

CHAPTER 7

SAWN HARDWOOD SUPPLY, TRADE AND CONSUMPTION

Highlights

- Perhaps ending the long downward slide, European consumption of sawn hardwood rose slightly in 1997, due to increased imports.
- United States sawn hardwood consumption continued to climb in 1997 due to record production levels.
- United States sawn hardwood exports increased strongly in 1997 to both Europe and Asia.
- European imports of primary *tropical* products has been falling, but it reversed the trend in 1997.
- When secondary tropical forest products are added to the values of primary products, Europe and the United States become major importers.
- Since 1997, the Asian crisis drove down prices of some primary tropical products, by as much as half, by mid 1998.
- The Asian crisis was having a profound effect on the whole hardwood trade in 1998.

7.1 Consumption

In the medium term, Europe's consumption of hardwoods has been falling, for reasons which are not yet fully clear. However in Europe in 1997, sawn hardwood consumption came back near the 1995 level with the rise by approximately 1 million m³ to 16.6 million m³ (graph 7.1.1). The increased consumption was mainly attributed to increased imports, as production increased only 100,000 m³, back to near the 1995 level. It remains to be seen if this rise is a new trend. Nevertheless, the consumption rise was well beyond the Timber Committee's forecast increases for 1997 and 1998.

Strongest increases in apparent consumption came from France, which marked Europe's highest consumption at 2.7 million m³, closely followed by Italy at 2.6 million m³. As these two countries' housing construction declined in 1997, the demand for hardwoods could have been linked more to furniture manufacturing and millwork, as well as packaging and sleepers.

Germany has increased consumption of hardwood furniture components and Italy is the largest producer in Europe according to a Sasmil trade show

press release. Trade is on the rise of hardwood dimension, i.e. rough cut-to-size boards and panels for further processing; this offsets some sawnwood trade and may be one reason for the apparent decrease in hardwood consumption.

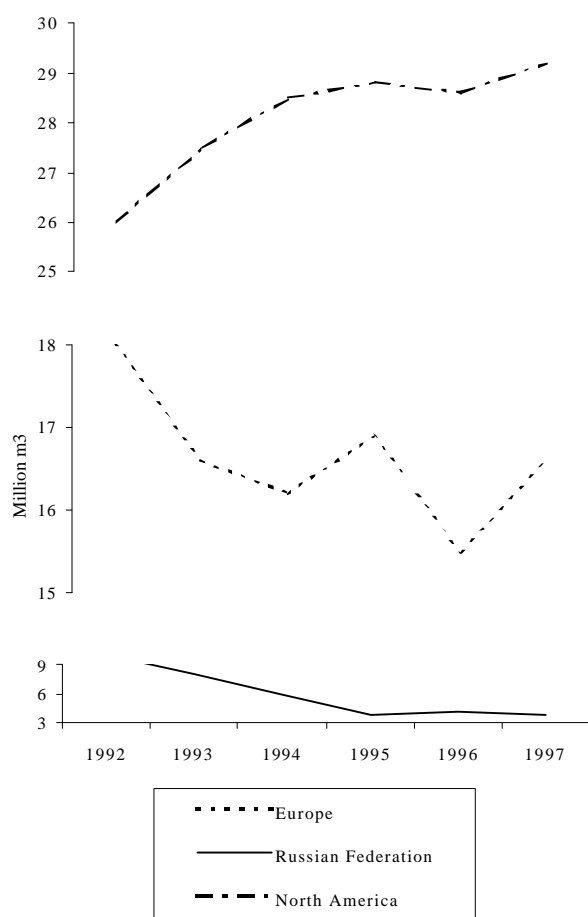
Consumption in Spain moved up 32% over a poor 1996, and achieved 1.6 million m³. The Spanish Timber Importers' Association reported that imports of hardwoods rose considerably in 1997. In 1996, white oak sawnwood imports were sourced from the United States (75%) and France (15%). Half of Spanish doors are made from white oak, 26% from southern yellow pine and 2% from other wood species according to the American Hardwood Export Council.

United States sawn hardwood consumption continues to rise, up 2.6% in 1997 to 29 million m³. Consumption of hardwoods is not only driven by the strong residential and commercial construction markets, which includes a growing demand for solid wood flooring, but also the demand for pallets and other packaging. Part of the increased consumption came from imports which doubled to reach 1 million m³, as production went up only slightly.

Sawn hardwood consumption in the *Russian Federation* was at 3.7 million m³, roughly a third of the 1992 consumption.

GRAPH 7.1.1

Consumption of sawn hardwood, 1992 to 1997



Source: UN/ECE TIMBER database.

7.2 Production

The steady decline in production of sawn hardwoods in Europe may have reached the bottom as 1996 and 1997 were near the same level of 12.7 and 12.8 million m³ respectively (table 7.2.1). France and some other large producers in Europe reacted to new demand through imports as they had no production increases.

The European Organization of the Sawmill Industry stated in their annual report that the pressure asserted on European forests for beech could lead to future imbalances in species diversities. Beech, like some other light coloured hardwoods, is finding favourable market demand, not only in Europe, but also in America and in Asia. Oak was in demand for

wine barrels and demand rose with the good harvest of grapes in 1997 coupled with the popularity of ageing in oak.

In the United States, sawn hardwood production increased slightly to meet both a growing export demand and domestic demand. United States hardwood sawmills have been forced to increase efficiency, both production and marketing efficiency, because of a combination of competition from other mills, competition from softwoods and composite products, rising stumpage costs and rising labour costs. According to the USDA Forest Service, the mills are getting bigger and have more and more advanced technology for improved sawing efficiency. In addition sawmills continue to integrate into value-added processing.

While sawn hardwood production in the *Russian Federation* continues to fall, other countries in transition have reversed the trend. Poland responded to increased export and domestic demand and in 1997 production increased by 15% to 0.9 million m³, not yet regaining the 1995 level. Other central and eastern European countries which increased production were Croatia and Slovakia. This cannot be construed as a general trend as most other countries in transition had reduced production again in 1997.

7.3 Trade--temperate zone

European net trade of sawn hardwoods fell in 1997 as imports swelled by 15% to reach 6.9 million m³ and exports fell slightly (table 7.3.1). Italy recovered from the 1996 slump and with 1.8 million m³ of hardwood imports moved back to the 1995 level. France also increased imports, by 31%, to return to the higher level of the early 1990s.

The major jump in European imports occurred in Spain, where imports in 1997 rose 75% to reach 0.9 million m³. Spain's economy and with it the construction sector was stronger in 1997, up 6% from 1996, and significant hardwood sawnwood was imported from France, Germany and North America. In the first quarter of 1998, Spain again increased hardwood imports, notably from the United States which rose 45% to 45,800 m³ for sawnwood, over the first quarter in 1997 according to the United States Bureau of the Census. White oak, used in millwork, cabinetry and flooring, represented 85% of the 1998 sawnwood imports, and was also prevalent in log and veneer imports too.

European exports have been rather steady over the last decade and again in 1997 there was little change reported. Some countries in transition, for example Poland and Hungary, found markets for

TABLE 7.2.1
Production of sawn hardwood, 1994 to 1997

	1994	1995	1996	1997 ^a	Change 1996 to 1997	
					Volume	Per cent
	(1000 m ³)					
EUROPE	13020	13402	12713	12824	111	0.9
of which :						
France	3000	3021	3094	3100	6	0.2
Turkey	1703	1829	1766	1766	...	...
Germany	1202	1180	1144	1048	-96	-8.4
Italy	1000	1050	900	963	63	7.0
Poland	800	1050	780	900	120	15.4
Romania	860	900	769	746	-23	-3.0
Spain	760	755	702	702	...	...
Croatia	474	478	484	505	21	4.3
Portugal	426	481	481	481	...	...
Czech Republic	230	270	305	293	-12	-3.9
Belgium-Luxembourg	284	270	270	270	...	...
Slovakia	300	219	203	266	63	31.0
Other countries	1981	1899	1815	1785	-31	-1.7
Russian Federation	6080	3975	4383	3900	-483	-11.0
Canada	1002	1093	1000	1000	...	...
United States	29054	29344	29650	29972	322	1.1
North America	30056	30437	30650	30972	322	1.1

^a Preliminary.

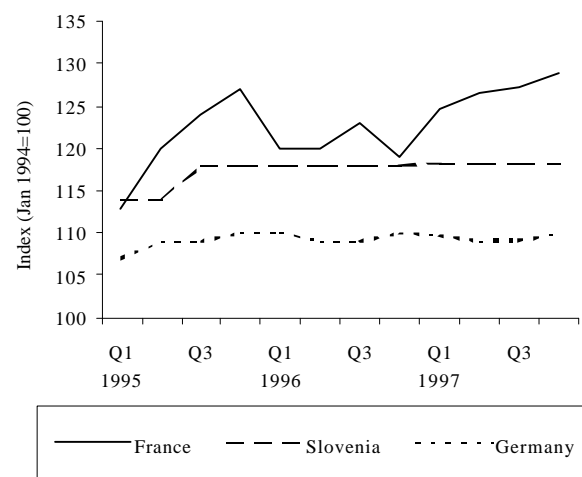
hardwoods in western countries like Germany. Some quantities of hardwoods were also exported to Asia, in sawnwood, veneer and log form.

Prices for European hardwoods have increased in some countries, for example France, but were stable in other countries in 1997, for example Germany (graph 7.3.1). The European Organization of the Sawmill Industry noted beech prices rose 5 to 25% in 1997 depending on the quality/grade.

The evolving situation of hardwood trade in the countries in transition is rather heterogenous as countries have different rates of economic progress. However some insight can be given into one country's trade in sawn hardwoods. Slovakia's exports of sawn hardwoods in 1997 fell by 64% to 38,000 m³, as more was converted into furniture for domestic and export markets¹. In value terms, Slovakian furniture exports increased 15% from 1995 to 1996, before decreasing slightly in 1997. The Forest Research Institute in

Slovakia forecasts greater consumption yet, whenever the suppressed demand for housing begins to be met.

GRAPH 7.3.1
European beech sawnwood price indices, 1995 to 1997



Source: "Forest Products Prices, 1995-1997," *Timber Bulletin*. UN-FAO/FAO. 1998

¹ For reference Slovakia's sawn softwood consumption increased 167% from 1996 to 1997 to reach 504,000 m³.

TABLE 7.3.1
Exports and imports of sawn hardwood, 1994 to 1997

	1994	1995	1996	1997 ^a	Change 1996 to 1997	
					Volume	Per cent
	(1000 m ³)					
EXPORTS						
EUROPE	3279	3214	3229	3181	-47	-1.5
of which :						
France	825	761	754	696	-58	-7.7
Croatia	405	402	402	402	...	...
Romania	290	252	331	325	-6	-1.8
Germany	312	320	304	313	9	3.0
Poland	178	246	228	279	51	22.4
Hungary	153	130	150	163	13	8.7
Belgium-Luxembourg	171	139	158	152	-6	-4.0
Netherlands	171	135	142	142	...	...
Slovenia	114	114	114	114	...	...
Italy	70	79	45	103	58	128.9
Other countries	591	636	600	493	-108	-18.0
Canada	803	769	859	1022	163	19.0
United States	2368	2495	2692	2890	198	7.4
North America	3171	3264	3551	3912	361	10.2
IMPORTS						
EUROPE	6397	6659	6018	6937	919	15.3
of which :						
Italy	1739	1777	1576	1760	184	11.7
Spain	525	719	514	900	386	75.0
Belgium-Luxembourg	602	532	634	737	103	16.3
Germany	676	708	553	642	89	16.1
United Kingdom	514	501	575	611	36	6.3
Netherlands	705	631	583	583	...	...
France	482	519	425	558	133	31.3
Austria	156	154	165	161	-4	-2.4
Portugal	104	138	144	144	...	...
Sweden	101	135	109	116	7	6.4
Other countries	793	845	741	726	-15	-2.0
Russian Federation	7	7	8	18	10	125.0
Canada	843	892	928	1024	96	10.3
United States	742	698	518	1096	578	111.6
North America	1585	1590	1446	2120	674	46.6

^a Preliminary.

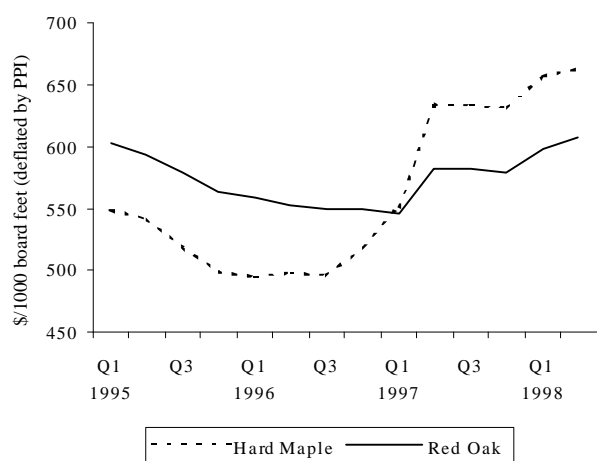
In discussing *North American* exports of sawn hardwoods, it should be noted that although it is a net exporting region, domestic consumption has the ability to offset exports when mills are running near capacity. Nevertheless, exports in 1997 achieved record levels to Europe and Asian destinations as well. Exports to Asia were stagnant to Japan at a value of \$135 million,

but they almost doubled to China (including Hong Kong) to \$75 million. However Asian shipments are much smaller than those to the European Union which attained \$557 million in 1997, up from \$445 million in 1996 according to the USDA Foreign Agricultural Service. Canada appears to be the largest export market for the United States, but much of that

sawnwood is re-exported to Europe and Asia. Depending on the location of the sawmill, Canadian shipping rates are sometimes lower than those in the United States.

In the United States, hardwood prices rose in early 1997, especially for the popular, light-coloured woods like maple and cherry (graph 7.3.2). Cherry prices were climbing in early 1998 as a significant portion of the resource is on eastern National Forests which like their western counterparts, have reduced harvesting due to environmental pressures. High domestic demand drove up prices for cherry and other species, as did export demand. Exports have increased roughly 70% in volume over the last decade (specifically 68.7% from 1987 through 1997).

GRAPH 7.3.2

United States sawn hardwood prices, 1995 to 1998

Note: Prices for 4/4 inch thick, 1 common grade, Appalachian Region hard maple and red oak sawnwood. Deflated by the United States producer price index with a 1982 base.

Source: *Hardwood Market Report*, 1998.

While United States hardwood exports remain stable at approximately 10% of production, they have roughly doubled their share of all United States primary wood exports, to 20% based on value (table 7.3.2).

Part of the success in United States hardwood exports is through efficiencies gained in creating larger marketing networks. While some hardwood sawmills have grown to the capacity of the resource within affordable trucking distances, larger companies have been building or buying other sawmills to increase the corporation's production. Some corporations also buy sawnwood from other mills, sometimes graded, but often ungraded, green and mill run. After grading, sorting, drying and regrading, with remanufacturing to improve some boards' grade, the sawnwood is then

sold under the corporation's name and using their larger marketing network.

TABLE 7.3.2

United States sawn hardwood exports, 1987 vs 1997
(millions)

	1987	1997
Exports, m ³	1.7	2.9
Production m ³	19.2	30.0
% of production	9	10
Exports \$	475	1432
Total wood exports \$	3950	7193
% of total exports	12	20

Source: USDA Foreign Agricultural Service, 1998.

7.4 Trade--tropical zone

This section diverges from sawnwood and includes other products from the tropical forests, i.e. logs, plywood and further-processed wood products. Chapter 4 on "Effects of the Asian crisis on ECE region forest products markets" is focused on Japan and thus Japanese production and trade is not repeated here. As the Timber Committee cannot attempt to cover all timber markets, some of the following information was graciously supplied by the International Tropical Timber Organization (ITTO) secretariat.

(i) Consumption of tropical forest products by "consumer" countries²

Apparent consumption of tropical forest products in 1997 was essentially unchanged from 1996 (graph 7.4.1). However next year's review will show a steep decrease for Japan, the largest consumer of tropical wood products. Note that for the sake of the graph, forest products were logs, sawnwood, veneer and plywood.

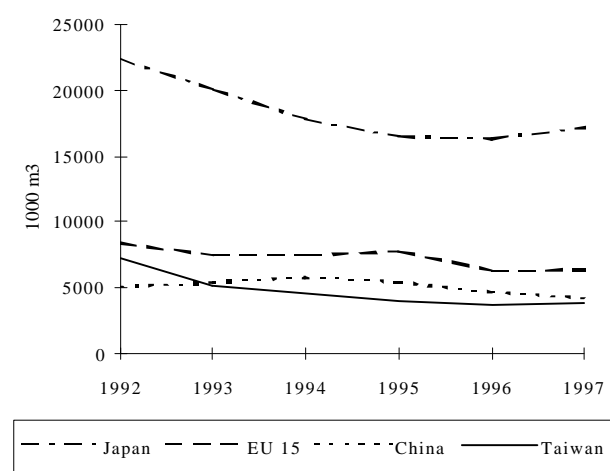
(ii) Imports of tropical forest products by "consumer" countries

European Union imports increased slightly in 1997 by 2%, but in general EU imports and consumption have been falling in volume (graph 7.4.2). In contrast to the rise in Japan's tropical imports in 1997, Japan will show a decrease in 1998 based on mid-year statistics.

² The ITTO divides its membership into tropical timber "producers" and "consumers" although overlap exists.

GRAPH 7.4.1

Consumption of tropical wood products*, 1992 to 1997



*Tropical wood products here are logs, sawnwood, veneer and plywood together.

Source: *Annual Review and Assessment of the World Timber Situation, 1997*, ITTO, 1998.

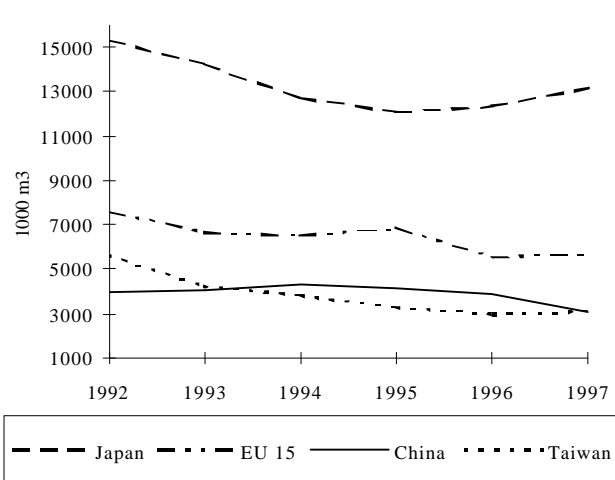
In *value* terms, primary tropical forest products imported to the European Union countries decreased from 1995 to 1996 (data were not available for 1997) (table 7.4.1). This is consistent with the graph of volumes.

However, when the tropical value-added products' imports are considered, for example the increasing trade of tropical millwork and furniture, the picture is different, both as regards the direction of the trend and the relative importance of different markets. In particular the European Union and the United States emerge as major destinations for tropical products (table 7.4.2).

In Europe there has been an important increase in imports of tropical value-added products like joinery, millwork and furniture (especially garden furniture) according to the Fédération française des bois tropicaux et américains (FFBTA). From 1995 to 1997, French imports of these latter products increased by 50% in value. Contrary to some other European countries, France's imports of tropical wood improved in 1997 to 1.4 million m³ composed of 790,000 m³ of logs, 459,000 m³ of sawnwood and 193,000 m³ of plywood and veneer (note that some of these imports are re-exported to other European destinations). Of the 459,000 m³ of sawnwood imported in 1997, the majority came from Africa, 210,000 m³, second South America, 193,000 m³ and third Asia, 56,000 m³. According to *Le Bois National*, a slight increase of tropical sawnwood imports are forecast for 1998, to 530,000 m³ because the French market is less negatively influenced by environmental pressures.

GRAPH 7.4.2

Imports of tropical wood products*, 1992 to 1997



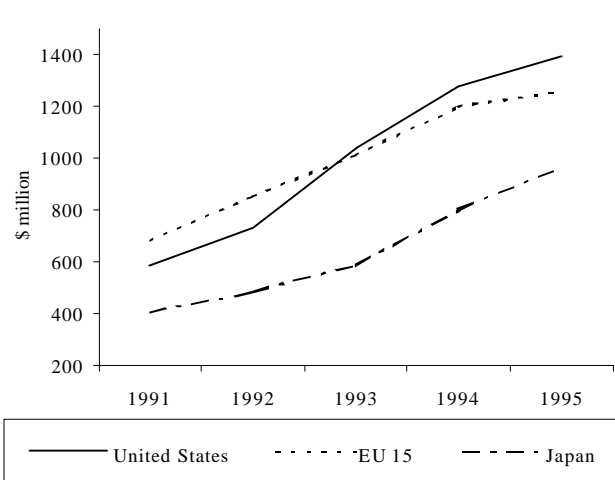
*Tropical wood products here are logs, sawnwood, veneer and plywood together.

Source: *Annual Review and Assessment of the World Timber Situation, 1997*, ITTO, 1998.

Indeed, the augmentation in trade in secondary wood products has succeeded, in part thanks to government policies promoting increased value-added processing and trade as well as low labour, raw material and manufacturing costs (graph 7.4.3). As data eventually become available for 1998, it could be expected that the intra-Asian trade of secondary products will fall, however in mid 1998, furniture exports from Malaysia to the United States were benefiting from the devalued Malaysian ringgit.

GRAPH 7.4.3

Imports of secondary processed wood products from ITTO producer countries, 1991 to 1995



Source: *Annual Review and Assessment of the World Timber Situation, 1997*, ITTO, 1998

TABLE 7.4.1
Value of some ITTO countries imports of tropical wood products, 1995 to 1996
\$ million

	1995	1996	% change 1996/1995	% share of total
Japan	4472	4635	3.7	41.4
European Union 15	2953	2697	-8.7	24.1
Taiwan	1142	1009	-11.7	9.0
China	1263	964	-23.7	8.6
United States	771	791	2.6	7.1
Others	1271	1092	-14.8	9.8
Total	11,872	11,188	-5.7	100

Source: ITTO Annual Review and Assessment of the World Timber Situation 1997, 1998.

TABLE 7.4.2
Value of imports of secondary processed tropical wood products, 1993 to 1995
\$ million

	1993	1994	1995	% change 1995/1994	% share of total
United States	1037	1280	1393	8.8	35.2
European Union	1010	1198	1256	4.8	31.7
Japan	583	799	964	20.7	24.4
China	17	23	34	47.8	0.9
Others	197	252	310	23.0	7.8
TOTAL	2844	3552	3957	11.4	100

Note: No data were available after 1995. European Union 12 for 1993 and 1994 and European Union 15 for 1996.
Source: ITTO Annual Review and Assessment of the World Timber Situation 1997, 1998.

(iii) Exports of tropical forest products by "producer" countries

The tropical timber exports continue to be oriented away from logs and domestic consumption seems to be taking some of these volumes as they are not showing up in the exports of sawnwood and plywood. Nevertheless, total ITTO producers tropical log production has fallen by 3.6% from 1993 to 1997. Declines were heaviest in the Asia Pacific region, by 11%, contrary to increased log production, but on lower volumes, in Africa and Latin America.

Another possibility would be that these volumes are being transformed into value-added products which as just noted have been increasing, but which would not be reflected in the primary products export statistics for 1997 (table 7.4.3). Based on reports during the first half of 1998, this scenario will change significantly in next year's *Review* as the full effects of the economic crisis become visible in the annual statistics.

(iv) Production of tropical forest products by "producer" countries

In general, production of tropical forest products rose modestly in 1997 for logs, sawnwood, veneer and plywood (table 7.4.4). Again a decrease is forecast for 1998.

(v) Apparent consumption of tropical forest products by "producer" countries

In total, tropical timber producers increased domestic consumption in 1997, especially in Asia, and especially of veneer, the lowest volume primary product (table 7.4.5). New applications continue to be found for MDF in furniture, millwork and mouldings where all exposed parts require a veneer (or other) surface. Therefore consumption of veneer has increased and it is later exported as a secondary product. The decrease in plywood consumption in 1997 is forecast to continue in 1998.

TABLE 7.4.3
Tropical forest products exports, 1993 to 1997
(thousand m³)

	1993	1994	1995	1996	1997
AFRICA					
logs	3589	4075	3816	3430	3988
sawnwood	1046	1351	1416	1156	1245
veneer	204	233	283	272	246
plywood	55	43	78	76	91
ASIA PACIFIC					
logs	13676	12753	11243	10272	9641
sawnwood	6459	5606	5007	4423	3911
veneer	753	688	661	723	835
plywood	12112	11280	11607	11472	12180
LATIN AMERICAN/CARIBBEAN					
logs	344	736	1292	535	951
sawnwood	1449	1783	1648	1651	1666
veneer	96	137	123	205	208
plywood	699	815	724	689	692
TOTAL					
logs	17610	17564	16352	14236	14580
sawnwood	8984	8740	8071	7229	6821
veneer	1053	1058	1067	1200	1289
plywood	12866	12137	12410	12237	12963

Note: Volumes differ from FAO statistics as ITTO coverage is approximately 90% of tropical exporters by volume

Source: *Annual Review and Assessment of the World Timber Situation, 1997*, ITTO, 1998.

TABLE 7.4.4
Tropical forest products production, 1993 to 1997
(thousand m³)

	1993	1994	1995	1996	1997
AFRICA					
logs	9265	10554	9888	9844	9701
sawnwood	2141	2293	2138	2118	2132
veneer	340	361	393	443	431
plywood	160	167	224	246	258
ASIA PACIFIC					
logs	114224	111479	105853	102347	101997
sawnwood	36769	35332	35468	33525	33066
veneer	2336	2258	2429	1435	1435
plywood	13626	13202	13624	13331	13947
LATIN AMERICAN/CARIBBEAN					
logs	54727	57251	58774	59295	60065
sawnwood	22708	22818	23197	24031	24740
veneer	474	518	512	504	522
plywood	1795	2239	2259	2350	2385
TOTAL					
logs	178216	179284	174514	171487	171763
sawnwood	61618	60444	60803	59674	59938
veneer	3150	3137	3333	2382	2388
plywood	15581	15608	16107	15927	16590

Note: Volumes differ from FAO statistics as ITTO coverage is approximately 90% of tropical exporters by volume.

Source: *Annual Review and Assessment of the World Timber Situation, 1997*, ITTO, 1998.

TABLE 7.4.5
Tropical forest products consumption, 1996 and 1997
(thousand m³)

	1996	1997	% change 1997/1996
AFRICA			
logs	6417	5715	-10.9
sawnwood	968	896	-7.4
veneer	171	185	8.2
plywood	174	170	-2.3
ASIA PACIFIC			
logs	95194	96219	1.1
sawnwood	32315	33539	3.8
veneer	985	1116	13.3
plywood	2011	1910	-5.0
LATIN AMERICAN/CARIBBEAN			
logs	58796	59151	0.6
sawnwood	22983	23626	2.8
veneer	342	353	3.2
plywood	1717	1742	1.5
TOTAL			
logs	160407	161084	0.4
sawnwood	56265	58062	3.2
veneer	1497	1654	10.5
plywood	3902	3822	-2.1

Source: ITTO Annual Review and Assessment of the World Timber Situation, 1997, ITTO, 1998.

The rest of this section looks at the individual product sectors.

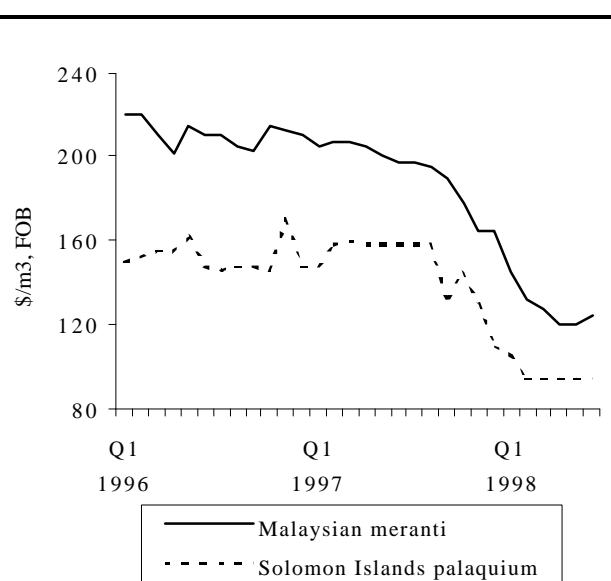
(vi) Tropical log trade

Trade in tropical logs within *Asia* slowed during 1997 and then fell steeply in the fourth quarter of 1997 and the first quarter of 1998. In mid 1997 Asian log prices began a free fall which ended in early 1998 at half their former value (graph 7.4.4).

African sales of logs to *Asia* boomed in 1996 and 1997, but the boom stopped in 1998 according to an article in the *Timber & Wood Products*. The currency devaluations in *Asia* put downward pressure on the price of imported *African* logs, but in *Europe*, prices have not been reduced to the same extent.

IMF requirements for the initial aid package to *Indonesia* opened log exports, formerly officially banned to protect domestic sawnwood and plywood manufacturing. Logs can be exported if two conditions are met: 1. that sawmills and plywood mills receive adequate supply; and 2. that logs are sourced from sustainably managed forests and so labelled.

GRAPH 7.4.4
Tropical log prices, 1996 to 1998



Source: Market News Service, ITTO, 1998.

Malaysia banned the import of logs, sawn timber and plywood from Indonesia in January 1997 to help the Indonesian government prevent smuggling of timber products to avoid high export taxes. But in 1998 Malaysia lifted the ban.

In 1997 *South Korea* was the third largest importer of logs in the world and the fourth largest consumer of tropical sawnwood and plywood. Since the fourth quarter 1997, Korean log imports in 1997 have fallen and were down sharply in 1998 (a large percentage is not tropical, but rather *radiata pine*).

The import of logs by Korea in the first quarter of 1998 totalled 1.1 million m³ which is only 60% of that for the same period of 1997. By June the hardwood veneer log stocks had been depleted and plywood mills were either buying logs or reducing production further, or both. Despite a government elimination of the duties on log imports, sawmills had bought even less logs and most had reduced production substantially.

In order to protect natural forests, the State Forestry Administrative of *China* intends to set aside 60% of the forest land in state-owned forests for ecological benefits and felling in these forests will be stopped, according to the ITTO *Market News Service*. By 2000, the log production of the state-owned forest region is forecast to fall 43%, to 13 million cubic metres, from current 23 million cubic metres. The reduction in sawlogs and veneer logs will have a drastic impact on the domestic manufacturer. In order to make up for the deficiency, China will become more dependant on log imports.

(vii) Tropical plywood trade

Tropical plywood markets in the second half of 1997 and the first months of 1998 have been strongly affected by the economic and financial crisis in Asia. Demand is weak, despite reduced production levels stocks are rising and prices have fallen. Substitutes, notably OSB, are gaining market share.

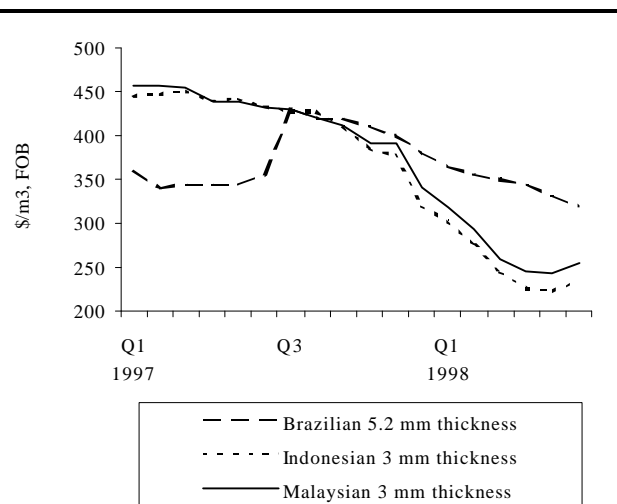
The production and *price* of Indonesian plywood had gone down since mid 1997 because of weak demand (graph 7.4.5). Plywood to China sold at \$220 per m³ in February 1998, about half its average price last year. In Korea, the price of Malaysian plywood in mid 1998 is \$220, about half of the \$420 price before the economic crisis and devaluation of the ringgit. In 1997, peninsular Malaysian plywood exports decreased 21.9% in volume to 286,000 m³ and by 14.0% in value to RM338.1 million.

Plywood prices to Europe and the United States have also dropped by about 30% since late January 1998. In France, tropical plywood prices have fallen from \$475 per m³ in March 1996 to \$455 in March

1997 and down to \$255 per m³ in March 1998 (for BB/CC grade, 3 millimetres thickness) according to *Le Bois National*.

GRAPH 7.4.5

Tropical plywood prices, 1996 to 1998



Source: Market News Service, ITTO, 1998.

Brazilian plywood prices rose in mid 1997 but have fallen below previous prices in mid 1998 due to price competition from Asian manufacturers.

In *Korea* in April 1998, plywood mills were operating 3.5 days a week at only 55% of capacity and other panel mills at about 65% of capacity according to the ITTO *Market News Service*. Nevertheless, stocks have risen to approximately 2 month's worth of the reduced production. Imports in the first quarter of 1998 were 124,000 m³, down 64% from the first quarter of 1997. In April, imports were about half of the domestic production level of 54,000 m³. Plywood wholesalers in an effort to stimulate sales, and reduce stocks, have lowered prices below factory costs.

For low value construction purposes, Korea mills have produced "combipanel" in 9 to 18 millimetres thickness with a hardwood face and back and a *radiata pine* core. But since mid 1997, when the domestic construction market collapsed, production has reduced considerably. Mills are having difficulties establishing export credit due to high interest rates. Freight charges for a 20-foot container to a British port have increased from \$920 in December 1997 to \$1100 in April 1998.

Brazilian plywood manufacturers faced intense competition from Asian producers in 1998 and reportedly cut production rather than lowering prices. According to *Maskayu*, Brazilian plywood has lost its former Asian market share, but sales to the United States and the Middle East remained constant. The

domestic market was weak and highly contested by Brazilian producers due to loss of former export markets.

(viii) Tropical sawnwood trade

Peninsular *Malaysian* exports of sawn timber declined in 1997 by 23% in volume to 893,000 m³, and by 5.4% in value (in ringgits) over 1996 (note that values reported in local currencies which have devalued significantly can disguise the real fall in revenues).

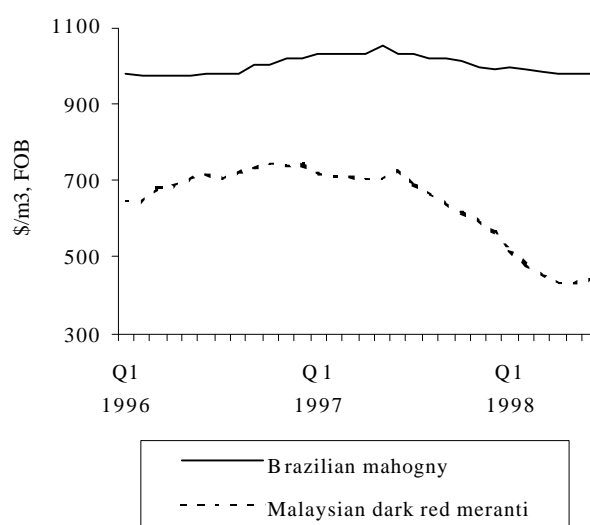
The Malaysian government reduced export levies on rough and semi-manufactured sawnwood and veneer in May 1998 in order to spur exports which had been constrained by both the economic slowdown and higher export fees. Rubberwood, which is in higher demand for its wood than its latex, and which is heavily used in furniture manufacturing, maintained its previous export levy and quota "to ensure sufficient supply for the local value-added processing industry" according to *Maskayu*.

French imports of Malaysian sawnwood have fallen from 47,000 m³ in 1993 to 19,000 m³ in 1996 due to the prejudice against tropical wood and a rising prices in 1993 and 1994. As the Malaysian ringgit has strongly devalued, from 2.30 French francs in July 1997 to 1.60 French francs in December 1997, the Fédération française des bois tropicaux et américains (FFBTA) has forecast increased imports of sawnwood, plywood and veneer from their present low levels.

The Association technique internationale des bois tropicaux (ATIBT) notes that the *price* of Malaysian sawn meranti in France has fallen from \$215 per m³ in March 1996 to \$205 in March 1997 and down to \$110 to 140 in March 1998 (for SQ and better grade) (graph 7.4.6). In contrast, Brazilian mahogany, which is primarily exported to the United States and Europe, has seen little price fluctuation over the last years.

In early 1998 the Malaysian sawnwood export market was finding strength in some EU countries, specifically Belgium and Italy. However, the Netherlands, United Kingdom and Germany reduced imports. Shipments to the Middle East and Asian destination continued falling too.

GRAPH 7.4.6
Tropical sawnwood prices, 1996 to 1998



Source: Market News Service, ITTO, 1998.

(ix) Trade in secondary processed wood products

In *Korea*, both the construction and furniture sectors were performing poorly in mid 1998. Construction permits for the period of January through April, 1998 dropped by 70% for commercial and factory sites and by 53% for housing, compared to the same period of last year. According to *Tropical Timbers*, 175 housing construction companies went out of business in the first quarter of 1998. ITTO reported that the furniture sector is in a worse situation: 8 of the 10 largest furniture manufacturers were under receivership or closed.

In *Malaysia*, mouldings exports increased in 1997 over 1996 by 14.0% in volume to 215,000 m³. Exports of furniture continued to grow in 1997, with exports from January through October up 17.0% over the same period in 1996. Heaviest importers were the United States representing 38.5% of exports for RM768 million, up 14% and Japan, while down 3% from 1996, was about half of the United States value.