate needs.

The UK market for hardwood plywood has been quiet since mid February. Arrivals were high in December and January and the market is now heavily stocked. Moves by importer Hunter Timber to close a number of depots and dispose of stock may have contributed to current problems of over-supply. There is some optimism that UK demand will pick up in the spring as activity in the construction sector improves. UK agents are concerned that plywood demand is being progressively undermined by increased competition from domestic OSB and MDF production.

Slow demand for plywood in the Far East is another factor contributing to weak international prices. Plywood import volumes into China during 1999 were 38% down on the previous year, at around 1 million m3. The reduction follows China's decision to reduce tariffs on imported logs to zero, while maintaining tariffs for plywood imports at 15%. Under such conditions, domestic plywood producers have been able to substitute domestically produced plywood for the imported product.

By contrast Japan's imports of plywood during 1999 reached 4.8 million m3, 24% higher than 1998. However last year's imports were well in excess of underlying demand and the market has been over-stocked this year.

A similar situation prevails in Korea. Last year's plywood imports were well up on 1998 levels (see table), but fell short of levels prevailing before the Asian crises. Despite clear signs of national economic recovery, developments in the construction and timber sectors are lagging well behind other sectors. January and February were amongst the worst months for Korea's panel market over the last two years.

## Vietnam

### Ambitious planting targets

The Vietnamese News Agency (VNA) reports that forest planting efforts in Vietnam over recent years have raised the national forest area to 11 million ha compared to only 9.3 million ha in 1995. However forest area remains lower than the 14m hectares of forest covering the country in 1943. Forest loss has been caused by war, over-exploitation and the expansion of land used for agriculture. Forest quality has also declined. At 30% of national area, Vietnam's forest cover is the lowest amongst the 10

member states of the Association of Southeast Asian Nations (ASEAN).

According to VNA, the expansion of forest cover has been a major focus of government policy over the last decade. The agency reports that 115,000 ha/year of new forests were planted each year between 1988-94 and 193,000 ha each year between 1995-1998. A new programme was launched in 1999 with the target of planting another 5 million hectares of forest by the year 2010.

South Korea Wood Trade			
Selected products (millions m3)			
Source: ITTO			
	1997	1998	1999
Hardwood logs	1.30	0.80	1.14
of which for plywood	na	0.41	0.50
Softwood logs	7.10	3.30	5.43
of which New Zealand	na	1.70	3.19
Plywood production	1.00	0.64	0.73
Plywood imports	0.97	0.50	0.75



## European Hardwoods

### Storm's impact less than feared

The impact of the December 1999 "hurricanes" on European sawn hardwood market have not been as pronounced as many had feared. Prices for the best quality beech logs have dipped only slightly in the face of continuing strong demand. Already analysts are suggesting that there may be shortages of quality beech logs by the autumn. The storms major impact has been at the lower end of the beech market. Much of the oak felled by the storm is being left on the forest floor until next season, with extraction focused only on satisfying immediate demand. European oak prices have therefore also remained relatively stable.

Loggers now have only until end April at most to ensure beech is removed from the forest floor either for sawing, or irrigation storage. The rate of extraction of felled logs has varied considerably between areas. In some less affected German regions, the work of clearing storm felled beech is already complete. Beech logging outside the storm damaged areas has also ceased under the terms of the Federal Forest Damages Act. Harvests are now focused on the storm hit region of Baden Wurttemberg from where excess logs are being transported to mills elsewhere in Germany.

By contrast certain of the worst affected regions of France may end up leaving a significant volumes of beech on the forest floor. Harvesting work in France has suffered from lack of labour, transport constraints and some poor co-ordination. The underlying difficulty has been the sheer scale of the task. Estimates from the German trade journal *EUWID* indicate storm-felled logs in France of saleable quality amount to 18 million m<sup>3</sup> of beech, 15 million m<sup>3</sup> of oak, and 10 million m<sup>3</sup> of other hardwoods, notably poplar. Much of this wood is unlikely ever to reach the market. Lorry transport in France is already running at full capacity. Storage problems are mounting up. In some regions, such as Lorraine, the harvesting of storm damaged wood has only just begun. Alsace has been

quicker off the mark, and logging there is well advanced.

Beech buyers held off purchasing in January and February in the hope of seeing lower prices nearer the end of the buying season. In March limited purchasing began with the growing realisation that prices were not under significant pressure at the quality end of the market. Sales of the best quality beech logs to China slowed over the Chinese New Year, but have also improved in March. Chinese stocks are said to be low. However the Chinese are increasing their emphasis on quality (not accepting storm fellings for example) and are resistant to higher prices. The best quality KD, steamed and edged European sawn beech is now selling at around US\$820/m<sup>3</sup> CIF into Hong Kong.

Increasing US demand for quality furniture manufactured in the Far East, is opening up new markets for European beech in Singapore and Indonesia.

Spanish buyers of beech, who in 1999 shifted purchases from France to Germany in response to higher French prices, are now importing from France again due to lower transport costs. The UK has been buying reasonable volumes of sawn beech from Northern Germany.

Weakness in the German furniture and interior joinery sector has led to only limited demand for beech there. Demand in Denmark, where furniture companies rely heavily on the German market, is also weak. The turnover of Germany's furniture industry shrank by about 2% to DM 42.4 billion in 1999, and furniture dealers also report a disappointing year. However German furniture manufacturers expect a slight improvement in turnover (1%-2%) during 2000.

Italy now buys beech almost exclusively from the former Yugoslavia. In fact German and French beech exports face increasing competition from Slovenian beech shipped via Italy. Romanian producers also continue to undercut German and French beech suppliers.

## United States

### Cheap imports squeeze manufacturers' margins

ITTO's Market News Service reports that prices for wood raw material in the United States have advanced more quickly than prices for finished and semi-finished wooden goods over the last 12 months. As a result secondary wood product manufacturers profit margins are coming under pressure.

With only a few exceptions prices of finished and semi-finished wooden products in the United States are now at or near an all-time peak. Furniture frames, and cabinets cost in excess of 2% more than twelve months ago. Wooden desks now cost 13.3% more than four years ago. Such price advances have been well in excess of the general advance of the consumer price index. However they have fallen short of the rising costs of wood raw

material in the United States.

A major contributory factor to the declining profitability of US manufacturers has been the strength of the dollar, which has led to increased competition from cheaper imports of manufactured wood products, notably from China and other parts of the Far East.

Shortening profit margins have also encouraged US manufacturers to search for substitute raw materials. One long-term trend, which hasn't yet run its full course, is the replacement of solid wood with cheaper composites - notably MDF. It is notable that US moulding prices have actually declined over the last 12 months, despite firm demand, due to a combination of substitution by cheaper imports and increased replacement of solid wood with MDF.

## United States

### "Old Growth" talks

In a new twist to the environmental debate, six large North American corporations are holding direct talks with environmental groups in an effort to stop campaigns pressuring customers not to purchase their products. In return for a suspension of environmentalists' campaigns targeting products derived from North America's "old growth" coastal forests, the corporations are offering to halt all logging for 18 months primarily in a 224,000-hectare area environmentalists have labelled the "Great Bear Rainforest" for campaigning purposes.

The companies concerned are Weyerhaeuser Co; Doman Industries Ltd's Western Forest Products; International Forest Products Ltd; Fletcher Challenge Canada Ltd.; West Fraser Timber Co; and Canfor Corp. Environmental groups involved include Greenpeace International, Natural Resources Defense Council, Rainforest Action Network, and the Sierra Club of British Columbia.

Meanwhile there are signs that US house builders are following in the footsteps of large retailers to boycott the purchase of wood from "old growth" forests. The Canadian newspaper the *Globe and Mail* reported on March 31 that two of the US largest builders, Kaufman & Broad Home Corp. of Los Angeles and Centex Corp. of Dallas are set to endorse environmental procurement policies to avoid "old growth" wood. Kaufman & Broad built more than 22,000 homes and posted sales of \$3.8-billion last year. Centex operates in 19 states and had sales of \$5.1-billion in 1999. Neither company has yet agreed a timetable for the phaseout because officials have little idea of the source of their wood products. The agreements come after threats of environmentalist protest.

### On-line market place

Three of the largest US forest products companies have announced their intention to jointly develop a global business-to-business marketplace to enable buying and selling of forest and paper products on-line. The companies - International Paper, Georgia-Pacific Corp, and Weyerhaeuser Co.- believe they can benefit customers by simplifying transaction processes, improving information flow and increasing speed of delivery, thereby reducing costs. The on-line marketplace is intended to provide both procurement and sales functions. It should enable participating companies to streamline purchasing operations, reduce inventories, cut internal costs and increase capital efficiency in the industry.

The marketplace will operate as an independent entity with its own board of directors and management team. Initially, the three founding companies will each have an equal equity position, but they expect more partners to join the initiative. Based on demonstrated success, the companies will consider taking the entity public.

## China

## Continuing market growth expected

1999 was a record year for the Chinese timber importing sector. The volume, variety and sources of imported wood were significantly up on previous years. Total log imports increased to over 10 million m<sup>3</sup>, up from 4.8 million m<sup>3</sup> in 1998. Sawwood imports reached 2.18 million m<sup>3</sup>, up from 1.7 million m<sup>3</sup> in 1998. A number of factors have combined to encourage the recent expansion of Chinese wood imports. These factors include the introduction of zero-tariffs on logs and sawn imports; China's Natural Forest Protection Program (NFPP) which has reduced harvests in Central and Northern China; changes in regulations and tax structures which led to the mushrooming of timber importing enterprises; growing domestic demand following various government measures to liberalise and boost the national economy; and expanding overseas demand, notably in the United States, for products manufactured in China including furniture and flooring.

Current market demand for wood in China varies regionally. Imported timber in China is consumed primarily in the more urbanised coastal regions of South and East China. These regions are currently suffering from a glut in timber supply. Importers over-estimated the impact of the NFPP on domestic supplies. In fact reductions in harvest have been largely confined to China's interior, particularly the upper reaches of the Yangtse and Yellow Rivers. The glut in South and East China is expected to be temporary. Growth and liberalisation of the economy in urban districts will soon soak up excess supply.

In regions of Western, Northern, and Central China where domestic log harvests have been significantly reduced under the NFPP, demand will increasingly overtake supply. Forests are almost completely exhausted in these areas. Timber is already in short supply, while demand is likely to be boosted through government measures to increase growth in the less developed rural regions of China.

Most analysts believe China's wood imports will remain active during 2000, and that current trends towards diversification of imported

species, size and grade will continue. However the average size of individual orders is expected to decline. Importers increasing emphasis on quality will continue. Wood imports are also expected to be progressively directed away from the major port of Shanghai to a wider variety of ports - for example in Zhanjiang, Zhangjiagang and Beicanggang.

A number of factors suggest continuing growth of China's timber market during 2000:

- \* the Chinese government recently reported that ongoing housing reforms are feeding a real estate boom which has boosted GDP by up to 2%. Investment in real estate has increased by 20% in two consecutive years and reached 100 billion yuan (US\$12 billion dollars). When Zhu Rongji became premier in 1998, he led a major reform of China's housing policy, forcing workers to buy or rent their own accommodation. Most workers formerly lived in apartments provided by their work unit. Since then around 60% of publicly owned housing has been purchased by private owners.

- \* increasing personal wealth and private house ownership is stimulating demand for furniture and other products for interior decoration. The private sector is now driving growth more effectively than Beijing's public expenditure on infrastructure development. The total value of interior house improvement exceeded 95 billion yuan (US\$ 11.5 billion) in China in 1999, with each city dweller's average spend exceeding 20,000 yuan (US\$2415). The house decoration craze extends beyond the big cities of Beijing, Shanghai, Guangzhou, Harbin, Nanjing, Dalian and Chengdu, into vast numbers of smaller cities.

- \* the value of Chinese furniture production increased by 12% during 1999, and sales value increased to more than 100 billion yuan (US\$12 billion). Growth of furniture manufacturing extends into the interior and is no longer restricted to coastal regions. Most new furniture enterprises are large scale and sell an increasingly diverse range of products. The Chinese Furniture Manufacturers Association reports that manufacturers have good order books.

- \* the largest market for wooden furniture in China currently derives from the urban middle class constituting around 70% of the total population of China's cities. The overall size, wealth and per capita furniture consumption of this group is increasing year by year, a trend which is expected to continue. Urban Chinese pay attention to style and enjoy luxury furniture which is either imported or derives from high-quality domestic mills.

- \* in rural districts, average furniture consumption per capita is less than 20% that of cities. However the potential size of the rural market is staggering: there are 900 million peasants and more than 200 million households in rural areas. Demand for furniture in these areas is expected to increase at an annual growth rate of around 30% as rural life improves.

Currently furniture demand in rural areas is for medium and low grades in modern styles and made of a variety materials.

Domestic demand is not the only important feature of China's furniture market. Wooden furniture and other household goods are increasingly manufactured for the western market, notably the United States. While appreciating the benefits of China's low labour costs, western consumers often prefer their own traditional species, notably Beech and Maple. China's demand for red oak for furniture manufacture and laminated parquet flooring is also rising.

While the Chinese market offers tremendous potential for wood exporters, it is not without challenges. For example, although European beech has been a big winner in China, the market for the species has been very speculative in nature. Prices have bounced up and down rapidly depending on immediate supply conditions, and premiums have often been placed on precise size specifications. Some containers of beech have been sold on at rock-bottom prices after arriving at port at the wrong moment.

## Cambodia

## Malaysians move to protect investment

According to a report in Business Times (Malaysia), the Malaysian government has asked Cambodia to consider lowering its timber royalty rate. Malaysia's intervention came after a Sarawak-based Samling Strategic Corp, which has invested heavily in Cambodia since 1994, had to close its two Cambodian plants after timber royalties quadrupled in 1998 to US\$54 per cu metre from US\$14 per cu metre. The new Cambodian rate compares with timber royalties of only around US\$11 per cu metre in Malaysia. Samling is the only Malaysian logging and timber processing company in Cambodia. It had invested some US\$130 million to build up its timber processing base in the country. Dr Lim, Malaysian Primary Industries Minister, is reported to have met his Cambodian counterpart in February to defuse the situation. The meeting ended with the Cambodian Government agreeing to look further into the matter.

Significant logging activity in Cambodia has been underway since the 1980s. Since 1994, logging carried out by the Cambodian forestry department has been progressively replaced by operations in the hands of overseas timber concessionaires. By 1997, 10 foreign concessionaires were operating in Cambodia. Samling was the first foreign timber company to start operations in Cambodia. It has a 30-year concession with a renewable option for another 30 years for two areas in the eastern (450,000ha) and western (290,000ha) regions of Cambodia. Logging activities commenced three years ago.

China Wood Imports (000s m <sup>3</sup> )			
Source: ITTO Market News Service			
	1998	1999	% chng
<b>Logs</b>	4822	10136	+110
Tropical	2584	4910	+90
Non-tropical	2238	5226	+134
<b>Sawnwood</b>	1688	2178	+29
Tropical	776	1288	+66
Non-tropical	913	890	-2
<b>Plywood</b>	1681	1042	-38
Indonesia	na	588	na
Malaysia	na	331	na
<b>Veneer</b>	536	641	+20

## Focus on the Pacific

### Papua New Guinea

#### Logging moratorium debate heats up

The debate over Papua New Guinea's moratorium on all new forest projects announced on November 1999 (Tropical Timbers, Vol 14, No. 1) is hotting up. The moratorium was a condition for the World Bank to release US\$40 million to PNG for a proposed conservation and forestry project over the next six years. In February the landowners' representative on the National Forest Board, Mr Paisparea, called on the Government to lift the moratorium. Mr Paisparea is quoted in the pro-industry PNG daily, *The National*, as stating that "While the intention of the World Bank to provide development loan to PNG may be genuine, the approach, terms and conditions of such a loan is somewhat dubious." He accused the World Bank of "seriously failing in its approach to consult with the major players within the forestry sector, which included the national forest service, the national forest board and the forest resource or landowners, not to mention members of the forest industry association." He goes on to state that as an industry, the forestry sector plays a significant role in PNG's development, especially in rural areas where logging brings services to the people. Landowners would continue to lobby to raise the moratorium.

Meanwhile environmental groups claim that pressure is building from industry and some regional administrations to make various

exceptions to the moratorium through extensions to existing concessions. They also claim that developers are circumventing the Forestry Act through the use of agricultural clearance projects to obtain permission for logging operations.

A March report in the Malaysian Business Times implies that exceptions to the moratorium are indeed being made. The report suggests that GL Niugini Ltd, a subsidiary of the Malaysian company, General Lumber Fabricators & Builders Bhd's, has secured a new forest concession in Papua New Guinea and is expected to commence operations on another soon. GL Niugini entered into a "Forest Development Project Agreement" for harvesting, reforestation, and wood processing on the East Awin Forest management area of around 200,000 ha. The term of the Forest Development Project is for a period of 35 years subject to renewal under the 1991 PNG Forestry Act. The agreement allows a maximum annual log harvest quota of 141,000 m<sup>3</sup>. All production may be exported as raw logs in the first year. However the company is required to process logs domestically from Project Year 3 and 4.

The report goes on to suggest that a subsidiary of the same Malaysian group, Rimyasa Development Ltd, is expected to commence operations on a 98,100 hectare concession in the Central New Ireland Timber Area of PNG by mid 2000.

#### More aid for sustainable forestry

The Papua New Guinea Post-Courier reports that the Australian aid agency, Ausaid, will launch a new forest sector assistance project for Papua New Guinea early next year. The project will replace the current forestry training and assistance project, on which Ausaid has spent about US\$ 10 million over the last 5 years. Ausaid undertook a study in 1999 which recommended that an entirely new project be developed to link training with conservation and sustainable forestry projects in PNG. Ausaid will dispatch a team of experts to PNG over the next few months to undertake a feasibility study for the project. Ausaid funding to PNG forestry through the new project is expected to be greater than the current forestry training and assistance project.

Meanwhile, according to a BBC report, the PNG Government has signed a US\$7 million "eco-forestry" agreement with the European Union. The funding is for a 5 year period and will be used to provide a forestry policy adviser to work closely with the government to develop an "eco-forestry" policy and establish standards for forest certification at national level; to fund a community development and "eco-forestry" expert who will run training and awareness programs; and to provide an international marketing expert to help landowners market their products. The project aims to encourage sustainable income-generating logging practices in rural areas. Participation in "eco-forestry" will be a voluntary alternative to industrial logging operations.

### Fiji

#### CDC in mahogany deal

The government of Fiji has chosen the Commonwealth Development Corporation (CDC) as a partner in the management and harvesting of an extensive area of mahogany (*swietenia macrophylla*) in the country. The plantations were established 30 years ago and are spread over several locations on the two main islands of Viti Levu and Vanua Levu. The plantations are expected to yield 100,000 m<sup>3</sup> of logs in the first 10 years.

The selection of CDC for the project has not been without controversy. Local press reports suggest concerns have been raised over the alleged exclusion of local interests in the negotiations, and over the choice of CDC in favour of an alternative bidder which on paper seemed to be offering a higher price for the harvesting rights. However the Fiji government maintain CDC are the best option to secure the long term viability of Fiji's wood industry. CDC is committed to injecting its own funds and establishing a value added industry in Fiji. By contrast, the alternative bidder was unwilling to put any of its own money into the enterprise and proposed instead to raise funds through the issue of bonds to foreign investors.

CDC is offering US\$68 million for cutting rights to the mahogany, based on an evaluation carried out by the international forestry valuation group, Fortech. This is apart from the revenue that would accrue from the downstream processing of the timber. While CDC has been identified as the joint venture partner, an agreement has not yet been signed and negotiations are still continuing.

### Solomon Islands

#### Harvesting levels to fall

Solomon Islands Commissioner of Forests, Peter Sheehan, revealed at a conference in Honiara that the current log harvest rate of 550,000 m<sup>3</sup> per year is more than double the sustainable harvest. The forest commissioner stressed the long term economic importance of the forests, which currently provide over 50% of Solomon Islands' export revenue. To maintain the long term security of the forest resource, he said harvesting must be severely curtailed.

### Indonesian fires hit the news again

In what seems now to becoming an annual occurrence, reports of forest fires in Indonesia have hit the news again. Forest fires were detected on 6th March in three provinces of Sumatra (Riau, North Sumatra, and West Sumatra) and two provinces of Kalimantan (West Kalimantan and Central Kalimantan). However this year there seems to have been a more focused reaction from the authorities. Fires in the region have been caused by plantation companies using fire as a cheap way

of clearing land. Over-logging in Indonesia has also opened up the forest canopy, reducing moisture and rendering forests more susceptible to fire. In August last year, ASEAN adopted a "zero-burning" policy and urged all countries to implement laws and regulations to enforce the policy. So far this year the Indonesian government has suspended the business licenses of four plantation companies accused of deliberately setting fires in Indonesia. If convicted, they could face fines of over

US\$600,000. Their managers may go to prison. Indonesia's Environment Minister declared the fires a national disaster and, on 14 March, gave plantation companies, estate managers and forest concessionaires 2 weeks to extinguish all fires on their land, regardless of who started them. Nevertheless, with a vast area to monitor and with corruption and limited resources, it remains to be seen how effective these measures will be. *Source: The Economist*

## New products

Higher value  
Eucalyptus

Today only very small volumes of eucalyptus sawnwood are traded internationally. In the 1998/99 fiscal year, Australia exported only 2.4% of its 1.24 million m3 eucalyptus sawnwood production - continuing a decline that started 45 years ago. Some countries that have established large eucalyptus plantations for pulp manufacture are also exporting sawnwood of the species - notably Brazil, South Africa and Uruguay - but volumes are very small. However a recent article in the US journal *Import/Export Wood Purchasing News*, taken from a study by Robert Flynn and Evan D. Shield, highlights the potential for increased use of Eucalyptus for high value sawnwood and veneers. A number of reasons are cited for the trend:

\* the declining availability of hardwood from traditional sources, most notably the natural forests of South-East Asia.

\* the increasing preference for wood from certified forests. Eucalyptus is often grown in large monospecific plantations under private ownership which lend themselves to relatively low cost certification under existing systems like the Forest Stewardship Council (FSC).

\* investors in Eucalyptus plantations managed exclusively for pulpwood have been disappointed by financial returns in a market characterised by over-supply of hardwood pulp. Investors regard the integrated management of plantations for both pulp and sawlogs as a way both of reducing risk through diversification and increasing rates of return.

\* the characteristics of eucalyptus. It can produce large logs in a relatively short period. On good sites, it is possible to yield logs of 50cm diameter and dominant height of 50 m in 15-17 years - although intensive management inputs (notably pruning) are required to achieve satisfactory quality.

The article suggests these factors will combine to increase trade in eucalyptus sawnwood, admittedly from a small base. Total volumes of eucalyptus sawnwood sold internationally should not exceed 250,000m3 before 2003. However volumes are expected to increase three-fold soon after. In addition to the countries already referred to, Chile should emerge as a significant supplier after 2005.

The success of eucalyptus sawnwood will depend on effective substitution marketing, which in turn is dependent on price, performance, preference, perception and prejudice. The article reviews each factor in turn:

**Price:** until recently, mills producing eucalyptus

sawnwood were generally small and based on inferior technology. However new larger mills have been built recently, notably by Aracruz and C.A.F. in Bahia Brazil. More mills of this type are expected in Uruguay and Chile. The newer mills should be able to produce a globally competitive product.

**Performance:** Eucalyptus may be difficult to process and convert into quality sawnwood. However, if well established protocols are followed, eucalyptus of medium and higher densities can be applied to a range of applications, including furniture, flooring, panelling, and mouldings. The article suggests that wood from 15 year old plantation grown E. Grandis, one of the most widely used species, has a density, modulus of rupture, modulus of elasticity and Janka hardwood profile which supports prospects for its substitution for meranti.

**Preference/Perception:** outside Australia, eucalyptus may face an uphill struggle to overcome consumer preference for well established species. There may be adverse perceptions to overcome, and little understanding of the species performance in higher value applications. Its success will depend on effective promotion linked to adherence to tight quality control standards, and provision of technical advice.

**Prejudice:** the article concludes, with frankness, that one of the best opportunities for Eucalyptus is to exploit existing prejudices against tropical hardwoods. These prejudices are opening up market opportunities for plantation woods like eucalyptus, particularly if the product is sold bearing environmental certification brands preferred by western consumers. Eucalyptus producers in Brazil and South Africa have been amongst the first to seek FSC certification.

Exchange rates for one pound sterling and one US dollar

		2000 01-Feb	2000 01-Feb	2000 25-Feb	2000 25-Feb	2000 4-Apr	2000 4-Apr
		£STG	US\$	£STG	US\$	£STG	US\$
Argentina	Peso	1.6147	0.9998	1.5936	0.9995	1.5955	0.9999
Australia	Aus. \$	2.5472	1.5773	2.5836	1.6204	2.6297	1.6480
Bangladesh	Taka	82.3625	51	81.317	51	81.367	51
Belgium	Belgian Fr.	66.9651	41.4657	65.7165	41.2158	67.2948	42.1763
Belize	B\$	3.2299	2	3.1889	2	1.9208	3.0650
Bolivia	Boliviano	9.6413	5.97	9.6305	6.04	70.9220	6.0201
Botswana	Pula	7.6448	4.7337	7.5424	4.7304	7.7555	4.8603
Brazil	Real	2.8981	1.7945	2.827	1.773	2.7829	1.7440
Fr. Africa*	CFA Fr.	1088.9	674.27	1068.6	670.2	1098.9	684.9
Canada	Canadian \$	2.3372	1.4472	2.3152	1.452	2.3190	1.4533
Chile	Peso	837.351	518.5	807.509	506.45	806.45	505.05
China	Yuan	13.3676	8.2774	13.1998	8.2786	13.2100	8.2788
Czech Republic	Koruna	59.5246	36.8585	57.8547	36.285	60.4230	37.8644
Denmark	Danish Krone	12.3529	7.6491	12.1328	7.6094	12.4239	7.7863
Estonia	Kroon	25.9698	16.081	25.4894	15.9863	16.3613	26.1097
Europe	Euro	1.66	0.9729	1.6291	1.0217	1.6686	1.0457
Finland	Markka	9.87	6.1117	9.686	6.0749	9.9206	6.2170
France	Franc	10.889	6.7427	10.686	6.702	10.9445	6.8592
Germany	D-mark	3.2467	2.0104	3.1862	1.9983	3.2634	2.0451
Ghana	Cedi	5829.98	3610	5990.36	3757	6666.66	4167
Guyana	Guyanese \$	291.498	180.5	287.479	180.3	286.533	179.2
Hong Kong	HK\$	12.5649	7.7804	12.409	7.7826	12.4254	7.7869
India	Ruppee	70.4139	43.6013	69.5491	43.6195	69.5894	43.6110
Indonesia	Rupiah	11991.01	7425	11719.2	7350	12500.0	7692.31
Irish Republic	Punt	1.3074	0.8095	1.283	0.8047	1.3141	0.8235
Italy	Lira	3214.25	1990.31	3154.32	1978.31	3225.81	2040.82
Japan	Yen	174.253	107.9	176.904	110.95	167.2241	104.8218
Kenya	K. Shilling	117.326	72.65	117.272	73.55	119.4743	74.9064
Korea South	Won	1819.24	1126.5	1812.09	1136.5	1785.7	1111.1
Liberia	Liberian \$	1.615	1	1.5945	1	1.5957	1
Malaysia	Ringgit	6.1369	3.8	6.0589	3.8	6.0635	3.8
Myanmar	Kyat	10.9935	6.25	9.766	6.125	10.6281	6.6605
Netherlands	Guilder	3.658	2.2653	3.59	2.2516	3.6770	2.3043
New Zealand	NZ\$	3.2878	2.0358	3.2687	2.05	3.1933	2.0012
Nigeria	Naira	160.364	99.3	162.714	102.05	162.075	101.52
Papua NG	Kina	5.0708	3.14	5.0023	3.1373	4.1558	2.6043
Philippines	Peso	65.5347	40.58	65.2131	40.9	65.6599	41.1523
Poland	Zloty	6.8474	4.24	6.613	4.1475	6.6256	4.1520
Portugal	Escudo	332.804	206.077	326.599	204.835	334.4482	209.6436
Romania	Leu	29828.1	18470	30087.3	18870	33333.3	20000
Russia	Rouble	46.1311	28.565	45.7767	28.71	45.8926	28.7687
Singapore	Singapore \$	2.7422	1.698	2.7277	1.7107	1.7166	2.7391
Solomon Islands	Simm. Is. \$			8.0622	5.0564	8.0665	5.0551
South Africa	Rand	10.1532	6.287	10.057	6.3075	10.4745	6.5638
Spain	Peseta	276.204	171.029	271.054	169.999	277.7778	173.9130
Sweden	Krona	14.189	8.786	271.054	169.999	8.6768	13.8447
Taiwan	\$	49.5491	30.6815	49.0453	30.76	48.5909	30.4507
Tanzania	Shilling	1287.92	797.5	1275.56	800	1265.82	800
Thailand	Baht	60.5365	37.485	60.3101	37.825	60.2773	37.7786
Uganda	New Shilling	2483.79	1538	2405.23	1508.5	2439.02	1515.15
U.S.A	US \$	1.615	1	1.5945	1	1.5957	1
Venezuela	Bolivar	1058.6	655.5	1054.77	661.525	1063.8298	671.1409
Vietnam	Dong	22693.3	14052	22413.2	14057	25000.0	14285.7
Zimbabwe	\$	61.7315	38.225	61.3067	38.45	60.9756	38.2117

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

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