Hardwood plywood makes gains, but other market sectors remain fragile

The latest EU-wide trade data indicates that imports of hardwoods from less developed countries (LDCs), while still at historically very low levels, were showing early signs of recovery in the first half of 2010 (see Table 1). During this period, European imports of hardwood logs, sawn, plywood and veneers from LDCs totalled 1,721,000 m3, a 21% gain on the volume achieved in the first half of 2009. Most of the gains were made in the second quarter of the year after a very slow start to 2010. Import performance also varied widely by European country. The overall result was strongly affected by big increases in imports of plywood by the UK and of eucalypt logs (destined for the paper rather than solid wood sector) by Portugal. Imports into several European countries including Spain, Greece and Denmark remained very weak.

Table 1. EU-25* imports of hardwoods from developing countries*****

EU reporting country	Jan-Jun Volume (1000 m3)			Jan-Jun Value (mill euro)		
	2009	2010	% chng	2009	2010	% chng
UK	210.3	317.3	50.9	86.4	120.1	39.0
France	308.5	298.8	-3.1	131.6	133.1	1.1
Portugal	56.9	180.8	217.6	27.7	40.6	46.6
Belgium	165.1	191.5	16.0	82.2	89.7	9.1
Netherlands	167.0	185.1	10.8	96.2	102.6	6.7
Italy	167.6	169.1	0.9	106.8	108.8	1.9
Germany	125.5	161.3	28.5	74.8	81.0	8.4
Spain	114.7	128.2	11.8	46.1	43.8	-4.9
Greece	39.7	29.6	-25.5	17.7	13.6	-22.8
Poland	11.9	14.4	20.3	6.8	6.3	-7.4
Denmark	21.2	17.7	-16.2	12.4	11.0	-11.5
Other	28.0	27.1	-3.3	20.6	17.6	-14.3
Total	**1416.4**	**1721.0**	**21.5**	**709.2**	**768.3**	**8.3**

** EU-25 includes all countries in the EU except Romania and Bulgaria that acceded in January 2007*

*** Includes hardwood logs, rough sawn, plywood and veneers. Excludes flooring and mouldings.*

**** Includes emerging and developing economies as defined by the IMF*

Source: Forest Industries Intelligence Ltd analysis of Eurostat data supplied by BTS Ltd

Table 2. EU-25* imports of hardwood logs from developing countries**

Despatch country	Jan-Jun Volume (m3)			Jan-Jun Value (1000 euro)		
	2009	2010	% chng	2009	2010	% chng
URUGUAY	16099	152093	844.7	1453	13603	836.2
GABON	117019	52361	-55.3	33045	15034	-54.5
CONGO DR	37308	42522	14.0	13835	16083	16.2
CAMEROON	35318	35964	1.8	12696	12369	-2.6
CONGO REP.	17271	30971	79.3	6572	12022	82.9
ARGENTINA	8128	15749	93.8	545	1012	85.7
CAR	14895	9571	-35.7	6524	3838	-41.2
EQ. GUINEA	1441	5506	282.1	447	1158	159.1
S. AFRICA	1283	2519	96.2	398	616	54.8
LIBERIA	5868	2213	-62.3	722	534	-26.0
OTHER	8396	9095	8.3	8197	5567	-32.1
TOTAL	**263029**	**358564**	**36.3**	**84434**	**81836**	**-3.1**

** EU-25 includes all countries in the EU except Romania and Bulgaria that acceded in January 2007*

***Includes emerging and developing economies as defined by the IMF*

Source: Forest Industries Intelligence Ltd analysis of Eurostat data supplied by BTS Ltd

Table 2 shows trends in EU-25 imports of hardwood logs from LDCs during the first half of 2010. It shows the big increase in eucalypt imports from Uruguay during the period, mostly destined for the paper sector in Portugal. The most significant trend from the perspective of tropical hardwoods is the 55% decline in log imports from Gabon. This trade is expected to decline to zero in subsequent quarters following imposition of the Gabon log export ban from May 2010 onwards. To some extent European traders are compensating for the Gabonese ban by increasing log imports from the Congo Republic, Congo DR and Equatorial Guinea.

Table 3. EU-25* imports of hardwood sawn from developing countries**

D_COUNTRY	Jan-Jun Volume (m3)			Jan-Jun Value (1000 euro)		
	2009	2010	% chng	2009	2010	% chng
CAMEROON	150509	150935	0.3	83489	82076	-1.7
MALAYSIA	105057	116741	11.1	74361	83683	12.5
BRAZIL	106175	103107	-2.9	63003	61702	-2.1
IVORY COAST	51290	49088	-4.3	31152	29744	-4.5
GABON	30144	37832	25.5	14451	17809	23.2
GHANA	21544	19570	-9.2	13163	10623	-19.3
CONGO REP	14181	17749	25.2	9724	10338	6.3
INDONESIA	12288	12899	5.0	11926	12885	8.0
CONGO DR	15897	11840	-25.5	11810	7127	-39.7
CAR	2499	3908	56.4	1361	1890	38.9
BOLIVIA	6353	3778	-40.5	3803	2278	-40.1
CHINA	6212	3694	-40.5	7443	4654	-37.5
OTHER	26800	23117	-13.7	23805	20755	-12.8
TOTAL	**548948**	**554260**	**1.0**	**349491**	**345564**	**-1.1**

** EU-25 includes all countries in the EU except Romania and Bulgaria that acceded in January 2007*

***Includes emerging and developing economies as defined by the IMF*

Source: Forest Industries Intelligence Ltd analysis of Eurostat data supplied by BTS Ltd

The trade data confirms anecdotal reports that the anticipated recovery in European tropical sawn lumber market was very slow and patchy during the first half of 2010. Table 3 shows that EU-25 imports of hardwood sawn from LDCs during the first half of 2010 were almost exactly equivalent to imports during the same period in 2009. Gains in EU imports of hardwood sawn lumber from Malaysia, Gabon and the Congo Republic were offset by continuing declines in imports from Brazil, Ivory Coast, Ghana and the Democratic Republic of Congo.

Table 4. EU-25* imports of hardwood plywood from developing countries**

D_COUNTRY	Jan-Jun Volume (m3)			Jan-Jun Value (1000 euro)		
	2009	2010	% chng	2009	2010	% chng
CHINA	221940	350762	58.0	67640	100103	48.0
MALAYSIA	83684	112834	34.8	32050	43369	35.3
INDONESIA	56140	75500	34.5	28405	36910	29.9
BRAZIL	45933	31964	-30.4	17350	12384	-28.6
GABON	22245	23625	6.2	15731	15875	0.9
URUGUAY	5334	17368	225.6	1099	3705	237.1
MOROCCO	138	8976	6404.3	112	6631	5820.5
IVORY COAST	7731	5793	-25.1	3700	2801	-24.3
INDIA	293	2893	886.2	208	1330	539.4
CAMEROON	2022	2347	16.1	833	887	6.5
PARAGUAY	981	1568	59.8	338	628	85.8
OTHER	9802	4347	-55.7	3093	2176	-29.6
TOTAL	**456243**	**637976**	**39.8**	**170559**	**226799**	**33.0**

** EU-25 includes all countries in the EU except Romania and Bulgaria that acceded in January 2007*

***Includes emerging and developing economies as defined by the IMF*

Source: Forest Industries Intelligence Ltd analysis of Eurostat data supplied by BTS Ltd

There were, however, much clearer signs of recovery in the European market for hardwood plywood during the first half of 2010(Table 4). Overall imports of hardwood plywood from LDCs increased almost 40% during the six month period compared to the same period in 2009. There was particularly strong growth in European imports of hardwood plywood from China, confirming anecdotal reports that China has been gaining market share in this sector during the recession, largely owing to its continuing ability to offer product at highly competitive prices. However sales of Malaysian and Indonesian plywood also made significant gains. Chinese and tropical hardwood plywood have benefited during 2010 from rising prices for Russian birch plywood as a result of the forest fires that raged through Russia this summer. Another notable trend this year is the emergence of Uruguay as a more significant supplier of hardwood plywood to the EU following intense marketing of products derived from plantation-grown eucalypt as an environmentally-friendly alternative to tropical hardwood plywood.

Table 5. EU-25* imports of hardwood veneer from developing countries**

	Jan-Jun Volume (m3)			Jan-Jun Value (1000 euro)		
D_COUNTRY	2009	2010	% chng	2009	2010	% chng
GABON	76136	82040	7.8	34391	36807	7.0
IVORY COAST	29207	34326	17.5	15314	17163	12.1
CAMEROON	11243	14887	32.4	14322	16592	15.8
EQ. GUINEA	4558	9864	116.4	1867	4006	114.6
GHANA	5713	7224	26.5	5984	6965	16.4
CONGO REP.	7951	6431	-19.1	3821	3070	-19.7
CHINA	5325	6411	20.4	11335	13806	21.8
TURKEY	3482	3446	-1.0	4856	4280	-11.9
BRAZIL	1446	1368	-5.4	2283	2679	17.3
S. AFRICA	1145	1009	-11.9	2241	1233	-45.0
INDONESIA	739	750	1.5	1226	1364	11.3
CONGO DR	1700	242	-85.8	1293	153	-88.2
OTHER	2381	2155	-9.5	5748	6014	4.6
TOTAL	**151027**	**170154**	**12.7**	**104681**	**114132**	**9.0**

** EU-25 includes all countries in the EU except Romania and Bulgaria that acceded in January 2007*

***Includes emerging and developing economies as defined by the IMF*

Source: Forest Industries Intelligence Ltd analysis of Eurostat data supplied by BTS Ltd

The ban on log exports from Gabon is just beginning to reveal itself in the form of increased European imports of rotary veneers for plywood manufacture (Table 5). Overall EU veneer imports during the first half of 2010 were up nearly 13% on the same period the previous year. An increase in European veneer imports from several countries more engaged in the sliced veneer business, as opposed to the rotary veneer business, also suggests some improved buying by the European decorative panel and furniture sectors. During the first half of 2010, EU veneer imports increased from Gabon, Ivory Coast, Cameroon, Equatorial Guinea, and Ghana. There were also small increases in European imports from China which - despite a huge veneer manufacturing sector - has yet to emerge as a large exporter of this commodity.

Only minor gains in EU sawn hardwood and veneer trade during second quarter

Quarterly trends in the volume of EU-25 hardwood imports from LDCs are shown in Charts 1, 2 and 3. Chart 1 highlights very strong growth in EU-25 imports of hardwood plywood from developing countries during the second quarter of 2010 after a disappointing performance in the first quarter of the year. However imports of hardwood sawn lumber and veneers made only minor gains during the second quarter.

The apparent improvement in European hardwood log imports from LDCs during the second quarter of 2010 is strongly influenced by increased eucalypt imports from Uruguay by Portugal and does not imply any improvement in the market for tropical hardwood logs. EU imports of the latter only reached 95,000 m3 in the first quarter of 2010 and then fell to 93,000 m3 in the second quarter of 2010.

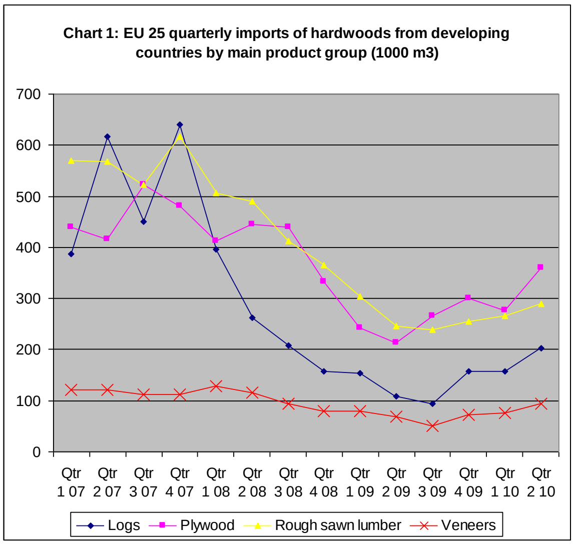
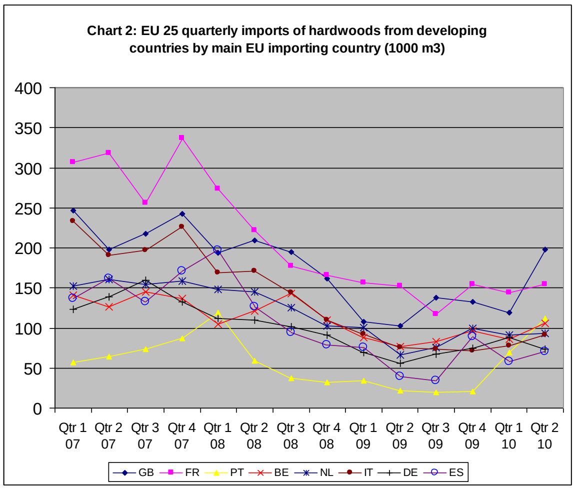


Chart 2 shows that imports of LDC hardwood products by the UK and Portugal made significant gains in the second quarter of 2010, due respectively to spikes in imports of plywood and eucalypt logs. Imports into Belgium and Italy continued to improve slowly during the second quarter of 2010, while imports into Spain were a slight improvement on the desperately low levels recorded in the first quarter of 2010. However, the recovery in German imports stalled during the second quarter of 2010, particularly disappointing after three consecutive quarters of growth between June 2009 and March 2010.



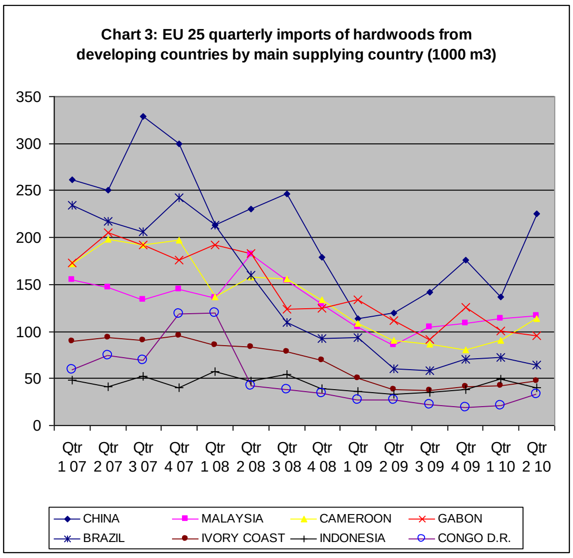


Chart 3 shows that China was the major beneficiary of the tentative market recovery in Europe during the second quarter of 2010, mainly a result of rising demand for hardwood plywood in the UK. European imports of hardwood products from Cameroon and the Democratic Republic of the Congo have also shown fairly consistent growth this year. European imports from Brazil and Indonesia slowed again in the second quarter after showing signs of improvement in the opening months of the year. Imports from Malaysia and Ivory Coast remained stable at historically low levels between the first and second quarters of 2010.

No significant upturn in the European market for tropical hardwood products is now expected until at least the first quarter of 2011. This is against a background of government austerity measures, sluggish construction activity, the onset of winter weather conditions, a continuing tendency to maintain low stocks, and relatively low forward availability.