

TROPICAL TIMBERS

an independent publication providing market information

Trade Forecasts

European hardwood consumption rising

Europe's long term decline in sawn hardwood markets is at an end. In 1998 sawn hardwood consumption rose for the second consecutive year. This is the verdict of the UN/ECE annual wood market review issued for the Timber Committee meeting held

Sawn hardwood balance in Europe, Russia and North America
Source: UN/ECE/FAO 1999: All data million m3

	1995	1996	1997	1998
Europe				
Production	13.40	12.71	12.56	12.95
Imports	6.66	6.02	7.25	8.12
Exports	3.21	3.23	3.25	3.57
Consumption	16.85	15.50	16.56	17.50
Russia				
Production	3.97	4.38	3.92	3.56
Imports	0.01	0.01	0.05	0.05
Exports	0.27	0.25	0.25	0.24
Consumption	3.71	4.14	3.72	3.37
North America				
Production	30.44	30.65	31.28	32.89
Imports	1.59	1.45	2.12	2.25
Exports	3.26	3.55	3.89	3.68
Consumption	28.77	28.55	29.51	31.46

Imports of sawn hardwood by country in the ECE Region
Source: UN/ECE/FAO 1999: All data million m3

	1995	1996	1997	1998
Europe	6659	6018	7247	8122
of which				
Italy	1777	1576	1760	2021
Germany	708	553	852	955
Belgium Lux.	532	634	737	900
Spain	719	514	900	
France	519	425	565	562
Netherlands	631	583	542	
United Kingdom	501	575	611	505
Austria	154	165	192	224
Portugal	138	144	161	194
Sweden	135	109	106	123
Other European	845	741	822	1196
Russia	7	8	46	46
Canada	892	928	1027	955
United States	698	518	1096	1295
North America	1590	1446	2123	2250

in Geneva 27-30 September. The Committee forecast continuing growth in the European hardwood market to at least the end of 2000.

During 1998, apparent consumption of sawn hardwood reached 17.5 million m3. Although European exports increased by 10%, these were compensated for by an increase in imports of 12%. European exports and imports were both at record levels. European production also increased, by just over 3% to 13 million m3. Significant increases in sawn hardwood consumption were recorded in Germany (+12.5%), France (+5.8%), Italy (+6.7%), Portugal (+4.9%), and Turkey (+14.5%). Conditions in the UK have been less favourable, the report indicating a 15% decline in consumption.

During 1998, consumption in North America moved up strongly, by 6.6%. Production was at record levels of 33 million m3. Imports were also significantly up, a reflection of firm US demand and the low prices on offer for Asian woods during 1998. Tropical imports into the United States made particular headway in 1998. The weakness of Asian markets and strength of the US dollar contributed to a 5.3% drop in North American exports.

Russia is the lame man of global wood markets. Consumption during 1998 reached only 3.4 million m3, only one third of levels prevailing in 1992. Russian hardwood demand was hit by the country's economic crises of mid 1998. Russian hardwood production fell by nearly 10% last year, and trade remains stagnant at low levels.

By contrast some Eastern European countries saw significant increases in sawn hardwood production last year, although generally from a small base. For example production in Slovakia increased by 150% to 420,000 m3, production in the Czech Republic increased by 27% to 320,000 m3, and production in Latvia increased 167% to 400,000 m3.

Overall European imports of sawn hardwood rose strongly, by 12%, to a record 8.1 million

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EUROPEAN AND NORTH AMERICAN WOOD CONSUMPTION, PRODUCTION AND TRADE

Source: ECE Timber Committee, Geneva, September 1999 - all data million m3

	Consumption			Production			Imports			Exports		
	1998	1999*	2000*	1998	1999*	2000*	1998	1999*	2000*	1998	1999*	2000*
Europe												
Sawn hardwood	16.83	16.92	17.09	13.33	13.86	14.16	7.75	7.41	7.42	4.12	4.25	4.39
temperate	14.06	13.91	13.94	12.92	13.19	13.40	5.14	4.89	4.85	3.98	4.15	4.28
tropical	2.75	2.67	2.67	0.42	0.42	0.41	2.38	2.31	2.31	0.13	0.11	0.11
Hardwood logs	38.62	39.01	39.12	34.23	34.74	34.81	9.03	9.13	9.17	4.67	4.91	4.96
temperate							6.13	6.32	6.41	4.56	4.78	4.84
tropical							1.88	1.80	1.75	0.09	0.09	0.09
Plywood	5.95	5.94	6.00	3.73	3.73	3.80	5.06	5.04	5.11	2.71	2.69	2.78
Particle board	32.38	32.44	33.13	34.14	34.74	36.03	8.36	8.01	7.57	9.83	10.02	10.17
MDF	3.47	3.68	3.84	3.83	4.40	4.68	1.95	1.72	1.70	2.11	2.19	2.21
North America												
Sawn hardwood	31.61	31.38	31.50	32.89	32.86	32.94	2.48	2.63	2.68	3.75	4.11	4.12
Hardwood logs							1.39	1.66	1.67	1.73	1.77	1.82
Plywood	18.44	18.09	17.56	17.49	17.26	16.78	2.26	2.29	2.23	1.31	1.47	1.45
Particle board	26.53	27.46	26.84	26.50	27.74	28.39	7.29	7.29	6.74	7.27	7.58	8.28
MDF	2.56	2.66	2.69	3.06	3.26	3.39	0.13	0.15	0.16	0.64	0.76	0.86

* ECE Timber Committee forecasts

ECE Trade cont from page 1

m3. Around 20% of this volume comprised tropical wood. Italy, with only limited domestic forest resources and its large and vibrant wood processing and manufacturing industries, is by far the largest sawn hardwood importer in the whole ECE region. Italy's imports increased 14.8% during 1998 breaking the 2 million m3 mark. Sawn hardwood imports were high despite stagnation throughout much of Italy's construction industry. While new building has been limited in Italy, renovation activity has been strong. Increased sawn imports also reflect moves in Italy to decrease log imports and relocate primary processing to supply countries.

Forecasts for 1999 and 2000

The Committee forecast that European sawn hardwood consumption would rise by 0.5% in 1999, and then grow by a further 1% in 2000. The forecast reflected growing confidence in the performance of the European economy. Increasing demand would be partly stimulated by improved consumption in the furniture sector. The trend towards the supply of hardwood dimension stock is expected to increase in this sector. There is also expected to be an increasing trend from rough dimension to semi finished products and components. Demand for hardwood flooring is identified as another

significant area of market growth. The Committee suggested that loss of market share due to environmental concerns has partly abated. Less positive for European wood importers, is the prediction that much of the increased demand should be met from increased domestic production. Imports of tropical logs and sawnwood into Europe are forecast to remain flat during 1999. Many tropical producers will benefit from the effects of currency devaluation. On the other hand, these gains will be offset by increasing supply constraints in the tropics, recent moves to restrict tropical log exports by certain producer countries, and continuing efforts to shift towards value added exports. The trend towards substitution of solid wood by MDF and other engineered wood products is expected to continue.

North American sawn hardwood production and consumption, which have been running at record levels in recent years, are forecast to level off in 1999 and 2000. However trade volumes are expected to increase significantly during 1999. Exports are expected to move up 10%, as demand in both Asia and Europe picks up and the dollar's excessive strength in relation to the yen and euro subsides. US hardwood imports are forecast to rise 6% in 1999 due to continuing tight domestic hardwood supplies and strong demand in the US.

IMF links forest reform to Cambodian loan

The IMF has approved a three-year, US\$81.6 standby credit for Cambodia. The "enhanced structural adjustment facility" will be connected to a 1999-2002 program which aims to protect macroeconomic stability, rebuild the Cambodian economy and reduce poverty. There will be seven disbursements of US\$11.7 million each. Installments will be made available subject to Cambodia's performance in implementing reform. Cambodia will need to step up efforts to strengthen revenue in support of increased government expenditure; reduce unproductive spending; and strengthen

public resource management, particularly in forestry. Effectively managing forestry resources is among the most difficult challenges facing the Cambodian authorities. However the IMF note that "measures taken so far have demonstrated the government's commitment to redress past mistakes and move toward an environmentally sustainable policy." On 20 October, the leaders of Cambodia, Vietnam, and Laos at an informal meeting agreed to co-operate in the implementation of forest and environmental policy.

New investment in Guyana

Barama, a Malaysian-Korean partnership involved in Guyana's forestry industry, is investing US\$32m in a wood processing complex to increase production in the country. The venture will take Barama's existing and planned investments in Guyana to US\$132m. The complex includes a sawmill, kiln dryers, a marine slip-way, wharf facilities, houses and a 100 km road linking it to the company's concession in north-west Guyana. A railway line is also planned. The saw-mill will be capable of processing 1,000 m3 of sawn lumber a month and a veneer plant will have a capacity of 2,400 m3 a month from 16,000 m3 of logs. Barama has a 4m acre logging concession in Guyana, and also manufactures plywood. It exports to the US and Europe.

Guyana's forest land covers about 75% of the country's total 83,000 sq miles. Output from Guyana's forestry industry between January and June reached 231,537 m3, 3% higher than the corresponding period of last year.

EC aid for tropical forests

The European Commission (EC) and UNDP's Sustainable Energy and Environment Division (SEED) have launched a joint initiative to strengthen sustainable forestry management and to support sustainable-livelihood programs in Cameroon, Guyana, and Malawi. The EC will commit US\$2.06 million to the effort, which will be administered through UNDP's Programme on Forests (PROFOR). Activities under the initiative should begin shortly. In Cameroon, the program will strengthen national capacities in sustainable forest management and create an information exchange forum on forestry issues (the Intersectional Consultative Forum on Forests). In Guyana, the program will work through public and private sector partnerships to design practical strategies for sustainable forestry. In Malawi, the money will be used to develop innovative finance mechanisms, build capacity, and support forest planning.

INDICATIVE PRICES

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

Logs

	Aug	Sept	Oct
Ex CAR, Congo (Braz) Fr.F/m3 FOB Douala LM			
N°GOLLON			
70cm+20% 60/69	1450	na	1550
BOSSE 60cm+	1550	na	1650
AYOUS 70cm+	1000	na	1100
BIBOLO 60cm+	1350	na	1450
SAPELE			
80cm+20% 70/79	1550	na	1650
SIPO			
80cm+20% 70/79	1950	na	2050
IROKO			
80cm+20% 70/79	1650	na	1750

	Aug	Sept	Oct
Ex Gabon Fr.F/m3 FOB Owendo LM			
ACAJOU			
70cm+20% 60/69	1300	1350	1450
DIBETOU 60cm+	1175	1175	1275
DOUKA			
70cm+15% 60/69	1150	1150	1250
SIPO			
70-79cm10%/60/69	1700	1700	1800
80-99cm	1900	1900	2000

Sawn Timber

	Aug	Sept	Oct
Ex Ghana DM/m3 FOB Takoradi			
FAS (includes notional agent's commission of 5%)			
6"+ avg 9" C/£	4184	4475	4764
6" + avg 9" DM/£	2.97	3.03	3.05
A.MAHOGANY AD	740	740	1050
A.MAHOGANY KD	895	895	1200
EMERI AD	760	760	760
UTILE KD	1450	1450	1500
ODUM AD	1090	1090	na
ODUM KD	1250	1250	1250
SAPELE KD	1070	1070	1070
EDINAM AD	590	590	590
EDINAM KD	770	770	770
WALNUT AD	705	705	705
NIANGON AD	895	895	895
DANTA AD	680	680	710
DANTA KD	945	945	975
WAWA AD	450	450	500
WAWA KD	520	520	575
MAKORE AD	790	790	925
MAKORE KD	960	960	1090

	Aug	Sept	Oct
Ex Douala - Cameroon, CAR, Congo (Brazzaville)			
Fr.F/m3 FOB FAS width 6"+, length 6'+			
SAPELE	2750	2800	2950
SIPO	3850	3900	3900
BIBOLO	2800	2800	2650
N°GOLLON	3200	3200	3200
AFRORMOSIA	3800	3800	4000
IROKO	3375	3375	3375

	Aug	Sept	Oct
Ex Gabon FR.F/m3 FOB			
FAS width 6"+, length 6'+			
OKOUME AD	2000	2000	2000

	Aug	Sept	Oct
Ex Congo (formerly Zaire) Fr.F/m3 FOB			
FAS width 6"+, length 6'+			
SAPELE	2800	na	na
SIPO	3700	na	na
MAHOGANY	2500	na	na
AFRORMOSIA	3800	na	na
IROKO	3400	na	na

	Aug	Sept	Oct
Ex Cote d'Ivoire Fr.F/m3			
Fr.F/£	9.97	10.15	10.24
FOB Abidjan FAS			
6"+ avg 9"-10"			
6'+ avg 10'-11'			
1"-2"			
IROKO	3375	3375	3375
MAHOGANY	2750	2750	2750
FRAMIRE	2000	2000	2000
SAMBA No.1 C&S	1525	1525	1525
AZOBE dim. stock	2200/	2200/	2300/
	2800	2800	2800
OPEPE dim. stock	1950/	1950	1950/
	2550	2550	2550
DABEMA dim. stock			1950/
			2550

	Aug	Sept	Oct
Ex Malaysia US\$/ton, C&F UK port			
M\$/£	6.03	6.29	6.24
US/£	1.59	1.66	1.64
M\$/US\$	3.80	3.80	3.80

	Aug	Sept	Oct
(Rates given for M\$ are official rates)			
DARK RED MERANTI (KILN DRIED)			
Select & better GMS			
width 6"+ avg 7"/8"			
length 8'+ avg 12'/14'			
1-2" KD	900	920	920
2.5" KD	950	950	950
3" KD	990	990	990
KERUING			
Standard & Better GMS			
1"-3"			
width: random or fixed			
length 16'+	550	550	550
KAPUR			
Standard & Better GMS			
1"-3" plnd			
width 6"+ avg 7"-8"			
length 16'+	555	555	555

	Aug	Sept	Oct
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"			

	Aug	Sept	Oct
Ex Brazil US\$/m3 C&F			
FAS US\$/£	1.59	1.66	1.64
6"+ avg 9-10"			
6'+ avg 10-11'			
MAHOGANY (Swietenia)			
1"-2" AD	1150	1175	1175
2.5"-3" AD	1160	1185	1185
1"-2" KD	1220	1245	1245
2.5"-3" KD	1250	1275	1275
VIROLA			
1" KD No.1 C&B			
boards	380	380	380
strips	360	360	360
CEDRO			
1"-1.5" KD	700	700	700
2" KD	720	720	720
2.5"-3" KD	750	750	750

Hardwood Market Highlights

- Meranti prices flattened out....
- ...but supplies very tight
- Sapele supplies fully booked
- Cameroon log ban sticks
- US stocks low for time of year
- European hardwood prices firm
- UK trade busy in October

Asian Hardwoods
Sellers' market

The rainy season has arrived on schedule in many parts of the Far East, hampering logging in certain areas. Far Eastern shippers have spent much of October handling the large back log of orders that built up when supplies were tight earlier in the season. Prices for Meranti sawn wood from Peninsular Malaysia and Seraya from Sabah have flattened out for the time being. However supplies remain scarce and are expected to get tighter as the rainy season proceeds and the Far Eastern vacation period looms. With redwood supplies tight throughout the tropics, Malaysian producers find themselves in a dominant position. They are able to allocate the limited supplies available to the markets most willing to pay higher prices. Malaysian shippers report that they are seeking to renegotiate contracts at higher prices and that an increasing number of European importers are willing to compromise.

Availability to the UK market has been curtailed, as many producers can obtain better prices by selling 3" by 5" pin hole no defect grade to the Dutch. One factor that has particularly tightened supplies from Malaysia this year has been increased restrictions on logging at higher altitudes, leading to reduced availability of the denser woods that are popular in Holland.

Suppliers in both Peninsular Malaysia and Sabah report firm European demand for their products. In the UK, agents representing Peninsular Malaysia shippers reported a flurry of Meranti buying activity during early October as importers moved to cover themselves for the January/February period. However, by the end of October, buying activity seems to have slowed. Demand for Keruing in the UK has been more patchy as importers are well bought in the species. French importers report that they are having difficulty sourcing Kapur and Bangkirai. To overcome supply constraints and satisfy growing demand, shippers in Peninsular Malaysia have been importing green Meranti lumber from the Indonesian island of Sumatra for kilning and shipment to Europe.

Asian log prices continue firm due to tight supplies, and continuing buoyant demand in China. Demand elsewhere has been patchy.

The log market in Japan has been drifting lower during October due to a slump in plywood sales there. The rising value of the yen has added to uncertainty in Japan's manufacturing sector. Plywood mills are demanding price reductions

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Asian Hardwoods *Cont.*

for logs, but negotiations with bullish shippers are difficult.

A similar situation prevails in South Korea. Continuing weak consumption in Korea has meant that Asian shippers determination to push up log export prices has met with staunch resistance from importers. Sarawak and PNG shippers have been forced to maintain log price levels. Shippers in the Solomon Islands, encouraged by firm Chinese demand, signalled an intention to increase prices. Many Korean buyers gave up contracts for Solomon Is. logs in favour of PNG and African suppliers.

Korean imports of sawnwood have been hit by weak demand. Imports in August fell to 65,386 m³, down 12% on the previous month due to slow demand from construction companies.

ITTO's Market News Service reports on proposals in Indonesia to introduce a levy of US\$2/m³ on round logs. The fund generated from the levy would support human resource development in the forestry sector. The Indonesian Forestry Community has objected to the scale of the charge and has suggested it should be denominated in local currency at between Rp5,000/m³ and Rp10,000/m³.

South American Hardwoods

No more mahogany this year

As elsewhere, supplies of many Brazilian hardwoods of interest to export markets are tight. No new supplies of Brazilian mahogany are expected to be cut this season. Although there are volumes standing, no-one is paying for extraction and it is too late to start new operations this season. The limited volumes extracted this year went primarily to the United States. One load of around 1000m³ is currently awaiting shipment from Brazil. South American Cedar is more readily available and continues to be purchased by a few UK importers. Volumes however are down on previous years. Formerly treated as a commodity and stocked by a wide range of UK importers, the species is now of interest only to importers supplying niche markets. However the species is selling well into the West Indies and Italy.

France is the leading European importer of Brazilian hardwoods. Imports have focused particularly on Tauari, which can substitute for Asian Meranti timber. French stocks of

Brazilian species are currently low. This coupled with supply shortages is putting upward pressure of prices. Some contracts to the French market are now running 4 to 5 months late. The situation is partly due to the on-going financial difficulties of many Brazilian mills, which has led to a wave of closures.

ITTO's Market News Service reports that exports of Brazilian lumber to Asia continue to increase, the limitations being on the supply side rather than in demand.

Economic prospects in Brazil continue to improve. The Economists poll of forecasters suggests that GDP will decline by only 0.2% in 1999 and may grow by 3% in 2000. Interest rates are coming down and the Government has announced a new investment programme. Investments are forecast to reach around US\$1,000 billion, covering infrastructure and industrial development among others. However economic reform to bring down the fiscal deficit remains a major political challenge.

African Hardwoods

Sapele supplies fully booked

As in Asia, the African market is now a seller's market. Demand for most African hardwoods has picked up significantly during October. This, coupled with tightening supplies in response to unusually heavy rains and regulatory constraints in some countries, has led to price rises across the board. Most of tropical Africa's good mills are sold out until March 2000. This is making life difficult for importers, who are hardly in a position to predict demand next month let alone March next year.

Cameroon supplies of Sapele are fully booked to the end of the year. Heavy rains are restricting logging and Sapele prices have inched further upwards, although these remain comparatively low compared to previous years. With supply difficulties in both Asia and South America, there may well be room for further price increases.

Demand in Spain and Portugal, both important Sapele markets, has been relatively quiet during October. Iberian importers, who generally treat Sapele as a commodity, may be in for a shock when they return to the market.

As one agent puts it, wood exports from Ivory Coast are "diminishing rapidly". Supplies of iroko from the country are insufficient to satisfy the main markets for the species in Ireland, North Africa and Saudi Arabia. One agent also comments that good quality iroko is harder to find. Prices remain firm. Dimension stock of Dabema from Ivory Coast is added to our list of indicative prices, reflecting growing interest in this product.

Supplies of nearly all species and grades from Ghana are now restricted. Prices are also rising in response to new higher forest royalties. Ghanaian Utile (French Sipo), a potential substitute for Sapele, is only available in limited quantities

at relatively high prices. The limited volume of Khaya that is produced is now destined almost exclusively for the United States. Danta, a general flooring and joinery timber, is being bought in limited quantities in the Far East. Spain has been a buyer of the species, but is showing little interest at current price levels. Volumes of sapele and iroko available from Ghana are now very limited. Where available, prices are variable and generally higher than elsewhere. Edinam stocks are available but there are now few buyers. Wawa has become the mainstay of Ghanaian exports. Demand for the species has picked up over recent months and it is now selling well, particularly into the Far East, South Africa and to a lesser extent the UK. Devaluation of the cedi has assisted Ghanaian exporters over recent months.

The export ban on most Cameroon logs now seems to be sticking. The implementation of the ban has created confusion and it is, perhaps, worth reiterating the background. The Cameroon authorities announced introduction of the ban on 18 June this year. The announcement stated that log exports of 22 commercial species, including Iroko, Sipo, Padauk, Ngollon, Bosse, and Bibolo, are to be banned. Log exports of 11 "First category" species, including Azobe, Framire, Koto and Tali, are to be subject to a high rate of tax. Log exports of the remaining "Second category" species, are to be subject to a lower rate of tax. Exports of logs of sapele and ayous will be allowed subject to "special authorisation" and quota allocated to individual exporting companies. The government announcement allowed for a transition period whereby all log stocks declared by 30 June 1999 could be exported by a deadline of 30 September 1999. Unfortunately an order issued on 31

August by the Cameroon President created confusion. Many interpreted the order as an extension of the transition period during which logs could still be exported. This however is not the case; the order was only designed to link this year's announcement of a log ban with Cameroon's existing forestry laws (originally introduced in 1994). The order does not reflect any change in government policy.

While Cameroon exports of logs have been curtailed, logs from Congo (Brazzaville) and the Central African Republic are still available through Douala. Log supplies are also available from Gabon and Liberia. The recent announcement of a large investment by a joint Malaysian/Liberian venture in Liberia implies a potentially large increase in log exports from Liberia in future years.

Recent reports indicate that there is little change in the difficult supply situation from the two Congo's, both of which have for long been prey to internal difficulties. There are reports of a few shipments from the Democratic Republic of Congo (Zaire) over recent weeks, but volumes remain restricted.

After a very difficult period in Gabon, the French trade press report that the log supply situation has now stabilised. On 3 August this year, SNBG confirmed a partial liberalisation of their monopoly over okoume and ozigo log exports. Forestry companies are now allowed to sell a proportion of their logs of these species to "non traditional" markets, primarily Asia. SNBG will maintain a monopoly over exports to the traditional markets in Europe, North America and Africa. Of the 150,000 m³ of okoume/ozigo logs produced each month, forestry companies are authorised to sell around 26,000 m³ (17%) to non traditional markets.

French stocks of African logs are reported to be at higher levels than last year. French importers apparently built up tropical log stocks earlier in the year in anticipation of the Cameroon ban.

North American Hardwoods Exporters optimistic over prospects

This is generally a very busy time of year for US exporters as inventories are being built to cover buying over the winter, kilns are operating at top efficiency to dry wood that is already well air dried, and export sales are at their highest. This year is typical in the sense that export orders are increasing in many areas. More unusual is that stocks of certain hardwood species and grades are low.

Demand from some European markets including Italy, Spain and Portugal is picking up. Germany is still quiet, although the German trade press report increasing interest in Cherry, Hard maple and red alder. UK demand is steady, although still described by agents as "cut throat". The Irish market is quieter.

In the Far East, strong demand from HK/China continues, while Japanese demand is also picking up. Other Asian countries are more quiet. The Mexican (mainly red oak) and Canadian markets are both looking strong. US domestic demand remains buoyant.

On the supply side, there are reports of low availability and high prices for standing wood. Long-term reasons include increasing constraints on Federal forest harvests for environmental reasons and the sheer strength of US domestic demand. In the shorter term, the recent hurricane on the east coast disrupted supplies. North Carolina suffered most from mill closures and transport problems.

US exporters seem optimistic over future prospects. At the recent NHLA Convention, exporters were forecasting increased Far Eastern demand, a trend that should be assisted by the significant weakening of the US dollar against the yen over the last 12 months. This factor is expected to increase problems of supply to European markets.

One notable trend in the United States wood market has been increased penetration by foreign imports. The trend is a response to buoyant

US demand, the strength of the dollar, tight domestic hardwood demand, and devalued Far Eastern currencies. The trend is particularly pronounced in the mouldings and furniture component sector. Mouldings of radiata pine are selling very quickly in the United States, while increasing volumes of furniture components, notably of rubberwood and ramin from the East Asia, are also being imported.

UK agents note that, while supplies are getting shorter, it is still possible to obtain most species and grades as long as the price is right. The problems of US supply that are emerging relate particularly to thicker sized lumber. US mills have been reluctant to saw thicker sizes because these take longer to dry and therefore tie up capital. The problem relates particularly to Maple, Beech and Cherry, but also includes Red oak, White oak and Ash.

Looking at individual species, US inventories of ash are low. Sales of all thicknesses are improving. Interest in the species in both Japan and Europe is increasing.

Interest in US beech is increasing due to limited stocks of the European species. However US inventories are also low.

Availability of good quality Hard maple for export is now extremely limited. Some buyers have been looking at lower qualities to make up short falls. Prices are very variable depending on supplier, but are generally very firm. Exports of soft maple are increasing to the Far east. The species is increasingly being selected for white colour to act as a substitute for beech and hard maple.

Red oak, much in demand in the US, is also attracting steady orders from overseas, with Mexico and Asia picking up noticeably.

Cherry supplies are extremely tight, particularly for the higher grades. Moves to protect the Indiana bat under the Endangered Species Act in the Allegheny National Forest have disrupted

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

	Aug	Sept	Oct
\$/£	1.59	1.66	1.64
RED OAK			
1"	1760	1760	1760
1.25"	1930	1930	1930
1.5"	2075	2350	2250
2"	2400	2650	2650
WHITE OAK			
1"	1580	1625	1580
1.25"	1780	1780	1750
1.5"	2100	2300	2200
2"	2600	2850	2600
ASH			
1"	1175	1250	1250
2"	1575	1675	1675
TULIPWOOD			
1"	1075	1125	1125
1.25"	1090	1140	1140
1.5"	1145	1200	1200
2"	1165	1215	1215
CHERRY			
1"	3275	3450	3400
1.25"	3350	3550	3500
1.5"	3525	3700	3600
2"	3675	3900	3800
HARD MAPLE			
1"	2350	2500	2500
1.25"	2450	2550	2550
1.5"	2625	2750	2750
2"	2775	2850	2850

Cherry supplies this year. However, efforts are now underway to restart logging in various working areas in the National Forest subject to tight environmental control.

Demand for white oak in both the UK and continental Europe is comparatively slow and highly competitive. Spanish demand has been particularly disappointing. Demand is increasingly for dimension stock of this species.

The major European market for tulipwood in Italy is not as strong as many exporters would have hoped. Demand in Japan has been picking up. Availability is tightening.

European Hardwoods Prices well up on last year

Already concluded private sales and auctions indicate price increases of up to 15% for veneering beech log grades over last year. There is intense competition amongst European mills for sawlogs, with prices for better qualities often above the ability of domestic European mills to pay. Prices are being forced up by strong demand in China, and to a lesser extent in Taiwan. As things stand however, it is unlikely that Chinese buyers will go above these prices later in the year. The Chinese market, while big, is suffering from temporary glut as a result of excessive imports during the first half of 1999. Another notable trend is increasing competition from Eastern European suppliers for Chinese markets.

The Autumn hardwood auction sales are well underway in France, with average prices for all species and qualities generally higher than last year. European beech is in strong demand from

Chinese buyers who are looking particularly for thicker logs in lighter tints. Demand for oak from French sawmills is extremely firm. Oak sawmills are operating at full capacity. Some mills have log stocks to last until April, but others have relatively low inventories and are looking to restock. Demand for rustic oak is advancing in France, while the stave market for wine barrels remains strong.

Early indications are that beech log prices in Germany are around 5 to 10% higher than last year. German manufacturers are suffering, having difficulty obtaining quality beech and unable to pass higher prices on to their domestic customers. German domestic demand, notably in the furniture sector is still weak. German sawmills are no longer prepared to supply better quality sawn beech at home, as they are able to obtain better prices overseas. In addition to China, German exporters are finding a ready

market in Spain. Spanish importers are switching to Germany in response to relatively high prices in France.

Western European hardwood producers are coming under competitive pressure from Balkan countries, notably Romania, that are able to supply beech at lower prices. The quality of the wood from Eastern Europe is often high, but supply is restricted by capacity constraints. Much of the processing plant in Eastern Europe is outdated, kilning facilities are restricted, and technical skills may be lacking.

The Forestry Commission reports that UK's small domestic hardwood sector is performing relatively well in 1999. Prospects for construction grade and dimension stock are reasonable. UK domestic oak, beech and sycamore have benefited from the recent fashion towards lighter coloured woods. UK oak prices remain good, and UK exports of best quality veneer and high quality hardwood have been strong in 1999. UK hardwood sawmillers generally buy for known customers and do not hold speculative stock.

Plywood Indonesian instability

October has been characterised by unstable market conditions. The problem stems from Indonesian mills that have reduced prices to very low levels. In early October, Indonesian mills were quoting prices to European importers as low as INDO96 less 25 to 28 for BB/CC grade. Brazilian shippers followed the trend in an effort to maintain market share. At one point in early October, Brazilian plywood prices were dropping 4% per week. Many Malaysian shippers, finding they are unable to compete, have turned their back on the European market. Many Malaysian mills are focusing on the sale of special plywood grades to Japan or the production of veneers. European importers have suffered from the price collapse, having seen the value of existing stocks severely undermined.

Immediate causes of the fall in prices are two fold. An immediately obvious factor has been the loosening up of plywood supply in Indonesia towards the end of the dry season, together with the weakness of the rupiah in the face of political uncertainty. Continuing economic problems within Indonesia and uncertainly surrounding the recent presidential elections led the rupiah to fall to around 8000 against the dollar in early October.

However, the extent of price instability suggests there may be other more fundamental problems at the heart of the Indonesian plywood industry. One factor may be a feeling of insecurity amongst the mill owners themselves. Against a background of political instability, Indonesian plywood owners, many of them Chinese, have been keeping a good proportion of their profits offshore. Many owners are keen to ensure that assets can be quickly removed from the country if they are forced to leave. In the build up to the election, many owners may have been driven by a short term desire to convert stock into dollars. By the end of October signs of a return to sanity were beginning to emerge within the plywood market. The rupiah strengthened 15% in the im-

mediate aftermath of the presidential elections. There also appears to have been a realisation that log stocks are relatively low in the Far East. Supplies will only become tighter with the onset of the rainy season. The Asian holiday season is also less than 2 months away. Indonesian mills are now withdrawing the lowest offers.

Brazilian hardwood ply shippers have struggled to compete with Indonesian prices and exports have been curtailed. However there is still slack in the system, and production could be increased if prices improve over the coming months.

Over recent years, Japan's imports of wood based panels, consisting primarily of plywood, have been declining as domestic production has taken an increasingly large slice of the market. However this year has bucked the trend. The share of imports in the total supply of woodbased panels to Japan during the first half of 1999 reached 53.5%, the first time imports exceeded domestic supply. Japan's domestic production of wood based panels declined by 1.5% to 2.61 million m3 while imports jumped by 25% to 3 million m3. Plywood importers were encouraged by rising house start figures to buy aggressively during the first 6 months of this year. However Japan's plywood market is now oversupplied and demand has weakened. Korea's domestic plywood market weakened again in September and October. Demand from the construction sector remains weak. Korea's domestic plywood industry has particularly suffered. The weakening of the rupiah increased Korean importers interest in Indonesian plywood, while sales of domestic plywood fell dramatically. Stocks have built up and some Korean mills are now considering cutting back on production. Korean plywood imports during August totalled 65,047 m3, around 35% higher than July. Korean plywood production in August was 61,266 m3, 8% down on the previous month.

First certification under US sustainability scheme

Willamette Industries, Inc. has become the first major forest products company to receive independent third-party certification that its forest management practices are in compliance with standards of the American Forest & Paper Association's (AF&PA) Sustainable Forestry Initiative (SFI). Willamette's 610,000 acres of Oregon forest lands were audited in mid-September by PricewaterhouseCoopers. The company will receive an unqualified opinion when the final report is released, meaning that the company's western timberlands are third-party certified as meeting SFI standards.

The SFI verification procedures link rigorous management standards modelled on ISO14001, with detailed forestry performance standards. Participation within SFI is now open to both members and non members of AF&PA.

South African forest privatisation

The long-delayed privatisation of Safcol, the South African forestry company, moved ahead at the end of October with the announcement of a shortlist of five bidders. Safcol's assets include 330,000 hectares of commercial forest and five sawmills and are valued at 1 to 1.5 billion rand. The assets are being sold in five individual packages to break the monopoly of ownership and promote efficiency and competition. Successful bidders include the African Forestry Consortium, a black empowerment company that has teamed up with Sappi, the Johannesburg-based international paper company, and the Siyaqhubeka Consortium, which includes Mondi, the paper-producing arm of the Anglo-American Group. Nicol Degli Innocenti, Johannesburg. *Source: Financial Times*

China Prices to rise

According to a report in China Daily, the deputy director of China's State Forestry Bureau's forest products co-ordination centre predicts that timber prices in China will rise 5% to 10% over the next 8 months. His price-hike forecast assumes higher personal incomes and expectations that the State will invest more in wood-buying for infrastructure projects. Price rises for timber imported into China will also be boosted by increased demand for Chinese furniture from recovering Asian economies, and strong demand in the American and European markets. He noted that timber prices in provinces and autonomous regions in South China, such as Guangdong, Fujian and Guangxi, had already begun to pick up.

An article in the Pacific Rim Wood Market Report highlights that reforms to the housing market in China look set to further increase domestic demand. Company supplied housing in China is now a thing of the past. In a 1998 policy change people can now sell homes and have mortgages. The numbers involved are huge. There were 14.2 million new housing starts in 1998, and there are 10 million newly married couples each year. Current housing does not meet the desires of today's population, and there is growing demand for renovation. The export potential in this market is primarily for components that can be assembled in China, generating employment there. There is unlikely to be much demand for all wood housing as most Chinese think these are susceptible to fire, earthquakes and pests. Wood will be used in conjunction with concrete. A major challenge still facing wood use in this market is the need to rewrite national codes and standards.

US producer moves overseas

Boise Cascade, the US pulp and paper group, has been granted permission to build one of the world's largest oriented strand board (OSB) plants in Chile. Permission was granted by Chile's supreme court after a year-long court battle with environmental and industry groups in southern Chile. Boise Cascade and Maderas Condor, its local partner, will spend about US\$160m on the plant, which will be modelled on the US group's first and only OSB plant, in Ontario, Canada. OSB is an increasingly popular alternative to plywood. Environmentalists in the region, which relies heavily on tourism, have objected to the amount of native forest needed to keep the plant operating at full capacity. Company spokesmen suggest that the supreme court decision has meant that construction can now begin, although financing still has to be worked out. The factory will have minimum capacity of about 400m sq ft of OSB a year, putting it among "the largest in the world". The move reflects diminishing concession areas in US national forests which is forcing US wood companies overseas.

German hardwood and plywood imports

Source: BD-Holz - VDH: 000s m3

	1997	1998	% Change	1998	1999	% Change
	Year	Year	1997-1998	Jan-Jun	Jan-Jun	1998-1999
Tropical Logs						
Eq. Guinea	8.7	11.8	34.6	8.4	3.0	-64.2
Gabon	17.2	20.7	20.4	12.2	5.9	-51.8
Cameroon	77.1	89.5	16.0	50.0	53.2	6.3
Congo (Rep.)	18.3	22.9	25.0	12.9	10.4	-18.9
Congo (Dem. Rep.)	7.5	6.4	-14.9	4.5	1.0	-77.5
Liberia	0.2	5.0	2071.4	2.4	3.6	46.6
Other Africa	2.7	1.5	105.9	0.5	4.9	1165.3
Africa	131.7	157.7	19.7	90.8	81.9	-9.8
S. & C. America	0.3	3.2	1198.4	0.0	3.0	-
Malaysia	0.3	0.4	5.0	0.2	0.2	-19.7
Myanmar	2.1	2.9	33.7	1.4	1.5	9.1
Other Asia	0.2	0.3	48.6	0.2	0.4	33.6
Asia	2.7	3.5	29.8	1.7	2.0	16.5
Other	0.0	0.0	-	0.1	0.1	-
Total	134.7	164.5	22.1	92.7	87.0	-6.1
Tropical Sawn						
Ivory Coast	5.6	6.3	13.7	4.1	2.0	-51.6
Ghana	66.0	72.4	9.7	36.7	39.7	8.4
Cameroon	3.1	6.5	108.1	2.7	4.2	56.2
Congo (Rep.)	1.2	2.9	145.6	1.1	0.4	-68.4
Congo (Dem. Rep.)	2.5	0.7	-71.1	0.4	0.3	-3.9
Other Africa	1.0	1.2	28.7	0.5	1.1	120.4
Africa	79.4	90.1	13.5	45.5	47.8	5.0
Brazil	3.0	3.0	1.7	1.4	1.6	13.6
Other S&C America	1.3	1.1	-11.6	0.3	0.6	82.8
S. & C. America	4.2	4.1	-2.2	1.7	2.2	27.1
Indonesia	9.7	10.9	11.4	5.0	4.3	-12.8
Malaysia	75.8	54.4	-28.3	28.7	24.1	-16.2
Singapore	3.9	4.0	2.9	-	1.9	-
Other Asia	1.2	1.2	-24.8	2.3	0.7	143.8
Asia	90.7	70.4	-22.4	36.0	31.1	-13.7
Other	16.0	15.5	-	6.1	8.6	-
Total	190.2	180.1	-5.3	89.3	89.7	0.4
Temperate logs						
Belgium/Lux	18.3	11.6	-36.7	7.8	8.0	3.3
Finland	8.7	11.6	34.0	7.3	8.5	17.8
France	103.1	86.1	-16.6	58.4	46.3	-20.7
Poland	9.0	9.0	0.5	6.3	6.4	2.6
Czech republic	4.7	7.2	54.6	4.9	10.4	111.4
USA	43.4	46.5	7.2	32.0	22.0	-31.2
Other	34.4	39.8	-	25.4	35.2	-
Total	221.6	211.9	-4.4	142.0	137.0	-3.5
Temperate Lumber						
Austria	25.1	13.9	-44.5	6.2	6.5	4.8
France	34.1	27.0	-20.9	14.9	15.5	4.5
Russia	2.8	8.8	217.4	2.9	15.1	428.2
Sweden	2.2	3.2	47.8	1.5	0.7	-52.7
Switzerland	3.4	4.7	36.4	2.3	2.8	22.6
Other W. Europe	11.8	13.0	-	6.7	5.8	-
Western Europe	79.5	70.6	-11.1	34.5	46.5	34.8
Belarus	11.7	15.6	33.4	8.0	20.1	152.1
Bosnia	0.0	1.6	-	0.7	3.1	367.4
Czech rep.	11.5	16.3	41.5	10.4	13.2	27.2
Estonia	1.0	1.2	17.9	0.6	0.7	15.1
Hungary	11.1	10.6	-5.0	6.0	7.6	28.1
Latvia	10.3	26.1	153.1	13.0	20.0	54.0
Lithuania	68.2	111.2	63.0	54.4	52.6	-3.2
Poland	43.6	40.5	-7.1	23.4	25.2	8.0
Romania	7.2	17.5	143.4	8.6	22.6	161.9
Slovakia	13.1	17.7	35.5	10.5	8.8	-16.9
Ukraine	22.4	27.8	24.5	14.5	19.5	34.2
Other E. Europe	6.4	13.3	-	6.6	6.1	-
Eastern Europe	206.5	299.5	45.1	156.7	199.6	27.4
Canada	45.7	47.3	3.4	22.3	26.3	18.2
USA	121.6	71.9	-40.9	42.5	34.8	-18.0
North America	167.4	119.2	-28.8	64.8	61.2	-5.5
Others	3.0	1.3	-57.4	0.7	0.2	-68.4
Total	456.3	490.6	7.5	256.6	307.5	19.8
Veneers						
Eastern Europe	26.2	24.1	-8.0	13.8	13.9	0.7
Western Europe	49.3	43.8	-11.2	20.1	23.9	18.9
Africa	48.4	55.7	15.1	26.8	24	-10.4
Ivory Coast	32.4	37.4	15.4	18.2	16.3	-10.4
America	76.1	76.8	0.9	39.8	29.4	-26.1
USA	56.1	49.5	-11.8	25.8	22	-14.7
Brazil	17.8	23.7	33.1	11.5	5.7	-50.4
Asia	0.4	0.2	-50.0	0.2	0.1	-50.0
Total	201.4	202.1	0.3	101.2	91.6	-9.5
Plywood						
West Europe	443.7	413.9	-6.7	232.4	173.4	-25.4
Finland	227.4	202.2	-11.1	121.6	78.5	-35.4
East Europe	169.6	178.9	5.5	91	92	1.1
Russia	56.5	60.7	7.4	36	30.6	-15.0
Africa	4.3	1.6	-62.8	766	1112	45.2
America	263.3	295.1	12.1	250.3	173	-30.9
Canada	55.7	68.3	22.6	65.5	39.3	-40.0
USA	159	146.5	-7.9	136.7	15.6	-88.6
Brazil	47.9	79.6	66.2	47.6	116.6	145.0
Asia	156.9	122.9	-21.7	51.7	82.3	59.2
Indonesia	152	115.6	-23.9	48.8	72.7	49.0
Total	1095.4	1074.1	-1.9	662.7	552.6	-16.6

Germany
Poor performer

German imports of tropical logs and sawn have been in decline during the 1990s. Tropical log imports fell from over 350,000 m3 in 1989 to only 135,000 m3 in 1997. Tropical log imports increased by 22% last year compared with 1997, but are weakening again this year. Germany sources her logs almost exclusively from West Africa. Problems of log supply from the Cameroon, the Gabon and the two Congo's has encouraged German importers to look at Liberia as a potential source of logs.

Imports of sawn tropical wood from Malaysia have been in decline since 1997, but imports from Ghana continue to increase.

Germany's imports of temperate sawnwood have been increasing since 1997. There has also been a significant adjustment in sources of supply. Imports from Eastern Europe have been increasing, while imports from North America are in decline. This trend partly reflects the weakness of the euro in relation to the US dollar.

US plywood exports to Germany have collapsed due to high prices in the face of strong US domestic demand. Competitive pricing however has resulted in a significant increase in plywood imports from both Brazil and Indonesia.

Windows and doors are the main areas of sawnwood usage in Germany. With the production of 22 million to 26 million units of window frames per year, Germany is the largest market for windows in Europe. Tropical wood's market share of this market slumped between 1988 and 1994 from 25% to 10.9%. Reasons were high cost compared to uPVC and environmental activism. However the loss of market share for solid wood has been partly offset by increased use of wooden laminates. Indonesia has become an important supplier of this product to Germany.

German imports of other secondary processed and finished products from the tropics have also been increasing over recent years. Germany's imports of wooden furniture from developing countries increased from US\$233 million in 1992 to US\$331 million in 1996, while imports of builders joinery and carpentry increased from US\$167 million to US\$225 million.

Germany's economy has been performing poorly over recent years, and this had hit hardwood demand. In the three quarters to end June this year, Germany's economy grew by only 0.3%.

With the exception of Italy, these figures make Germany the most sluggish large economy in the world. Over 4 million German's are out of work. Germany's economic woes stem partly from over-regulation, high business taxes and costs of employment, which have reduced inward investment to a trickle. Many manufacturers are moving to lower-cost regions in Eastern Europe. Germany also has a huge national debt, fueled by high welfare spending.

A return to economic growth hinges on the success of reforms to liberalise the economy and reduce welfare spending. However, Chancellor Schroeders' efforts to introduce these reforms are being met with staunch political resistance.

The Netherlands

Hardwood trade seek to turn tide

The Netherlands has been Europe's largest importer of tropical sawn timber. However, despite a flourishing Dutch economy, tropical imports have declined rapidly over recent years. One reason has been severe environmental criticism. However, with the support of the Dutch government, the industry is responding with a range of policy initiatives.

In 1997, Dutch imports of tropical logs, sawnwood, veneer and plywood totalled US\$357.5 million, equivalent to about 15.3% of overall EU imports of US\$2.5 billion. Sawnwood was by far the biggest item, with a share of 59%, followed by plywood at 31%, logs 7% and veneer 3%. Between a quarter to a third of Dutch tropical timber import is re-exported to Germany, Belgium and other European countries. Holland is dependent on Malaysia for much of its tropical sawn hardwood. The Malaysians, with their large processing units, are well placed to supply Dutch kilning and size requirements. Dutch purchases are focused particularly on 3" by 5" of pin hole no defect grade which is painted for use in window frames.

Over recent years, Holland's consumption of sawn hardwood, notably tropical hardwood, has progressively declined. According to ITTO figures, in 1989, Holland imported around 876,000m³ of tropical sawnwood. However the latest data from SBH (the Dutch Institute for forestry and forest products), suggests that imports will amount to only 230,000m³ in 1999 and an equivalent volume in 1999.

The decline in tropical sawnwood imports has been, to some extent, offset by an increase in imports of secondary processed wood products. A recent OECD study indicates that Dutch imports of wooden furniture from developing countries increased from US\$76 million in 1992, to US\$169 million in 1996. Over the same period, Dutch imports of builders carpentry and joinery increased from US\$44 million to US\$102 million.

The environmental factor

The environmental factor has had a particularly significant impact on Dutch markets for sawn timber. The "Heart for Wood" Campaign in the Netherlands, initiated in 1992 by Friends of the Earth Netherlands and WWF, is one visible manifestation of environmental pressure. The campaign seeks to promote certification in all forest types and is actively supporting the Forest Stewardship Council. Its membership in-

cludes 252 municipalities (out of a total of 633 in Holland), and 10 state departments. About 75% of DIY chain stores in the Netherlands along with 139 housing corporations and 72 project developers are members.

Window manufacturing is an area where, before the emergence of the environmental movement, use of tropical timbers was predominant. According to the Dutch Association of Joinery Products Manufacturers, tropical timber is still technically the preferred material. However, the use of softwoods has been increasing. Now 30 to 35% of timber used in timber frames manufacture in Holland is softwood. The use of softwood has been boosted through the application of finger jointing and laminates. One positive factor has been the generally lower tendency in Holland than elsewhere in Europe to substitute tropical timber frames for PVC. The Association believes that the use of tropical timber could regain a portion of its market share through certification to guarantee sustainable forestry.

Action Plan Wood 2000

Another positive factor has been the Dutch government's declared policy to increase the use of timber as an environmentally friendly material in the building and construction sector. Dutch ministries are working with the forest sector on Action Plan Wood 2000, a strategy to raise the public's perceptions of the environmental benefits of wood use, to encourage innovation in the Dutch wood sector, and to improve efficiency in the Dutch wood chain. The Dutch government has also resisted attempts by environmentalists to seek exclusivity for the FSC label. Instead, it has lent its support to the Dutch industry's Keurhout initiative, which monitors and recognises forest management certificates issued under a variety of schemes and markets them under a single Hallmark.

The Keurhout scheme is proving increasingly popular in Holland. Keurhout report that 162 participating companies, including 42 timber trading companies (with 260 selling points) and 120 joinery manufacturers, are now committed to stocking products bearing the Hallmark. Supplies of Hallmarked wood are increasing rapidly. In April this year Keurhout accepted AssiDomän's Swedish FSC-certified forests under their scheme. Shortly after that, Stora's FSC-certified forests, together with the first stage of a certification pilot project in Finland received the Keurhout Hallmark.

Keurhout is also making significant progress on the tropical side. Although no tropical wood has

Dutch economic indicators

Source: Dutch Ministry of Economic Affairs: all figures annual % change

	1998	1999*	2000*
Gross Domestic Product	3.7	2.8	2.5
Private consumption	4.1	4.3	3.3
Total Investment	8.6	2	1
Unemployment rate	4.8	4	3.8
Housing investment	0	-1	0.5
of which construction	-1.6	-2.7	-0.5
of which renovation	3.5	3	2.5
Non residential investment	5.6	2.1	-0.9
Civil eng. investment	1.5	1.9	1.1

* Forecasts

yet been fully endorsed by Keurhout, wood is being successfully marketed under a joint Dutch/Malaysian pilot project to supply so-called "Declaration Wood". This wood derives from 3 states of Peninsular Malaysia where forest management has been independently assessed by SGS. Between 1997 and the first quarter of 1999, the Netherlands imported 52,000 m³ of Keurhout Declaration timber. According to Andre de Boer of the Dutch Timber Trade Federation, the market has been happy with the level of environmental assurance provided by the Keurhout Declaration, buying the wood eagerly and, in some instances, paying a premium. Mr de Boer believes that Keurhout has now "conquered an equal position in the market beside FSC". Expectations are that the whole of Peninsular Malaysia will receive full Keurhout endorsement during 2000. Furthermore, contacts have been made in the Congo Republic to certify a 1 million ha. concession.

Dutch economy

Economic conditions have been buoyant in Holland for some time. Expectations are that there will be a modest slow down in the economy this year, but that growth will remain significant. Economic growth was a flourishing 3.7% in 1998, and is expected to decline to around 2.8% in 1999 and 2.5% in 2000. Consumer spending has been an engine of growth in 1998 and 1999, boosted by the increase in wealth of households from rising house and stock prices. Dutch consumer spending is expected to weaken this year. On the other hand, exports are expected to be boosted by a recovery in the European economy and improving world trade. Despite relatively low interest rates in the euro zone, inflation is expected to remain modest at around 2% this year. Unemployment is declining, expected to reach only 3.8% next year, a major decline from a level of 8.7% in 1994.

The prospects for Holland's construction sector are mixed. The level of Dutch housing construction has been constant during the 1990s at between 80,000 to 90,000 new homes. New house building is expected to reach 86,000 homes this year, but decline to 85,000 next year, and 78,000 in 2001. Demand for housing remains strong, but construction will increasingly be limited by lack of land designated for new homes. Investment in non residential buildings, including new offices and shops, increased by 5.6% in 1998, but is expected to increase by only 2.1% this year, and decline by nearly 1% in 1999.

Recent development of the Dutch sawn hardwood market

Sources: SBH/Dutch Ministry of Economic Affairs: 000s m³

	1995	1996	1997	1998	1999*	2000*
Domestic production	227	176	178	153	150	150
of which tropical	49	41	40	40	35	35
Net Imports	497	503	465	463	460	460
of which tropical	330	330	346	277	230	230
Apparent consumption	724	679	643	616	610	610
of which tropical	379	371	386	317	265	265

* Forecasts

Africa cont. from back page

and representing in excess of US\$100 million in taxation. Members of the Foundation include BTA (Congo-Brazza and Congo DR), CIB (Ivory Coast), Danzer (R.I.C., Congo-Brazza, Congo DR), Dassi (I.C., Cameroon), FIP (I.C.), Inprobois (I.C.), Iinterwood (Gabon, Cameroon), Leroy (Gabon), Pallisco (Cameroon), Rougier (Cameroon, Gabon, Congo-Brazza), SBL (Gabon), Thanry (I.C., Cameroon, Gabon, Central African Republic), tt Timber International (Ghana, Congo-Brazza), and Wijma (I.C., Ghana, Cameroon).

Notes: ATIBT is the Association Technique Internationale des Bois Tropicaux; ATO is the African Timber Organisation; IUCN is the International Union for the Conservation of Nature; CIFOR is the International Center for Forest Research; CEFDHAC is the Conference on Dense Rainforest Ecosystem in Central Africa

Ghana tests certification

Ghana is planning to field test its forest certification standards later this year. The tests, beginning on 6 December, will be conducted in defined forest areas in the Western Ashanti and Brong Ahafo Regions. The tests will be carried out under the guidance of the Deputy Technical Director of the Ministry of Lands and Forestry. They will also be observed by representatives from UK certifying bodies to lend international credibility to the outcome of the test. Ghana's forest certification standard, "*Quality Management of the Forests of Ghana: Forest Standards, Principles and Specifications*", was drafted by a committee with representatives from a range of interests including government, industry, traditional chiefs, and NGOs.

Korea prospects good

According to the Pacific Rim Wood Market Report, Bill Brant, a high ranking official in the US Foreign Agricultural Service, provided a bullish account of wood market prospects in South Korea at the *Second International Conference on Exploring Change in the New Asia* in September. He noted that anti foreign sentiment had eased in Korea and that foreigners can now own property and 50% of a business. This factor, coupled with far reaching regulatory reform, particularly the lifting of foreign exchange regulations, are encouraging inward investment. Prospects in the construction sector are improving. Housing starts are expected to reach 400,000 this year and 500,000 in 2000, up from 306,000 in 1998. As Koreans are favourably disposed to wood housing, this should translate into higher wood consumption. Forecasts for the construction sector as a whole are also improving. According to the Korea Construction Association most recent outlook report, contracts in the sector are expected to be worth 54.2 trillion won (US\$44.9 billion) next year, up 19.1% from 45.51 trillion won estimated for this year. Particularly positive is

that a large part of this gain is expected to derive from the private sector, rather than from government infrastructure projects. Private sector contracts are expected to total 29.5 trillion won, up 38.1 % from this year.

New Liberian investment

According to government reports on Liberian radio, Oriental Timber, a Liberian and Malaysian joint venture, is planning to invest US\$50 million in developing the wood sector and infrastructure in the Grand Bassa area of Liberia, around 100 km North East of Monrovia. The investment includes provision for the rehabilitation of the road between Buchanan and Greenville and renovation of the port of Buchanan. It would be the largest foreign investment scheme in Liberia since the elections of 1997. The company also intends to exploit 4 million acres of forests in the regions of Grand Bassa, Rivercess et Sinoe. As part of the deal, the company will be required to pay an annual tax of US\$1 million.

Clinton protects 40 million acres

President Bill Clinton has directed the U.S. Forest Service to develop regulations that will permanently protect some 40 million acres of roadless National Forest lands. Clinton's executive order would set aside 20% of the total forest land in America's national forests. About 18% of the 192 million acre national forest system is currently off limits to road building and development. Another 31% has never been logged or mined, but is not currently protected. The Clinton plan would ban road building in about two-thirds of that land. Clinton stressed that his initiative "should have almost no effect on timber supply. Only 5% of our country's timber comes from the national forests. Less than 5% of the national forests' timber is now being cut in roadless areas. We can easily adjust our federal timber program to replace 5% of 5%, but we can never replace what we might destroy if we don't protect these 40 million acres."

Electronic commerce**A new way of doing business?**

Forest products companies have used electronic means to improve trading and streamline their operations for some time. The use of electronic data interchange to communicate internally and with customers and suppliers is already well established. Many companies also have websites to advertise their services and to obtain feedback from customers. The amount of market information available on the web is increasing daily. However recent developments suggest these electronic tools may only be the thin edge of the wedge. More profound changes in the environment for wood trading may be just around the corner. These changes may come about with the establishment of new websites with online facilities for wood trading.

Historically the wood industry has been highly fragmented by geography and product type, and hampered by high transportation costs and poor communication. Markets have been opaque, in the sense that accurate and comparable information on prices, supply sources and markets can be difficult to come by. Although it would be an overstatement to suggest that the internet will eradicate these "inefficiencies" in the wood trade, there is little doubt that the web has the potential to massively erode barriers of distance and ignorance.

One of the most profound changes is likely to come from growing use of websites providing real-time commercial trading online. A growing number of sites, many inevitably based in the US, are being developed which allow sellers to offer their stocks for sale and buyers to place orders. Examples of these sites include the International Timber Exchange, Hardwood.Net, and HardwoodSearch. In the latter, sawn hardwood buyers browse a marketplace developed by the Hardwood Market Review in Charlotte North Carolina, USA. After selecting the species and quality of

sawnwood desired, a buyer is given a list of supplies and suppliers available. The buyer may then submit a request which is simultaneously e-mailed and faxed to the supplier.

At present these sites are in their infancy. The vast majority of trade worldwide continues to be conducted through traditional channels of personal contact, telephone and fax. Most large forest products companies are watching from the sidelines, monitoring the development of electronic trading and looking for new opportunities. There are constraints to the development of e-business in the wood sector. For example, many companies will be concerned about security and confidentiality. There is still little understanding of the benefits of internet trading, while the availability of technically trained staff may be a problem for many.

However, the prospects for internet trading are good. The new websites offer a number of advantages including: reduced transaction charges and associated costs; faster rotation of stocks for the purchaser; quick response to changes in price, delivery or other conditions; easier comparison of product specifications and prices; greater access to vendors; and no restriction of trade to normal office hours.

Another development of potential importance to the wood trade is the use of the internet by shipping lines to communicate with their customers. On-line facilities are still the exception in the international shipping industry, but their benefits are obvious. As well as providing rate information and shipping schedules, shipping line web sites may offer interactive services such as consignment booking and tracking/tracing of consignments. These simplify the documentation process and provide greater peace of mind for customers. Furthermore, the more transparent the progress of a consignment, the greater the customer's ability to contemplate Just in Time delivery.

Tropical forestry African producers tackle certification

The principal European wood industry groups operating in tropical Africa have jointly announced a series of measures designed to provide credible assurances of good forestry practice to European consumers. The measures include the development of an environmental code of conduct and steps towards a forest certification scheme.

The measures are described in a communiqué issued by the Interafrican Forest Industries Association (IFIA) following a meeting in Milan in September. European members of IFIA have, since 1996, been supporting a Dutch-registered organization known as the *European Foundation for the Preservation of African Forest Resources*. The Foundation undertakes:

i) to work with ATIBT* to define a Model Forest Management Plan for application in the regions where Foundation members operate. Foundation members will co-operate with African governments to promote the plan.

ii) to work with IFIA, IUCN* and the CEFDHAC*, on the development of a professional code of conduct. Once approved, the code of conduct will be signed by the Foundation members, who will be bound to respect and to promote it throughout the profession. Foundation members and the IUCN will set up, over the coming months, a monitoring and evaluating committee to verify application of the code of conduct.

iii) to encourage international donors to continue to support the development of sustainability standards for natural tropical forest in tropical Africa. This should build on work undertaken by CIFOR* and ATO* to pilot test sustainability standards in five African countries.

iv) to encourage rapid establishment with all parties concerned, and make available to companies desiring it, a Pan-African Certification System which is adapted to regional specifications and internationally credible. Foundation Members will lend technical assistance to make the Certification operational.

Together Foundation members represent forestry concessions totalling 14 million hectares; wood production of 3.85 million m³; and log production of 2.35 million m³. The companies are of major economic importance to tropical African countries, having a turnover of US\$650 million; employing more than 20,000 people;

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SHARE PRICES FOR SOME U.K. COMPANIES

	52 Week High	52 Week Low	22 June	27 July	31 Aug	1 Oct	1 Nov
J. Latham	218.5	141.5	181.5	178.5	186.5	181.5	218.5
Meyer International	487.5	244	431.0	418.5	450.0	406.0	352.5
Travis Perkins	758.0	350	709.0	755.0	758.5	649.0	541.0
Barratt Devs.	397.5	155.5	375.0	343.5	324.0	268.5	252.0
John Laing	396.5	230.5	319.5	335.0	339.0	329.5	301.5
Alfred McAlpine	253.5	106.5	211.5	221.0	253.5	233.5	205.5
J. Mowlem	154.5	90.0	145.0	136.0	140.5	120.0	115.0
George Wimpey	182.5	90.5	157.5	153.0	152.0	126.5	122.5
Cornwell Parker	155.0	52.5	110.0	96.5	92.5	78.5	73.5

EXCHANGE RATES FOR ONE POUND STERLING & ONE US DOLLAR

		27 July £ STG	30 Aug £STG	30 Sept £STG	29 Oct £STG	US\$
Argentina	Peso				1.6401	0.9995
Australia	Aus.\$		2.4682	2.5144	2.5257	2.5750
Bangladesh	Taka		78.6135	78.5789	81.9498	81.2246
Belgium	Belgian Fr.		60.2859	61.2947	62.4244	62.9787
Belize	B\$		3.1763	3.1749	3.3111	3.2490
Bolivia	Boliviano		9.2113	9.3184	9.7678	9.7306
Botswana	Pula		7.3833	7.3324	7.5407	7.5688
Brazil	Real		2.8841	3.1091	3.2275	3.2031
Fr. Africa*	CFA Fr.		980.30	996.70	1015.07	1024.09
Canada	Canadian \$					2.4136
Chile	Peso		817.659	820.553	880.504	900.608
China	Yuan		13.1451	13.1395	13.7043	13.5831
Czech Republic	Koruna					57.1772
Denmark	Danish Krone	11.1248	11.2954	11.5008	11.6044	7.0720
Estonia	Kroon					24.4194
Europe	Euro	1.4945	1.5195	1.5475	1.5612	0.9514
Finland	Markka					9.2825
France	Franc	9.8030	9.9670	10.1507	10.2409	6.2410
Germany	D-mark	2.9229	2.9718	3.02660	3.035	1.8609
Ghana	Cedi	4126.03	4183.73	4474.96	4763.55	2903.00
Guyana	Guyanese \$	274.750	274.629	286.410	292.901	178.500
Hong Kong	HK\$	12.3265	12.3264	12.8604	12.7490	7.7695
India	Rupee	68.7828	69.0422	72.1613	71.1987	43.3900
Indonesia	Rupiah	11117.06	12302.75	13203.02	11199.2	6825.00
Irish Republic	Punt	1.1770	1.1967	1.2188	1.2296	0.7493
Italy	Lira	2893.66	2942.07	2996.30	3022.91	1842.22
Japan	Yen	184.885	176.413	173.9735	171.244	104.360
Kenya	K. Shilling	117.44	119.38	126.65	123.232	75.100
Korea South	Won	1910.54	1879.86	2012.32	1968.26	1199.50
Liberia	Liberian \$				1.6409	1
Malaysia	Ringgit	6.0350	6.0323	6.2911	6.2354	3.800
Myanmar	Kyat	9.9287	9.9243	10.3500	10.2584	624.100
Netherlands	Guilder	3.2934	3.3485	3.4102	3.4405	2.0967
New Zealand	NZ\$				3.2417	1.9755
Nigeria	Naira	160.133	156.682	157.774	156.444	95.3400
Papua NG	Kina				4.4172	2.6919
Philippines	Peso	60.8262	63.1012	67.712	65.8822	40.1500
Poland	Zloty				6.9246	4.2200
Portugal	Escudo	299.61	304.62	310.238	312.993	190.745
Romania	Leu				27698.4	16880.0
Russia	Rouble				42.8357	26.1050
Singapore	Singapore \$	2.6793	2.6792	2.8034	2.7302	1.6638
South Africa	Rand	9.7293	9.6668	9.9557	10.0834	6.1450
Spain	Peseta	248.66	252.816	257.475	259.762	158.305
Sweden	Krona				13.5181	8.2382
Taiwan	\$	51.2417	50.5563	52.6258	52.0822	31.7400
Tanzania	Shilling	1278.47	1261.23	1317.57	1304.52	795.000
Thailand	Baht	59.1983	60.8391	67.2567	63.3388	38.6000
Uganda	New Shilling	2318.70	2329.59	2508.16	2473.66	1507.50
U.S.A	US \$	1.5882	1.5875	1.6556	1.6409	1
Venezuala	Bolivar	973.695	983.584	1038.866	1035.91	631.305
Vietnam	Dong	22153.11	22163.98	23168.594	22988.2	14009.5
Zimbabwe	\$	60.9057	60.7201	63.2421	62.7645	38.2500

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

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