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Mixed signals for tropical hardwood

Overall the year 2010 was a slightly better year for the European trade in tropical hardwood than 2009, although purchasing remained at levels well below those before the recession and there were unsettling signs of declining market share in some sectors.

The latest EU-wide trade data (see Table) indicates that imports of tropical hardwood logs into the region reached 354,000 m³ (down 18% on 2009) valued at €133 million (down 7%). The big decline in imports from Gabon following that country's log export ban imposed from May 2010 onwards was only partially offset by rising imports from other countries in the Congo basin.

Nevertheless, quarterly data (Chart 1) indicates that after reaching an all time low in the third quarter of 2010, the pace of imports of tropical hardwood logs picked up significantly in the closing months of the year. EU-25 imports of tropical hardwood logs during the October to December period reached 108,000 m³, up from only 78,000 m³ in the previous quarter.

Interestingly, EU imports of tropical logs in the last quarter of 2010 were almost exactly the same volume as the same period in 2009, before introduction of Gabon's log export ban. Three countries are now filling the void created by Gabon's withdrawal as a supplier - Congo Democratic Republic, Cameroon and the Congo Republic - each now contributing between 25% and 30% of total EU imports.

EU hardwood imports up 7%

EU imports of hardwood lumber (tropical and temperate) reached 2.69 million m³ valued at €1435 million, up 7% and 12.4% respectively. Despite the gains, imports were still down 42% on levels prevailing before the recession. This is due both to lower consumption and much reduced supply as harvesting levels fell dramatically and large swathes of the hardwood industry were effectively forced to close during 2008 and 2009.

Lack of credit coupled with a desire to keep lower inventories during times of uncertainty has also fed a strong trend towards just-in-time ordering which has tended to favour more readily available hardwoods. Temperate hardwood lumber producers have benefited most from this trend, and last year there was significant growth in EU imports from several Eastern European supply countries, notably Croatia, Bosnia, Serbia and Romania.

Of leading tropical hardwood lumber suppliers to the EU, imports from Malaysia and Brazil fell last year. In contrast, there was a reasonable recovery in the level of EU imports from Cameroon. Lumber exports from Gabon also rose significantly last year, one effect of the log export ban.

Signs of sustained market improvement in the last quarter of 2010

The quarterly hardwood lumber import data (Chart 2) provides some cause for optimism that the recovery in Europe's sawn hardwood markets will be maintained. There was a robust rebound in the level of EU hardwood lumber imports in the last quarter of 2010. During that period, EU hardwood lumber imports reached 861,000 m³, the highest quarterly figure for over two years. This suggests that the big decline in imports during the third quarter of 2010 was seasonal and due to short-term stocking issues rather than a long-term reversal in underlying consumption trends.

EU imports of hardwood veneer have followed a similar pattern. Overall EU hardwood veneer imports reached 514,000 m³ in 2010 valued at €455 million, up 14% and 13% respectively. This is partly the result of a switch to hardwood rotary veneer imports by European plywood manufacturers in place of logs from Gabon following the log export ban in May. In addition to Gabonese exporters, those in various other African countries are benefiting from this trend including Cameroon, Ghana and Equatorial Guinea. Rising levels of veneer imports from countries better known for supply of sliced veneer – such as Ivory Coast, USA, and Romania - suggests this component of the veneer market has also seen some recovery this year.

Strong recovery in veneer imports in October to December period

As in the hardwood lumber trade, the quarterly data indicates strong recovery in EU imports of hardwood veneer in the last quarter of 2010 after a disappointing performance in the June-September period (Chart 3). The sharp downturn in EU veneer imports during the third quarter of 2010 seems to have been due to short term over-stocking of okoume rotary veneer destined for the European okoume plywood trade, a sector which in recent times has been struggling to compete with cheap Chinese substitutes.

Imports of hardwood plywood into the EU-25 group of countries during 2010 reached 2.21 million m³ valued at €798 million, up 28% and 40% respectively on the previous year. The particularly sharp rise in the unit value of imports must be welcome news for a sector that has had to deal with narrow and ever declining margins over recent years.

However the data doesn't bode well for all hardwood plywood producers. A notable trend in the EU market during 2010 was growth in the share of China, Russia, Ukraine, and Uruguay, largely at the expense of Malaysia, Brazil and Gabon. Through-and-through tropical hardwood plywood grades continue to be substituted for cheaper more readily available combi-products, plantation-grown eucalypt products, and birch plywood.

The quarterly data is also disappointing, revealing a significant downturn in EU hardwood plywood imports during the October to December period last year (Chart 4). This is in line with market reports indicating a downturn in European demand for raw grades of tropical and Chinese hardwood plywood at the end of last year. Following significant imports of plywood in the second and third quarters of 2010, many importers were carrying excess stocks into 2011 relative to limited demand. Demand for more specialist film-faced products was performing rather better, continuing to benefit from higher prices and low availability of birch plywood due to the forest fires in Russia during 2010 and the Russian export tax on birch logs.

EU-25 imports of hardwood 2007-2010										
	Volume (1000 m3)				Value (million €)				% change	
	2007	2008	2009	2010	2007	2008	2009	2010	Vol	Val
Tropical hardwood logs										
GABON	404.1	327.2	226.6	58.9	116.3	101.7	60.5	17.6	-74.0	-70.9
CAMEROON	149.8	82.6	64.1	82.3	56.6	35.6	22.7	28.9	28.5	27.2
CONGO DR	160.7	120.4	62.6	86.8	62.5	48.9	22.7	33.0	38.7	45.6
CONGO REP.	89.4	80.0	33.1	74.1	36.2	34.1	12.4	30.3	124.1	145.2
CAR	48.1	32.0	22.7	19.7	21.7	14.6	9.5	8.0	-13.4	-16.2
LIBERIA	0.0	1.5	5.9	6.3	0.0	0.3	0.7	1.3	7.0	86.4
EQ. GUINEA	62.0	26.1	3.8	9.7	15.1	6.6	1.0	2.2	155.9	128.6
OTHER	53.2	33.4	14.9	16.4	51.4	28.5	13.0	12.0	9.6	-8.2
TOTAL	967.4	703.1	433.7	354.2	359.8	270.2	142.4	133.2	-18.3	-6.5
Hardwood lumber										
U.S.A.	771.8	651.3	488.4	507.3	473.8	374.6	257.9	322.0	3.9	24.8
CAMEROON	609.4	517.0	329.9	372.4	331.4	288.1	170.8	202.9	12.9	18.8
CROATIA	420.4	339.2	251.0	304.1	139.5	122.2	87.0	103.2	21.1	18.7
MALAYSIA	350.6	334.7	243.3	239.2	289.1	253.4	173.7	186.4	-1.7	7.3
UKRAINE	398.5	334.1	231.1	242.1	108.3	101.7	62.3	63.7	4.8	2.2
BRAZIL	696.9	393.4	208.4	193.8	336.8	223.9	123.9	122.4	-7.0	-1.2
IVORY COAST	241.6	204.0	101.2	107.5	134.7	125.2	60.4	65.5	6.3	8.5
RUSSIA	165.8	141.5	66.6	68.6	32.6	27.5	12.7	15.2	2.9	19.9
GABON	104.8	93.8	62.0	89.1	54.3	48.9	29.4	44.0	43.8	49.8
BOSNIA	164.3	105.5	59.8	66.1	55.8	40.7	21.5	24.1	10.5	12.3
BELARUS	97.3	85.3	46.9	51.6	14.6	12.4	5.2	6.4	9.9	23.5
CANADA	90.2	64.8	41.4	48.9	74.9	53.1	32.0	40.8	18.0	27.4
SERBIA	107.9	72.9	45.1	52.9	32.9	23.5	14.3	16.3	17.3	14.4
ROMANIA	107.7	79.5	43.0	46.6	49.8	42.9	24.1	25.3	8.4	5.0
GHANA	97.4	78.4	41.1	45.1	56.1	48.1	25.1	25.4	9.7	1.3
INDONESIA	57.7	56.1	39.8	35.9	54.5	53.7	38.0	36.8	-9.8	-3.2
CONGO REP.	66.9	56.7	27.5	36.6	43.5	38.8	17.9	21.6	33.2	21.0
CONGO DR.	54.0	51.0	31.7	28.8	42.1	41.8	20.6	18.2	-9.1	-11.4
OTHER	280.5	252.3	155.0	151.9	188.5	167.0	100.7	95.0	-2.0	-5.7
TOTAL	4883.7	3911.4	2513.3	2688.5	2513.2	2087.5	1277.3	1435.3	7.0	12.4
Hardwood veneer										
GABON	198.5	158.2	130.4	156.8	87.5	75.5	58.3	72.3	20.2	24.0
IVORY COAST	108.7	102.7	57.7	69.6	54.2	52.8	30.0	35.4	20.6	18.2
U.S.A.	105.8	77.9	49.2	54.7	172.8	124.1	83.5	95.2	11.1	14.1
UKRAINE	31.8	31.7	35.6	33.9	43.2	43.1	39.3	44.1	-4.8	12.4
RUSSIA	31.5	70.0	27.1	26.1	16.0	19.9	9.3	8.1	-3.8	-12.3
ROMANIA	43.3	25.5	25.7	28.5	46.4	34.6	37.3	38.1	10.7	2.2
CAMEROON	44.4	41.1	22.1	29.5	46.9	43.2	28.4	31.5	33.7	10.8
CONGO REP.	5.3	16.1	14.7	12.5	2.7	8.2	7.2	6.2	-15.2	-13.6
CROATIA	20.3	19.5	13.3	15.5	35.3	29.0	21.3	24.8	16.8	16.4
GHANA	26.8	21.6	12.3	14.2	26.1	24.2	12.4	14.3	15.9	15.3
EQ. GUINEA	34.3	33.4	9.9	19.6	17.9	16.5	4.0	8.7	98.2	116.2
CHINA	24.9	22.1	9.7	12.9	45.6	40.2	20.0	28.5	32.3	42.4
OTHER	67.9	65.8	41.9	40.0	93.7	86.9	51.6	47.8	-4.6	-7.5
TOTAL	743.4	685.5	449.6	513.7	688.3	598.3	402.5	455.0	14.2	13.0
Hardwood plywood										
CHINA	1090.9	827.2	530.1	848.5	344.8	274.8	143.9	248.9	60.1	72.9
RUSSIA	784.2	613.9	541.9	657.8	329.3	272.4	171.5	244.2	21.4	42.4
MALAYSIA	256.2	293.0	181.9	194.2	93.1	103.9	63.0	78.0	6.7	23.8
INDONESIA	138.7	155.5	116.2	132.9	72.4	74.8	55.3	67.6	14.4	22.3
BELARUS	81.6	53.9	70.9	77.7	22.9	14.3	14.5	18.5	9.5	27.3
UKRAINE	72.6	50.8	49.6	66.9	32.5	26.0	16.9	23.8	34.9	40.8
BRAZIL	235.2	198.9	88.6	68.5	87.9	74.4	30.8	27.2	-22.7	-11.6
GABON	39.9	45.9	44.7	45.7	27.8	35.3	30.3	31.2	2.3	3.0
URUGUAY	3.9	19.3	17.4	32.9	0.8	4.3	3.0	7.6	89.8	148.6
OTHER	140.4	126.8	81.4	83.4	82.9	73.8	41.2	51.1	2.5	24.0
TOTAL	2843.5	2385.2	1722.6	2208.5	1094.5	953.9	570.5	798.1	28.2	39.9

