

UK tropical sawn lumber demand more upbeat than continental Europe

Although some importers report that business in tropical hardwood sawn lumber has been reasonable during the autumn months, the signs are that demand remains subdued overall throughout Europe. Generally, buyers in the UK seem to be more upbeat about market demand than continental European buyers. Stock levels are low overall, a reflection both of the conservative buying practices of European importers and of relatively low forward availability. Delivery times for new orders for some African hardwood species now extend to five months or more.

The market situation varies to some extent by species. Stocks and forward availability of iroko sawn lumber are now extremely tight with the result that prices are tending to rise. In contrast, stocks of sapele are generally regarded as relatively high compared to demand with the result that prices (both FOB and for onward sales in the EU) have been weakening. CIF North Europe prices for Malaysian meranti sawn lumber have remained steady and are now at very similar levels to those for sapele, a species with which it competes in many market sectors. Prices for other key tropical hardwood species such as ayous, wawa, and sipo have also remained stable in recent weeks.

Some of the larger European decking importers have been visiting suppliers in South East Asia in recent weeks and are reported to be buying in larger volumes than last year. This seems to be more due to improved availability and better terms of trade than to rising confidence that European consumption is strengthening. While still difficult, the log supply situation is manageable in South East Asia and decking products may be ordered for fairly prompt shipment. European agents are reporting that demand for tropical hardwood decking products remains relatively slow, with many importers determined to maintain stocks at low levels at least until after the New Year. But there is some expectation that forward orders will pick up within the next few weeks, particularly as the euro has continued to strengthen against the US dollar.

Favourable exchange rates fail to boost tropical hardwood plywood

The European market for tropical hardwood plywood has remained weak during the autumn months. Strengthening of the euro against the dollar in recent months has led to lower replacement costs for European importers but this has yet to generate any significant increase in forward orders. Consumption is down in Europe and as a result existing grounded stocks have risen and prices for onward sales in Europe are weakening. Margins are being squeezed for those importers that bought several months ago when exchange rates were less favourable. The only positive developments are reported in the market for film-faced tropical hardwood plywood which continues to benefit from limited availability and higher prices for birch plywood resulting from the Russian forest fires during the summer months.

Meanwhile, EU demand for Chinese hardwood and combi plywood remains stable at a relatively low level. CIF Northern Europe prices for these goods also remain broadly stable. A slight increase in FOB prices in response to rising raw material costs has been offset by a decline in freight rates into Europe.

Plysol restarts production

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The French tropical hardwood plywood market has been very challenging in recent times due to the recession, the introduction of the Gabon log export ban from May 2010, and the severe financial difficulties of some of the key firms involved. Plysorol has been particularly prominent amongst the latter. Prior to the going into receivership in November 2008, Plysorol boasted sales turnover of €120 million and production capacity of 170,000 m³ and accounted for 34% of the total European market for okoume plywood.

News from Plysorol has been more positive of late. According to a report in the German trade journal EUWID, the company is now owned by Ghana-based John Bitar Co. Ltd and has undergone a major downsizing and restructuring. Okoume plywood production is due to resume this month at Plysorol's mills in France and the company has also indicated that it still has small stocks of finished goods which are now being sold off. Newly produced goods are likely to be available for delivery before the end of November. John Bitar Co. Ltd is reported to be planning investments totalling 10 million euro in the company between 2011 and 2014. Plysorol has also indicated that the Gabonese authorities have confirmed that the company continues to own 600,000 hectares of forest concession in Gabon. At the time of the takeover by John Bitar Co.Ltd this question of ownership was still unresolved.

Dutch TPAC reverses decision to recognise MTCS

On 22 October 2010, the Dutch Timber Procurement Assessment Committee (TPAC) reversed an earlier decision that the Malaysian Timber Certification System (MTCS) meets the Dutch Procurement Criteria for timber. Based on the TPAC's advice, the Dutch State Secretary for Infrastructure and the Environment, Mr Joop Atsma, must now decide whether MTCS-certified timber will continue to be accepted under the Dutch government's sustainable procurement policy.

TPAC initially concluded in March this year that MTCS met the Dutch Procurement Criteria. However this decision was reversed following consideration of a "notice of objection" filed in April 2010 by Greenpeace, Milieudefensie (Friends of the Earth Netherlands), Wereld Natuur Fonds (WWF Netherlands), ICCO (the Dutch Interchurch Organisation for Development Cooperation) and Nederlands Centrum voor Inheemse Volkeren (Netherlands Centre for Indigenous Peoples, NCIV).

In announcing their revised position, TPAC states that it "carefully considered the notice of objection and has heard both the civil society organizations and MTCC (the Malaysian Timber Certification Council that manages the MTCS) at length about the points raised in the notice of objection. TPAC also held a public hearing in The Hague on 14 September 2010 to hear the parties' arguments and to obtain answers to some final questions."

In issuing their judgement, TPAC notes that the MTCC "has made vast improvements over the past years, both within its own organization and in the forty thousand square kilometres of MTCS-certified forest. Accordingly, the MTCS conforms to most of the Dutch Procurement Criteria. The main reason for withholding a positive judgement is the overly restrictive interpretation of the rights of the indigenous communities living

in the MTCS-certified forests”. TPAC also claimed “another weakness of the MTCS is the conversion of certified natural forest to other forms of land use, such as rubber plantations and infrastructure development.....the MTCS in its current form offers insufficient protection against this conversion”.

The MTCC issued a statement on 26 October suggesting that “TPAC has erred in its judgement” and that the decision “is not helpful to the efforts to achieve sustainable forest management and timber certification, which is most challenging, especially for tropical developing countries”.

The MTCC statement goes on to explain that “the basis of this decision not only lies outside the mandate of the MTCS, but also is outside the remit of TPAC in offering political advice on issues that affect the sovereign rights of Malaysia and the competence of its state governments...We fail to see why TPAC expects that a timber certification scheme, such as the MTCS, can avoid compliance with the Malaysian laws, particularly on matters regarding land ownership and use, which are state matters. The standards used in the MTCS, which are agreed among the different stakeholder groups through consultations, not only comply with internationally accepted criteria for sustainable forest management, but also have to respect the laws in Malaysia.”

According to the MTCS, the Netherlands is the largest market for Malaysian timber and related products in the EU and accounts for about 49% of the cumulative exports of MTCS-certified timber products. In contrast to the decision by TPAC that MTCS does not conform to the Dutch procurement criteria, the Danish, British, German and French governments and the German municipality of Hamburg have recognised the MTCS as providing assurance of sustainable timber. In addition the Keurhout system in The Netherlands has accepted the MTCS under the Protocol for Legal Origin, and specific certificates under the Protocol for Sustainable Forest Management.

DRC becomes the 10th country to start VPA negotiations

On 22 October, the governments of the European Union and of the Democratic Republic of Congo (DRC) signed a declaration to launch negotiations for a voluntary partnership agreement on the export of legal timber to the EU under the terms of the EU’s Forest Law Enforcement, Government and Trade (FLEGT) action plan. This is the first step in a negotiation process which is expected to be finalised by mid-2013. The objective of the FLEGT VPA agreement is to ensure that wood products from the DRC will carry a license showing that they contain timber and wood products from a legal source. The DRC is the 10th country to enter in VPA negotiations. VPAs have been signed with Ghana, Cameroon and Congo and negotiations are currently on-going with Malaysia, Indonesia, Liberia, Central African Republic, Gabon and Vietnam.