Chapter 14
Tropical Timber Developments [1]

Highlights

- *Tropical forest products markets recovered slightly in 1999 from the recession due to the Asian economic crisis of 1997 to 1998.*
- *A rapid expansion of Chinese imports, spurred by shortages of domestic raw material, coinciding with a fall in Japanese imports, has made China the world's largest tropical log importer.*
- *The trade in tropical secondary processed wood products, of which the majority is exported to the ECE region, is growing more rapidly than that of primary products.*
- *Tropical log and sawnwood prices recovered slightly from the decline caused by the Asian economic crisis although plywood prices remain lower. Teak prices, however, are rising steadily.*
- *Production and exports of reconstituted wood panels, particularly MDF, in tropical countries shot up and new capacity has been announced, principally in Asia.*
- *Indonesia continues to be by far the largest producer of tropical plywood, although its share has been declining since production in China, based on imported logs, exploded to 2 million m^3 in 1999.*
- *Tropical sawnwood production fell during the crisis, especially in Malaysia and Indonesia, and did not recover significantly in 1999.*
- *Log exports are decreasing as tropical timber producers add value domestically.*

[1] By: Dr. Steve E. Johnson, Statistician/Forest Economist, Economic Information & Market Intelligence, International Tropical Timber Organization (ITTO), International Organizations Center, 5th Floor, Pacifico-Yokohama, 1-1-1 Minato-Mirai, Nishi-ku, Yokohama 220, Japan, Telephone +81 45 2231 110, Fax +81 45 2231 111, E-mail: steve_j99@hotmail.com and Dr. Michael Adams, Market Specialist, Economic Information & Market Intelligence, ITTO (same address), E-mail: itto-mis@mail.itto-unet.ocn.ne.jp

Secretariat introduction

In the context of ongoing inter-organization cooperation between ECE/FAO and ITTO, this chapter was drafted by ITTO market intelligence staff, notably Steve Johnson and Michael Adams. (ITTO draws on ECE/FAO analysis for its own publications). In this way each organization is able to concentrate its resources in its area of comparative advantage while providing a comprehensive service to its clients. The ECE/FAO secretariat expresses its gratitude to ITTO and Drs. Johnson and Adams for their excellent contribution. The terminology, including names of countries, used in this chapter is that used in ITTO.

14.1 Introduction

The major factor affecting the global tropical timber sector (and the timber sector in general) in the past two years was the economic crisis which began in Asia in mid-1997 and which had resulted in negative impacts on all major markets by late 1998. Trade figures show a painful decline for all major products covered by ITTO in 1998. Although signs of economic recovery began to be seen in some Asian countries from late 1998, others remained mired in recession during 1999 and were only slowly recovering in 2000.

Figures for 2000 were not available to ITTO at the time of preparation of this Review. While it appears that overall timber consumption in some important markets (i.e. Korea, Japan) is rising this year, much of this increased consumption is of temperate species with tropical timber demand still far below mid-1990s levels and unlikely to recover to these levels.

14.2 Production

14.2.1 Logs

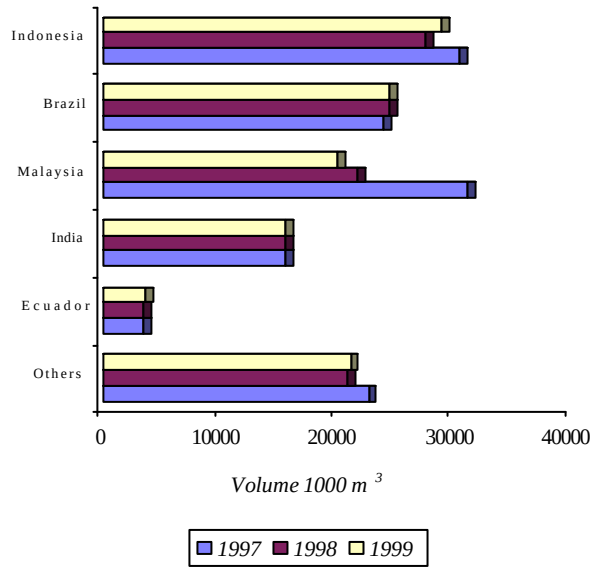
The production of tropical industrial roundwood ("logs") in ITTO producer member countries totalled 126.7 million m^3 in 1997. This total was down 1% from 1996 levels, with a further decrease of 11% to 113 million m^3 in 1998. Log production by ITTO producer member countries rose slightly to 113.4 million m^3 in 1999. Graph 14.2.1 shows ITTO's five major log producers for 1997 to 1999, ranked by 1998 production, as well as aggregate production by all other members. Of the top five, Brazil, India and Ecuador were stable or increasing during the period 1997 to 1999, whereas Malaysian and Indonesian production declined. Malaysian production has fallen from about 33 million m^3 in 1995 to 20 million m^3 in 1999, a reduction of almost 40% in just five years. This decrease reflects lower harvests in both Sabah and Sarawak, with the latter's harvests from its permanent forest estate now at the annual level of 9 million m^3 recommended by the ITTO Mission to Sarawak in 1990. Decreases in Africa and Asia accounted for the sharp decline in 1998 production, as harvests fell due to decreased demand associated with recession in many domestic and export markets.

Graph 14.2.1 illustrates the dominance of the top four tropical log producing countries (Indonesia, Brazil, Malaysia and India) which together comprised almost 80% of ITTO production in 1998 to 1999. Indonesian reports indicate that in recent years, the government has converted 3.4 million hectares of natural forests into plantations, 2.4 million of which are palm oil estates. Most of the cleared forests were classed as secondary degraded and reportedly did not contribute significantly to Indonesian log production. Indonesian log production is probably significantly higher than the estimate given here, however, with some sources estimating the illegal harvest to be almost equal to or even greater than the official figures of under 30 million m^3. Unfortunately, Indonesia, like Brazil and India, has never provided production figures to ITTO, necessitating the use of estimates.

Nine other ITTO producer members (Cameroon, Côte d'Ivoire, Myanmar, Gabon, Papua New Guinea, Peru, Ghana, Colombia and Republic of Congo) had log production exceeding 1 million m^3 in 1998. Six of these countries experienced an increase in production in 1999: PNG (20%), Colombia (19%), Republic of Congo (13%), Côte d'Ivoire (11%), Gabon (5%) and Ghana (5%). The other three countries experienced declines in

GRAPH 14.2.1

Major tropical log producers, 1997-1999



Source: ITTO, 2000.

production: Cameroon (26%), Myanmar (16%) and Peru (9%).

Two ITTO consuming countries possess significant tropical timber resources: Australia and China. Aggregate production from these sources for 1998 was estimated at 305,000 m³, with the bulk of this coming from China's southern provinces of Hainan Island and Yunnan. Log production from these areas is consumed almost entirely domestically.

The regional breakdown of tropical log production amongst ITTO producer members is given in table 14.2.1; the Asia Pacific region produced 62% of ITTO members' tropical hardwood logs in 1998. Asia's share of ITTO log production was stable in 1999. Africa's share of production remained at about 9% in 1998 to 1999, and Latin American production remained at about 29%.

14.2.2 Sawnwood

Production of tropical sawnwood in ITTO producing countries totalled 33.2 million m³ in 1998. This was down by 8% from 1997, with an increase of 2% to almost 34 million m³ in 1999. Africa still suffers from weak infrastructure and environmentally demanding export markets that constrain major investments in wood processing, but production is gradually rising. Latin America increased its production by 1% in 1998, and by a further 2% in 1999. Asian production continued a steady decline, dropping 15% to under 18 million m³ in 1998 before rising slightly to 18.4 million m³ in 1999.

Graph 14.2.2 shows the major ITTO producers of tropical sawnwood in the 1997 to 1999 period, ranked by 1998 production. Brazil (9.7 million m³), India (7 million m³), Malaysia (5.1 million m³) and Indonesia (5 million m³) were the major producers of tropical sawnwood in 1998. While production in Brazil and India was estimated to be relatively stable, Malaysian and Indonesian production dropped sharply in 1998. Malaysia became ITTO's fourth largest tropical sawnwood producer in 1999 after production slid to 5 million m³ (almost 30% below the 1997 level) as log production fell and available logs were increasingly diverted to veneer and plywood mills. Ecuador is ITTO's fifth largest sawnwood producer, with about 1.7 million m³ per year.

Six other countries (Côte d'Ivoire, China, Ghana, Peru, Cameroon and Japan) produced over 500,000 m³ of tropical sawnwood in 1998. Production increased or remained stable in 1999 in all of these countries except Côte d'Ivoire. Thailand's production crashed by 71% in 1998 to about 113,000 m³, falling further to only 80,000 m³ in 1999. Thai sawnwood production has fallen due to economic problems in 1997 to 1998 and declining availability of log imports. The Asian region accounted for 54% of sawnwood production in producer countries in 1998 to 1999. Africa's share of ITTO production

TABLE 14.2.1

Tropical forest products production, 1997-1999

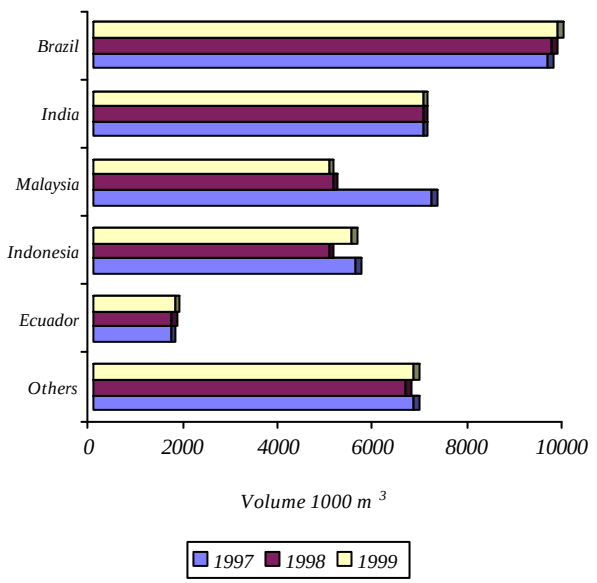
(1,000 m³)

	1997	1998	1999
AFRICA			
Logs	11,089	10,476	10,349
Sawnwood	1,998	2,164	2,245
Veneer	464	523	563
Plywood	290	295	299
ASIA PACIFIC			
Logs	84,141	70,258	70,202
Sawnwood	21,158	17,968	18,388
Veneer	1,486	1,078	1,153
Plywood	14,156	12,362	12,581
LATIN AMERICA/CARIBBEAN			
Logs	31,436	32,245	32,840
Sawnwood	12,882	13,054	13,319
Veneer	313	215	221
Plywood	1,510	1,508	1,329
TOTAL			
Logs	126,667	112,979	113,391
Sawnwood	36,038	33,186	33,952
Veneer	2,263	1,816	1,937
Plywood	15,957	14,165	14,208

Source: ITTO, 2000.

GRAPH 14.2.2

Major producers of tropical sawnwood, 1997-1999



Source: ITTO, 2000.

remained at 7%, and Latin America's at around 38% during the same period.

Consuming countries produced 1.9 million m³ of tropical sawnwood (from domestic or imported logs) in 1998, up 6% from 1997 levels, with most of the increase due to Europe and China. Further increases in China and a recovery of production in the Republic of Korea compensated for a decline in European production and led to a further 1% increase in 1999.

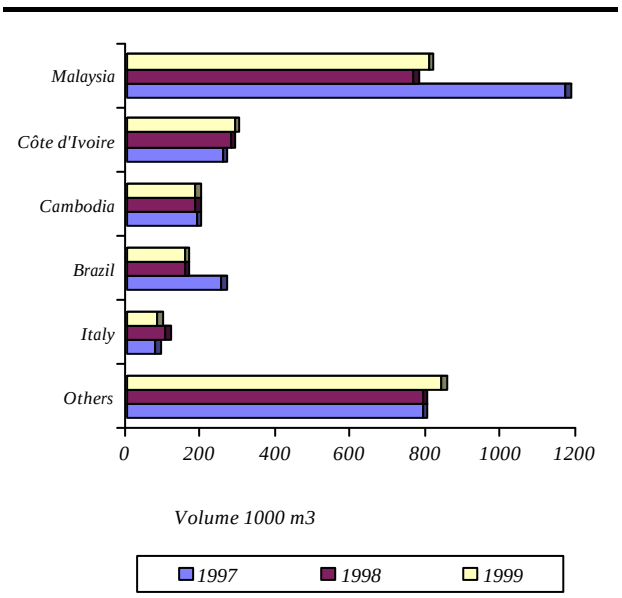
14.2.3 Veneer

Production of veneer in ITTO producing countries totalled 1.8 million m³ in 1998, dropping nearly 20% from 1997, before rising 7% to over 1.9 million m³ in 1999. The 1998 decrease was due largely to a drop in Malaysia's veneer production, which fell from almost 1.2 million to 760,000 m³ between 1996 and 1998.

The Asian region produced almost 1.1 million m³ of veneer in 1998, Africa produced 523,000 m³ and Latin America produced 215,000 m³. Aggregate production rose in Africa and Asia, and Latin America remained stable in 1999. The main ITTO veneer producers in 1997 to 1999 are shown in graph 14.2.3 - Malaysia's dominant (but declining) role is clear from this chart. Côte d'Ivoire is the second largest ITTO producer, with production rising to 285,000 m³ in 1999. Cambodia (181,000 m³ in 1998) overtook Brazil as ITTO's third largest tropical veneer producer in 1998. Five other ITTO producer members (Ghana, Cameroon, the Philippines, Republic of Congo and Indonesia) had veneer production of at least 50,000 m³ in 1998, with Ghana, Republic of Congo and the Philippines reporting increased production in 1999.

GRAPH 14.2.3

Major tropical veneer producers, 1997-1999



Source: ITTO, 2000.

ITTO consuming countries produced 433,000 m³ of veneer in 1998, down 3% from 1997 levels, with a further drop of 9% in 1999. Production of veneer in consumer countries in 1998 was split between the EU (59%), Japan (17%), and China and Taiwan Province of China (12% each). Japan, China and Taiwan Province of China consume virtually all of the veneer they produce, however, while about one-quarter of the total produced in Europe is re-exported, mainly to other European countries. EU production dropped from 254,000 m³ in 1998 to 215,000 m³ in 1999, mostly due to a decline in Italy (the largest EU producer). Japan's production of tropical veneer halved to 75,000 m³ from 1998 to 1999 as its tropical veneer and plywood industries shrank together with log availability and the economy.

14.2.4 Plywood

Production of plywood in ITTO producing countries totalled 14.2 million m³ in 1998. Plywood production in producing countries decreased by 11% in 1998 but was stable in 1999 at 14.2 million m³. Plywood production by Indonesia, the top ITTO producer, dropped 11% from 1997 levels to about 7.8 million m³ in 1998, increasing to 7.9 million m³ in 1999. Malaysia's plywood production dropped by 12% in 1998 to 3.9 million m³, the first annual decrease since Malaysian plywood production began increasing early in this decade. Production increased to 4 million m³ in 1999. The Asian region produced 12.4 million m³ of plywood in 1998 (about 88% of total producer member production), Latin America produced just over 1.5 million m³ (11%) and Africa produced 295,000 m³ (2%). The three regions consumed 9, 37 and 74% respectively of their production domestically in that year. Asia's low consumption/production ratio is due to the export-led industries of Malaysia and Indonesia. The low domestic utilization of plywood in Asia is an anomaly, with domestic markets consuming a majority or a near majority of all other primary tropical timber products in all three regions.

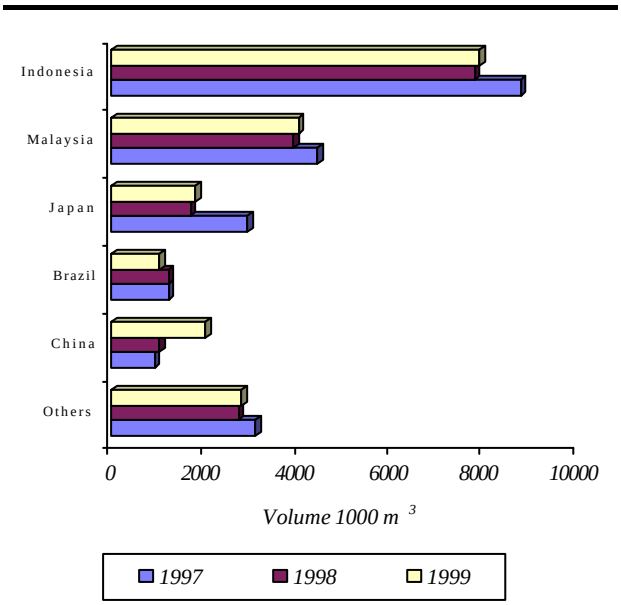
The main ITTO plywood producers in 1997 to 1999 are shown in graph 14.2.4. Indonesia's dominant but declining role is clear from this chart. Tropical plywood production in Japan plummeted by 42% in 1998 before increasing slightly in 1999. Brazilian production has been stable at about 1.2 million m³ but declined in 1999 to 1 million m³ as softwood plywood exports strengthened. Chinese production exploded to 2 million m³ in 1999, the result of a sharp increase in tropical log imports and a corresponding decrease in plywood imports due to a ban on logging in China and reduced log import tariffs.

Taiwan Province of China, France, India and the Republic of Korea all produced at least 300,000 m³ of tropical plywood in 1998. Thailand, formerly a major tropical plywood producer, reported a 77% drop to 44,000 m³ as its economic troubles hit in 1997, with a further 11% reduction to 39,000 m³ in 1998 to 1999.

ITTO consuming countries produced almost 4.2 million m³ of plywood in 1998 (about 23% of total ITTO production), a 23% drop from 1997. ITTO consuming countries' production rebounded to 5.3 million m³ in 1999, led by the jump in Chinese production. Most of the drop in 1998 consumer country production is accounted for by Japan and the Republic of Korea, both of which were in recession that year. Japan's tropical plywood production has fallen by 47% since 1995. Japanese domestic plywood production is now well below plywood imports, after 50 years of domestic production exceeding imports ended in 1994. Japanese plywood manufacturers are increasing the proportion of softwoods used in plywood production, as well as investigating lamination and other techniques to allow re-use of concrete form-ply. Several plywood manufacturers have established joint ventures for plywood and other panel production in producer countries. These factors, together with a depressed market and a declining supply of logs, mean that Japanese (and most other consuming countries') production of tropical plywood will continue to decline. Korean tropical plywood production has followed the same downward trend, dropping by 44% since 1995.

GRAPH 14.2.4

Major tropical plywood producers, 1997-1999



Source: ITTO, 2000.

14.2.5 Reconstituted panels

Substantial quantities of reconstituted panel products, particularly MDF, are now being produced in several tropical countries, primarily in Asia. For example, Malaysia now has the capacity to produce 1.2 million m³ of MDF per year and exported 750,000 m³ of this product in 1998, up from 200,000 m³ in 1997. Brazil, Indonesia and Thailand have also seen large increases in their production and trade of reconstituted panel products in recent years. Many new plants in these and other countries are now operational or soon will be to meet the expected surge in demand for such products. There were close to 100 MDF and particleboard mills operating in tropical Asia in 1999, with more (including many joint ventures with companies from non-tropical countries) being announced regularly. While some expansion plans have been scaled back due to the regional crisis in 1997 to 1998, reconstituted panel products will become increasingly important as limits on the growth of plywood production are reached and as more countries move further into downstream processing and attempt to utilize available resources more efficiently. These panels will substitute for plywood and sawnwood in many uses, resulting in decreasing or slower growth in production of these traditional tropical timber products in many countries.

14.3 Exports

The composition of exports for 1997 to 1999 from the ITTO producing regions is shown in tables 14.3.1, 14.3.2, and 14.3.3. The contribution of logs to total tropical timber exports of ITTO producers (in terms of both value and volume in roundwood equivalent (rwe)) has fallen dramatically from over 60% in 1980 to less than a quarter in 1999. Only Africa continues to export a higher volume equivalent of logs than processed products, with log exports making up 42% of log production and 58% of total roundwood equivalent export volume in 1998. The Asia Pacific region is rapidly replacing log exports with the export of processed products, spurred by Indonesian plywood exports and Malaysian exports of sawnwood, veneer and plywood. Asian log exports made up 19% of total Asian export volume in 1998 (11% of log production). Latin American log exports are a small fraction of both production and total exports. Total roundwood equivalent export volume as a percentage of log production decreased from 12% to 8% in Latin America in the period 1997 to 1999, fell from 76% to 72% in Africa, but increased in Asia from 56% to 61%. Total ITTO producer member exports (rwe) fell 10% from 59.7 million m³ to 53 million m³ in 1997 to 1999, due to declining exports of logs, sawnwood and plywood by many countries.

TABLE 14.3.1

Composition of exports by producing regions, 1997-1999

(1,000 m^3 rwe)

Region	Log production			Log exports			Processed exports			Total exports		
	1997	1998	1999	1997	1998	1999	1997	1998	1999	1997	1998	1999
Africa	11,089	10,476	10,349	5,338	4,390	3,933	3,062	3193	3490	8,400	7,583	7,423
Asia Pacific	84,141	70,258	70,202	10,233	8,019	8,570	37,206	34,271	34,378	47,439	42,290	42,948
Latin America	31,436	32,245	32,840	236	234	255	3,654	3,091	2,351	3,890	3,325	2,606
Total	126,667	112,979	113,391	15,808	12,643	12,757	43,922	40,560	40,216	59,730	53,203	52,973

Note: totals may not sum exactly due to rounding.

Source:

TABLE 14.3.2

Tropical timber export ratios, 1997-1999

Region	Log exports as a % of production			Log exports as a % of total exports			Processed exports as a % of total exports		
	1997	1998	1999	1997	1998	1999	1997	1998	1999
Africa	48	42	38	64	58	53	36	42	47
Asia Pacific	12	11	12	22	19	20	78	81	80
Latin America	1	1	1	6	7	10	94	93	90
Total	12	11	11	26	24	24	74	76	76

Source: ITTO, 2000.

TABLE 14.3.3

Tropical forest products exports, 1997-1999

(1,000 m^3)

	1997	1998	1999
AFRICA			
Logs	5,338	4,390	3,933
Sawnwood	1,212	1,284	1,376
Veneer	309	354	382
Plywood	117	80	113
ASIA PACIFIC			
Logs	10,233	8,019	8,570
Sawnwood	3,740	3,826	3,862
Veneer	977	943	1,013
Plywood	12,410	11,094	11,054
LATIN AMERICA/CARIBBEAN			
Logs	236	234	255
Sawnwood	1,101	946	592
Veneer	15	16	14
Plywood	705	582	542
TOTAL			
Logs	15,808	12,643	12,757
Sawnwood	6,053	6,057	5,830
Veneer	1,301	1,313	1,409
Plywood	13,232	11,757	11,708

Source: ITTO, 2000.

14.3.1 Logs

Graph 14.3.1 shows the major ITTO tropical log exporters in 1997 to 1999, ranked by 1998 export volume. Total ITTO producer member exports were just over 12.6 million m^3 in 1998. Log exports by producer members increased by 1% in 1999 to just under 12.8 million m^3. Malaysia continues to dominate the trade in tropical logs with almost 5.6 million m^3 exported in 1998, constituting 44% of ITTO producer member exports. Malaysia's log trade in 1998 decreased in volume by 15% from 1997 levels but increased to 6.0 million m^3 in 1999. The reduction in 1998 was due mainly to decreased exports from the east Malaysian state of Sarawak. Malaysia's major log customers are all in Asia, with Japan, China (including Taiwan Province of China) and India accounting for 91% of the reported log export volume in 1998.

Papua New Guinea was the third largest tropical log exporter, with exports of 1.6 million m^3. Exports from PNG decreased almost by half in 1998 as the country was hard hit by the Asian economic crisis. The bulk of PNG's log exports (73% in 1998) go to Japan and the Republic of Korea, with the Philippines' market accounting for about 9% in 1998 (mainly in lower grades). Official log export statistics for Myanmar (the sixth largest log exporter in 1998 at 656 418 m^3 not shown in the graph)

showed an increase of 36% in 1998, but all exports may not be accounted for by official figures. Myanmar's main trading partners are India, Thailand, Japan and China.

Africa supplies the majority of the remainder of world tropical hardwood log exports. Gabon and Cameroon are the region's largest exporters (and ITTO's second and fourth largest), but Republic of Congo, Central African Republic, Democratic Republic of Congo, Côte d'Ivoire and Liberia also exported substantial quantities of logs in 1998. Gabon and Cameroon experienced decreases (38% and 9%, respectively) in 1998 exports as trade to Asia plunged. Côte d'Ivoire's exports fell by over two-thirds in 1997 as log export restrictions took effect. Cameroon also imposed limitations on log exports in 1999, further reducing African exports. Ghana, a former top exporter, has banned exports of tropical hardwood logs since 1995. The resolution of Liberia's civil war that led to drastic decreases in official production and exports until 1996 has led to a resumption of log exports, which doubled in 1997 and increased by 65% in 1998. African exports went primarily to France, China, Italy, Portugal and Japan in 1998.

The recent resumption of Indonesian log exports after a 13-year moratorium does not appear to have resulted in significant official log exports, with less than 100,000 m^3 exported in 1998. Malaysia reported imports of over 400,000 m^3 of Indonesian logs in 1997, but only 7,000 in 1998. In late 1998, Japan reported its first shipments of meranti logs (about 19 000 m^3) from Indonesia since February 1985. Most observers agree that substantial unofficial Indonesian log exports exist, mostly from Kalimantan into the Malaysian states of Sabah and Sarawak.

Re-exports of logs by consumer countries increased by 28% to 110,000 m^3 in 1998, 75% of which was accounted for by inter-European trade. France, Belgium/ Luxembourg and Germany were the major log re-exporters in 1998, selling tropical logs mainly to each other. The European tropical log trade, along with total consumer country exports, declined slightly in 1999.

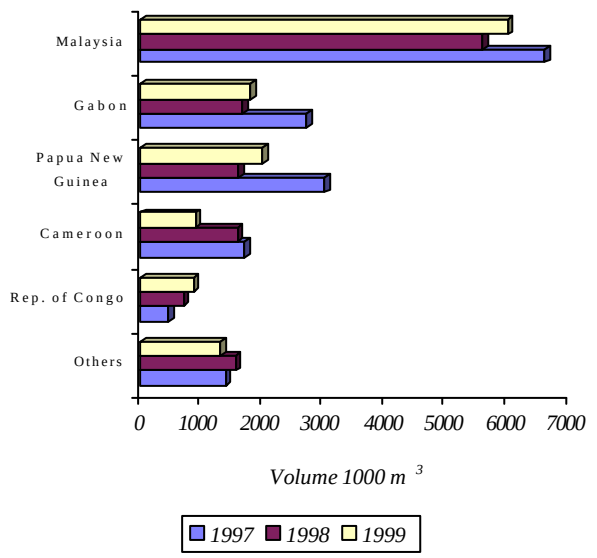
14.3.2 Sawnwood

Graph 14.3.2 shows the major ITTO tropical sawnwood exporters in 1997 to 1999, ranked by 1998 export volume. ITTO producers exported a total of 6.1 million m^3 of tropical sawnwood in 1998, level with 1997. Malaysia continues to dominate the trade in tropical sawnwood, with the 2.7 million m^3 exported in 1998 constituting 44% of total ITTO producing member exports. Malaysia's sawnwood trade fell 9% in 1998 due to the economic crisis and as raw materials continued to be directed to plywood production and other secondary processing. Malaysia's major sawnwood customers in 1998 were mainly in Asia (Thailand, China, Japan, Taiwan Province of China and Republic of Korea) and Europe (the Netherlands, Belgium/Luxembourg, France and Italy).

Indonesian exports of sawnwood almost doubled to 575,000 m^3 in 1998. Indonesia imposed export levies ranging from \$250/m^3 to \$2400/m^3 on all sawnwood exports from 1994 to 1998 and exports during these years

GRAPH 14.3.1

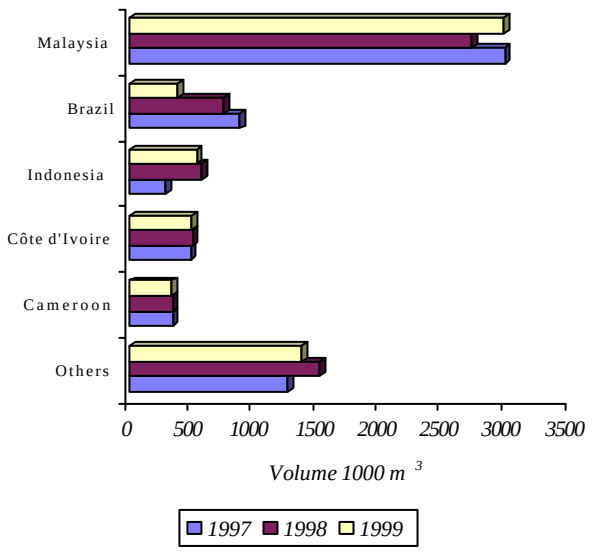
Major tropical log exporters, 1997-1999



Source: ITTO, 2000.

GRAPH 14.3.2

Major sawnwood exporters, 1997-1999



Source: ITTO, 2000.

probably include some further processed products as well as sawnwood. Sawnwood exports from Malaysia, Brazil and Cameroon decreased in 1998, while exports by Côte d'Ivoire increased slightly. In addition to these countries, Myanmar and Ghana exported over 250,000 m³ of sawnwood in 1998.

ITTO consumer countries exported 388,000 m³ of tropical sawnwood in 1998, primarily (86%) from the EU countries. EU exports of tropical sawnwood increased from 167,000 m³ in 1995 to 335,000 m³ in 1998. Belgium/Luxembourg and the Netherlands, both larger tropical sawnwood exporters than most producing countries, are the main EU sawnwood exporters. Both these countries saw exports jump in 1998, up 126% to 120,000 m³ in Belgium and 19% to 80,000 m³ in the Netherlands. Mostly high-value (or high value-added) species of sawnwood are being exported by these countries, primarily to other countries in Europe.

14.3.3 Veneer

Graph 14.3.3 shows the top ITTO tropical veneer exporters in 1997 to 1999, ranked in order of 1998 export volume. Total ITTO producing member exports were over 1.3 million m³ in 1998, up slightly from 1997. ITTO producer country veneer exports jumped 8% in 1999 to 1.4 million m³, the only product for which exports continued increasing through the economic crisis. Malaysia continues to be ITTO's dominant veneer exporter, with exports of 730,000 m³ in 1998 accounting for 56% of total ITTO producer member exports. Malaysian exports are mainly directed to China, Taiwan Province of China, Japan, the Philippines and the Republic of Korea.

Cambodia was the second largest tropical veneer exporter in 1998 at 170,000 m³, a decrease of 7% from 1997 exports. Cambodia's veneer markets are China and Taiwan Province of China. Côte d'Ivoire is the third largest ITTO tropical veneer exporter with exports stable at 156,000 m³ in 1998. Côte d'Ivoire's exports are primarily to the EU.

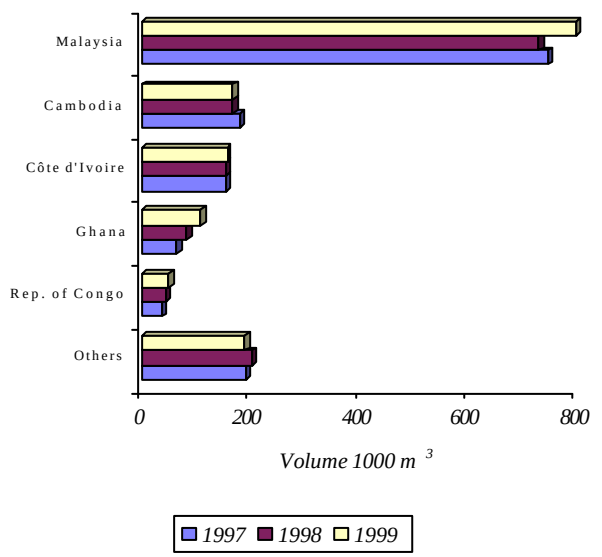
The EU accounted for 65,000 m³ of total consumer country tropical veneer exports of 77,000 m³ in 1998, with 1999 levels of EU exports dropping to 61,000 m³. France, the Netherlands, Belgium-Luxembourg and Germany are the largest EU tropical veneer exporters. Consumer country exports of tropical veneer are usually of much higher value than those from producer countries. Total exports by ITTO consumer countries decreased to 69,000 m³ in 1999.

14.3.4 Plywood

Graph 14.3.4 shows the major ITTO tropical plywood exporters in 1997 to 1999. In 1998, ITTO producer members exported almost 11.8 million m³. Tropical plywood exports by producers fell by 11% in 1998, but were stable in 1999. Indonesia continues to dominate the trade in tropical plywood with the 7.4 million m³ exported in 1998 constituting 63% of total ITTO

GRAPH 14.3.3

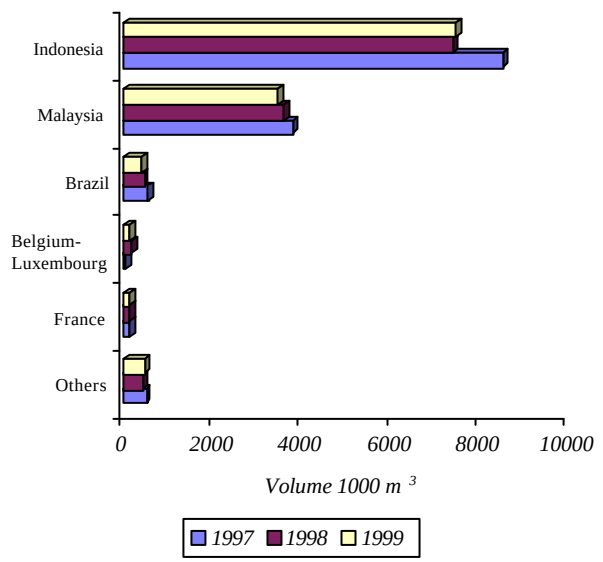
Major tropical veneer exporters, 1997-1999



Source: ITTO, 2000.

GRAPH 14.3.4

Major tropical plywood exporters, 1997-1999



Source: ITTO, 2000.

producer member exports, although this is down from 84% in 1991. Indonesia's exports stabilized in 1999, although with prices already close to production costs for many producers, and with the continuing economic crisis in Indonesia, further declines may be in store.

Malaysia is Indonesia's major competitor in the tropical plywood trade. Malaysian exports decreased by 5% to 3.6 million m³ in 1998, and dropped further to 3.5 million m³ in 1999. Malaysia's rapid growth in plywood exports up to 1997 was due to the construction of new plywood mills in Sabah and Sarawak to process formerly exported veneer logs; the two eastern Malaysian states account for almost all of Malaysian plywood exports. In 1998 Malaysia exported almost $1.7 billion worth of plywood, mainly to Japan, China (including Taiwan Province of China), the United States and non-ITTO member Singapore. Latin American plywood exports declined in 1998 to 582,000 m³ due to a 20% drop in Brazil's exports to 465,000 m³ (due primarily to the strength of the Brazilian currency). Exports dropped again in 1999 despite Brazil's devaluation, but were offset by increased exports of softwood plywood which may soon exceed exports of tropical plywood. The United States and the EU are the major markets for Brazil's plywood. Africa's plywood exports, remained relatively minor at under 80,000 m³ in 1998 but jumped to 113,000 m³ in 1999 led by an increase in Cameroon's exports.

Tropical plywood exports from the EU jumped 51% in 1998, driving ITTO consumer country exports up by 26% to 512,000 m³ (over 80% from the EU). Consumer exports dropped back to 469,000 m³ in 1999 due to slower EU exports.

14.4 Imports

Table 14.4.1 provides an overview of the dependence of major ITTO importers on tropical wood products in 1998. Major importers are defined here as those with imports of at least 100,000 m³ of one or more tropical products. The table indicates in which products each country qualifies as a major importer by entering the relevant figures in bold and italics; only China and Taiwan Province of China qualify as major importers of tropical timber under this criterion in all product categories. Of the ITTO consumer members shown,

TABLE 14.4.1

Tropical proportion of total imports by major ITTO importers, 1998

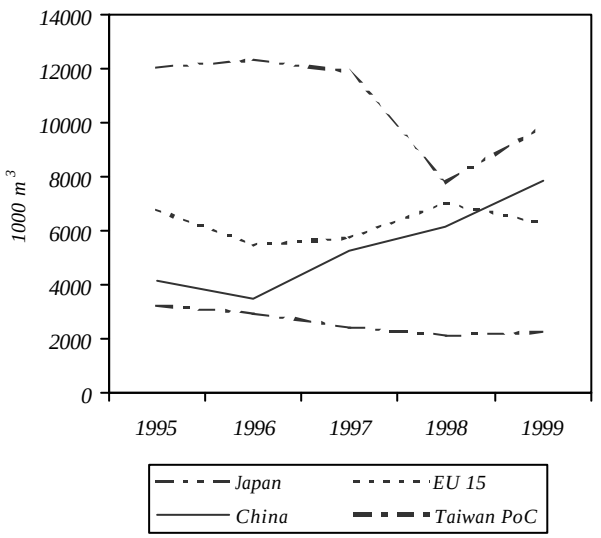
	Proportion (%)			
	Logs	Sawnwood	Veneer	Plywood
Consumer Members				
Belgium-Luxembourg	2.9	11.5	27.7	63.2
Canada	0.0	0.6	5.3	17.7
China	39.4	50.0	98.5	90.6
(Taiwan Province of China)	70.6	28.8	97.4	48.1
Egypt	10.0	0.2	100.0	71.4
France	50.3	12.8	25.7	48.0
Germany	7.1	3.2	19.9	17.5
Italy	9.3	6.4	49.5	27.8
Japan	22.6	9.7	51.5	91.0
Netherlands	19.4	10.2	35.7	41.2
Portugal	23.5	47.2	37.5	14.3
Rep. of Korea	15.1	54.6	58.4	91.2
Spain	18.5	26.4	64.3	4.8
United Kingdom	3.4	2.8	15.6	41.2
United States	0.7	0.8	19.7	70.5
Producer Members				
Brazil	28.6	98.0	21.1	100.0
India	99.3	16.7	0.0	100.0
Malaysia	100.0	80.5	100.0	100.0
Philippines	46.7	78.7	100.0	100.0
Thailand	91.7	88.4	27.3	0.0

Source

China (including Taiwan Province of China) appears to be the most dependent on tropical imports. Nearly a majority of its substantial log, sawnwood, veneer and plywood imports are of tropical origin. Unsurprisingly, given the dominance of tropical plywood in international plywood trade, most countries have a fairly high dependence on tropical plywood imports, with China, Japan and the Republic of Korea dependent on tropical sources for over 90% of total imports (although this dependence is decreasing). Tropical sawnwood has a low market share in most non-tropical countries, with only China, Portugal and the Republic of Korea dependent on it for 40% or more of their sawnwood imports. Only Taiwan Province of China and France amongst major consumer countries imported a greater proportion of tropical than non-tropical logs in 1998. In contrast to consumer countries, most of the major ITTO producer country importers depend on tropical imports for the majority of their imported wood needs. This is changing, however, with for example, the Philippines now sourcing more than half of its log imports from non-tropical areas.

GRAPH 14.4.1

Imports of tropical wood products, 1995-1999



Note: Tropical wood products here are logs sawnwood, veneer and plywood together.
Source: ITTO, 2000.

14.4.1 Logs

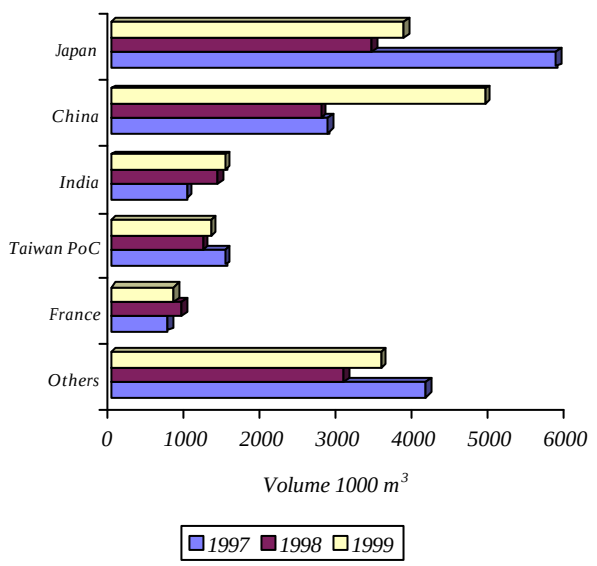
Total imports of tropical hardwood logs by ITTO members (consumers and producers) dropped 21% to under 12.8 million m³ in 1998. Graph 14.4.2 shows the top ITTO tropical log importers in 1997 to 1999, ranked by import volume in 1998. Japan still dominates the global tropical log market, with 3.4 million m³ imported in 1998. Japanese tropical log imports plummeted by 41% in 1998 due to its declining economy and reduced supplies from Malaysia, which nonetheless remained Japan's major tropical log supplier (65%). Japan imported about 95,000 m³ of logs from Africa and 861,000 m³ from Papua New Guinea in 1998. Japan's imports increased to almost 3.9 million m³ in 1999 as its economy recovered.

China is the second largest ITTO tropical log importer, with imports of almost 2.8 million m³ in 1998, almost triple 1996 imports. While the inclusion of available statistics for Hong Kong in China's imports for 1998 accounts for a small part of this increase (most of Hong Kong's tropical imports are eventually re-exported to the mainland), China's growing economy, a relaxation of log import tariffs and a ban on domestic harvesting were the main driving factors (see chapter 5). China's imports leapt another 78% in 1999 to over 4.9 million m³ making it ITTO's largest tropical log importer. India is the third largest importer of tropical logs, at 1.4 million m³ in 1998, mostly from Malaysia and Myanmar but with an increasing component of African logs.

The Republic of Korea is also a major ITTO log importer, absorbing almost 660,000 m³ in 1998 from PNG (46% of total imports) and Malaysia (34%, down from 71% in 1993). Korea's imports were down over 44% from 1997 levels, but rebounded 59% to 1.1 million m³ in 1999 as its economy recovered. Korea, like Japan and some other Asian consumers, is undertaking to shift processing capacity to producing countries, closer to resources and

GRAPH 14.4.2

Major tropical log importers, 1997-1999



Source: ITTO, 2000.

cheaper labour. Korea's imports of logs from Africa grew from 21,000 m³ in 1992 to 251,000 m³ in 1994. However, the ban on exports from Ghana (Korea's main African supplier in those years) led to a sharp drop in imports from Africa, to 6,000 m³ in 1996 before recovering to 31,000 m³ in 1997. Korea's main African suppliers are now Gabon and Cameroon, from which it imported a total of 16,000 m³ in 1998. Much of Korea's tropical log supply is now being sourced from the Solomon Islands, which provided 207,000 m³ of logs in 1997 before a sharp decline in 1998.

The EU countries imported almost 2.8 million m³ of tropical logs in 1998, most of which came from African producers. European log imports jumped 35% in 1998, offsetting some of the decline in Africa's exports to Asia. France remains the largest of the EU log importers; its imports increased by almost 25% in 1998 to 923,000 m³ before decreasing by 11% to 820,000 m³ in 1999. The bulk of France's tropical log supplies come from Gabon, Cameroon and Republic of Congo. Portugal, Italy and Spain are also major European log importers, each with over 350,000 m³ of log imports in 1998. European log imports decreased 16% in 1999 to just over 2.3 million m³.

Several ITTO producing countries have become net importers of logs, indicating the extent of wood shortages in their domestic forest sectors. India (1.4 million m³), Thailand (255,000 m³), and the Philippines (202,542 m³) were the major ITTO producer country importers of tropical logs in 1998, reflecting resource scarcity and increased timber demand in these countries. Total imports of tropical logs by ITTO producing members dropped 26% in 1998, to 1.9 million m³, before rebounding to almost 2.5 million m³ in 1999, reflecting the recovery in many producer economies.

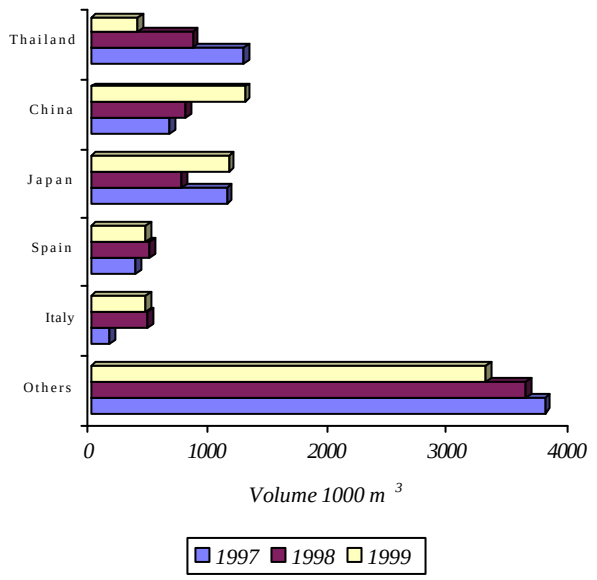
14.4.2 Sawnwood

Total ITTO imports of tropical sawnwood decreased 5% to under 7 million m³ in 1998 and remained at this level in 1999. Graph 14.4.3 shows the major ITTO sawnwood importers in 1997 to 1999, ranked by order of 1998 import volume. With 1998 imports of over 850,000 m³, Thailand remained the top ITTO sawnwood importer, although its imports had dropped sharply from the 2.1 million m³ imported in 1996 before its economy crashed. Thai imports slid to 391,000 m³ in 1999 as the economic woes plaguing the country continued to take their toll on its large furniture and secondary processing industries. Both Thailand's and Japan's tropical sawnwood imports are primarily from Malaysia (81% and 45%, respectively). Japan dropped to ITTO's third largest tropical sawnwood importer in 1998 as its imports plunged by 33% to 757,095 m³ before rebounding to almost 1.2 million m³ in 1999. Japan also imported substantial quantities of sawnwood from Indonesia (44%) in 1998. China became the second largest ITTO importer of tropical sawnwood in 1998 at 800,000 m³ rising to the top spot with a 61% surge to almost 1.3 million m³ in 1999. Spain, Italy, Taiwan Province of China, the Netherlands, the United States and Malaysia were also major tropical sawnwood importers. Imports by Taiwan Province of China and Republic of Korea were primarily from Malaysia and (to a lesser extent) Indonesia; Malaysia's were from Indonesia (although no corresponding trade flow was reported by Indonesia); and the others' from Latin America and Africa. As the size of the bar for "Others" in graph 14.4.3 indicates, the tropical sawnwood market is the most diversified of all primary tropical timber products, with the five largest importers accounting for less than half of total ITTO imports in 1998.

Total tropical sawnwood imports by EU countries rose by 29% in 1998 to almost 2.6 million m³. More than half of this was supplied by Asian producers (principally Malaysia and Indonesia) to the Netherlands, Belgium and Italy. Côte d'Ivoire, Ghana, Cameroon and Brazil supplied virtually all of the remainder of EU imports. EU imports decreased 10% in 1999 to 2.3 million m³. Spain is the largest importer of tropical sawnwood in the EU, absorbing 489,000 m³ in 1998 and 450,000 m³ in 1999. Italy (470,000 m³), the Netherlands (357,000 m³), France (337,000 m³) and Belgium (276,000 m³) were other major EU tropical sawnwood importers in 1998. All these countries decreased their imports of tropical sawnwood in 1999.

GRAPH 14.4.3

Major tropical sawnwood importers, 1997-1999



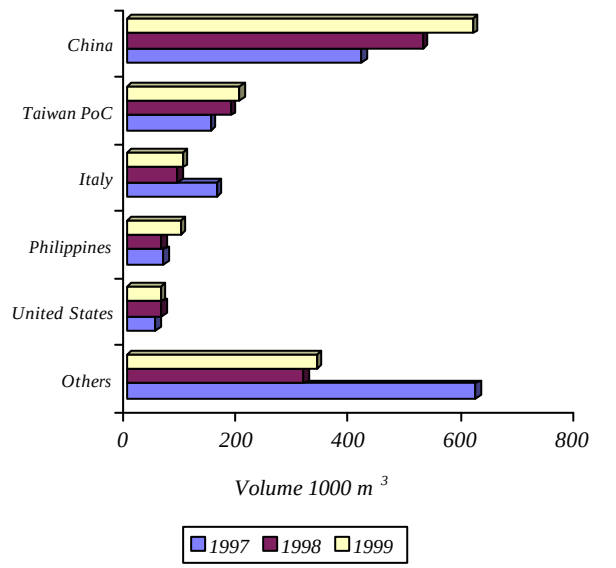
Source: ITTO, 2000.

14.4.3 Veneer

Graph 14.4.4 shows the major ITTO veneer importers for 1997 to 1999. Total ITTO imports of tropical veneer decreased 15% to 1.2 million m³ in 1998. The drop in imports was due primarily to a 78% drop in demand by the Republic of Korea (the number three importer in 1998) from 263,000 m³ to 59,000 m³. Imports by Asian countries are primarily sourced from Malaysia (although China reported imports of over 139,000 m³ from Cambodia), while the majority of European imports are from African producers (mainly Côte d'Ivoire, but increasingly also from Ghana and the Republic of Congo). The EU absorbed 245,000 and 262,000 m³ of tropical veneer in 1998 and 1999, one-fifth of total ITTO imports. Japan imported 52,000 m³ of tropical veneer in 1998, 44% less than in 1997. Japan, with substantial restructuring underway in its wood panels industry, saw tropical veneer imports drop further to 48,000 m³ in 1999. ITTO tropical veneer imports jumped 13% in 1999 to over 1.4 million m³ due largely to increased imports by China, which is consolidating its position as ITTO's largest importer.

GRAPH 14.4.4

Major tropical veneer importers, 1997-1999



Source: ITTO, 2000.

14.4.4 Plywood

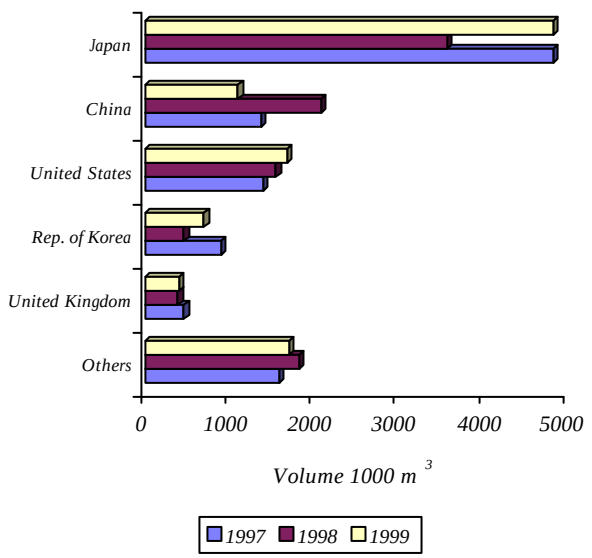
Graph 14.4.5 shows the largest ITTO plywood importers for 1997 to 1999, ranked by import volume in 1998. Total ITTO imports of tropical plywood fell by 6% to just under 9.9 million in 1998. Imports were up 5% in 1999 to over 10.4 million m³, led by a 35% increase in Japanese demand. Exports of tropical plywood by ITTO members continue to substantially exceed aggregate imports by members, indicating the dominant position of ITTO producers in world markets for this product. The majority of all tropical plywood imports came from Indonesia and Malaysia (65% and 34% respectively in 1998 for the top importer, Japan). Japan continues to replace domestic plywood production with imported plywood (tropical and non-tropical) and substitutes like OSB and MDF. Its tropical imports dropped 26% in 1998 to 3.6 million m³ due to the slowdown in construction accompanying the recession but recovered the lost ground in 1999. China, with almost 2.1 million m³, continued as the second largest ITTO importer of tropical plywood with a 52% jump in 1998. However, Chinese imports dropped sharply in 1999 to 1.1 million m³ as authorities moved to increase domestic plywood production from imported logs to boost employment and offset reduced domestic log supplies. The United States imported almost 1.6 million m³ of tropical plywood in 1998, 62% from Indonesia, 21% from Malaysia and the rest from Latin America. United States imports, which jumped 12% in 1998, rose another 8% in 1999.

EU imports of tropical plywood totalled just under 1.5 million m³ in 1998, up 10% from 1997. Most of this supply came from Indonesia and Malaysia, with Brazil and intra-European trade also playing a large role in many countries' imports. European imports of tropical plywood dropped by 6% to 1.4 million m³ in 1999.

The Republic of Korea (456,000 m³) and Taiwan Province of China (385,000 m³) were also substantial

GRAPH 14.4.5

Major tropical plywood importers, 1997-1999



Source: ITTO, 2000.

tropical plywood importers in 1998. Korean tropical plywood imports fell by 49% in 1998 but increased to 700,000 m³ in 1999. Indonesia has traditionally supplied almost all of Korea's plywood imports, but Malaysia increased its share from 18% in 1994 to 22% in 1998.

14.5 Prices

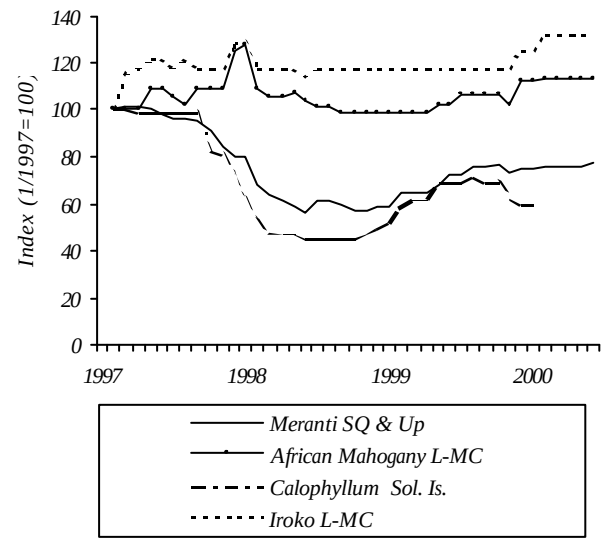
14.5.1 Logs

Real (1990) FOB prices for most important species of African log exports were relatively stable or declining during the 1998 to 1999 period. Prices of n'gollon and, particularly, sapelli were declining between the last quarter of 1998 and the first quarter of 1999. Real prices for n'gollon firmed at around $220/m³ ($230/m³ nominal) in the first and second quarter of 1999 while prices for sapelli continued declining steadily up to mid-1999 when they stabilized at around $240/m³ ($252/m³ nominal). This stabilization coincided with the introduction of regulations restricting the export of most log species in Cameroon.

Real export prices of most species of Asian tropical logs showed great volatility between 1993 and 1994 largely due to the perception of log shortages in Asia, brought about by a ban on log exports from Sabah

GRAPH 14.5.1

Tropical log prices, 1997-2000



Source: ITTO, 2000.

together with tightening supplies from other tropical and non-tropical suppliers. Prices stayed relatively stable from thereafter to the end of 1997 as importers adjusted to the new supply situation. Prices gradually decreased to under $200/m³ in 1997 and dropped sharply to just above $110/m³ in mid-1998. After the sharp drop during the Asian crisis of 1997 and 1998, most species of Asian logs have been trading at real prices of $100-$150/m³ from the end of 1998. Selangan batu and kapur log prices were relatively stable between mid-1998 and mid-1999 at around $116/m³ and $126/m³, respectively, although prices jumped briefly to $138/m³ ($145/m³ nominal) in January 1999. This price spike was caused by the impact of wet weather on forest harvesting and slow business activities due to Chinese New Year festivities in Malaysia. Prices for keruing and meranti logs recovered in 1999 as export markets (particularly China) increased orders for these products.

In contrast to other species, prices for teak logs were practically unaffected during the Asian financial turmoil, with prices steadily rising during 1998. Prices for 4th and SG-1 teak grades rose to $1,662/m³ and $937/m³, respectively by mid-1999 ($1,742/m³ and $982/m³ nominal), fell slightly in August and rose again in late 1999 due to a strong demand for furniture and other joinery products in export markets. Demand and prices for teak are expected to continue rising gradually.

14.5.2 Sawnwood

Real (1990) African sawnwood prices were stable or declining for several important species including mahogany (acajou) and wawa in 1998 to 1999. Prices for mahogany (one of the most valuable African sawnwood export species) rose during most of 1998 to reach $532/m³ ($555/m³ nominal), as the EU furniture sector (especially the United Kingdom) boosted imports. From the end of 1998 mahogany sawnwood prices fell steadily to $454/m³ ($475/m³ nominal) by mid-1999, a 14% drop. Prices for mahogany sawnwood rose to the end of 1999 as European markets increased orders of African sawnwood.

Prices for wawa sawnwood increased in 1998. Ghana's restrictions on log harvests and exports of air-dried timber reduced supplies and sent wawa's international prices sharply higher. Prices of wawa stabilized at around $305/m³ ($318/m³ nominal) in late 1998 but declined in 1999 to under $285/m³ ($299/m³ nominal) as competition from lower-priced Asian sawnwood, temperate hardwoods and softwoods increased.

After reaching record highs in 1994 and firming somewhat at the beginning of 1996, Asian sawnwood price trends were generally downward until 1997. Light and dark red meranti prices stabilized during the first half of 1997 at around $700/m³ ($750/m³ nominal) before falling again sharply during the second half of 1997 and first half of 1998. Meranti prices were affected by reduced demand in sawnwood export markets. The decline in the Thai market during the Asian economic turmoil

drastically decreased demand for sawnwood in Southeast Asia and was a major cause of price reductions for Asian sawnwood species. Prices of dark red and light red meranti sawnwood were relatively stable in 1998 at around $418/m³ ($435/m³ nominal) and $545/m³ ($523/m³ nominal). After declining slightly in the first quarter of 1999, prices of meranti sawnwood rose steadily due to increased domestic and export demand. Importers from China, Thailand, Indonesia and Vietnam were offering higher prices for sawnwood than the Malaysian domestic price, particularly for specifications suitable for the manufacture of furniture.

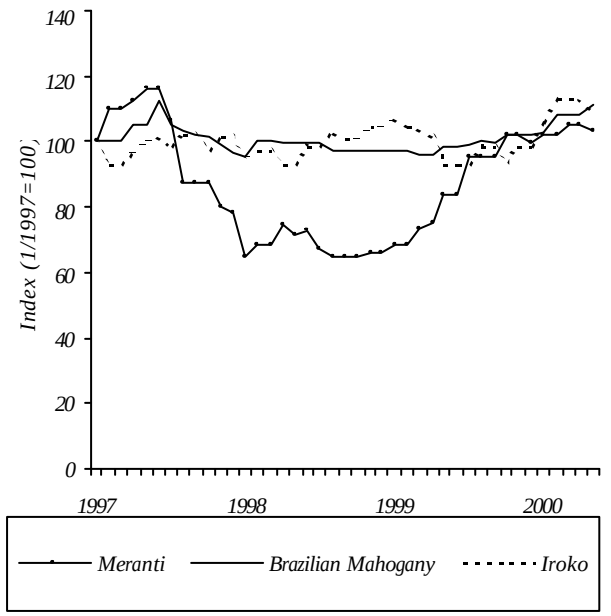
After reaching record highs of over $950/m³ ($1,030/m³ nominal) and $479/m³ ($520/ m³ nominal) in mid-1997, Brazilian mahogany and jatoba sawnwood prices declined and stablized at around $904/m³ ($980/m³ nominal) and $470/m³ ($510/m³ nominal), respectively, by late 1997. Mahogany prices have risen steadily during 1998 to 1999 as a result of greater demand in the major markets of the United States and Europe and a total ban on logging, processing and trading of this valuable species in Para State of Brazil imposed by IBAMA (the Brazilian environment agency) in 1998. The reason for the ban was the identification of serious illegal logging in this region. Jatoba sawnwood prices also showed a strong upward trend during the last half of 1999, rising by 30%. The relatively strong price trend for Latin American sawnwood is due to continued strong demand in North American and European markets as well as the strengthening of Asian currencies and increased sawnwood demand from that region.

14.5.3 Plywood

Plywood prices from Indonesia, Malaysia and Brazil have, in general, declined since 1996. In mid-1996, prices of Indonesian and Malaysian BB/CC moisture resistant (MR) plywood reached about $500/m³ ($560/m³ nominal), $416/m³ ($475/m³ nominal) and $346/m³ ($400/m³ nominal) for 2.7mm, 3mm and 3.6mm thicknesses, respectively. Prices fell sharply during 1997 and the first quarter of 1998 due to the impact of the Asian financial turmoil and the weaker yen. By mid-1998 prices had halved to about $233/m³ ($245/m³ nominal), $209/m³ ($220/m³ nominal) and $190/m³ ($200/m³ nominal), record lows for these products. Indonesian and Malaysian export prices firmed in late 1998 due to a stronger yen and an active demand for thin plywood in China, and continued an upward trend during 1999. Real prices for these plywood grades were about $371/m³, $321/m³ and $320/m³, respectively, in late 1999, still some 25% below the highs of 1996. Latin American plywood prices have not shown the same degree of recovery observed for Asian plywood. This is particularly notable in white virola, the most valuable Brazilian plywood export species, which has been relatively stable between $250/m³ ($270/m³ nominal) and $281/m³ ($295/m³ nominal) between late 1998 and late 1999, despite volume shortages caused by the closure of some virola

GRAPH 14.5.2

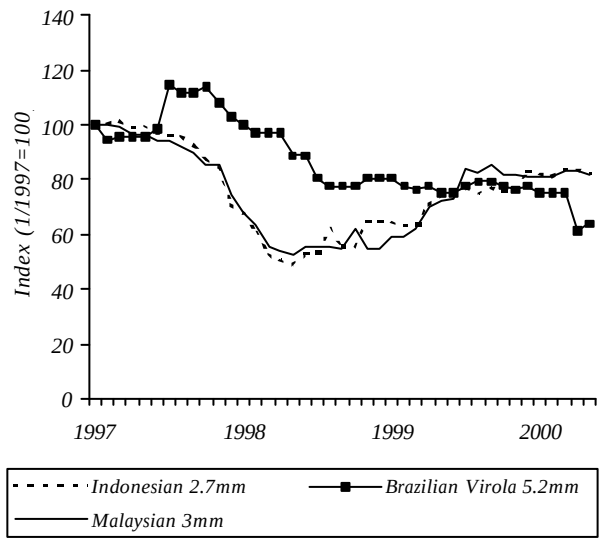
Tropical sawnwood prices, 1997-2000



Source: ITTO, 2000.

GRAPH 14.5.3

Tropical plywood prices, 1997-1999



Source: ITTO, 2000.

plywood mills in the Amazon. Nevertheless, demand for white virola plywood is firming and prices are expected to gradually improve.

14.6 Secondary processed wood products

This section, prepared by ITTO and concentrating on ITTO members is a part of an inter-organization effort to improve the understanding of markets for secondary processed wood products. It complements the analysis in chapter 6. It is hoped that over the next few years, ECE/FAO, ITTO and other partners will be able to improve significantly the quality of data and analysis they make available on SPWPs.

Secondary processed wood products (SPWPs) play an increasingly important role in many tropical countries' forest sectors, in some cases offsetting the recent sharp declines in traditional primary forest products exports. This analysis of SPWPs trade utilizes statistics from the UN Comtrade database.

The primary categories of SPWPs in trade are wooden furniture (the major category, accounting on average for two-thirds of trade values), builder's woodwork (joinery and other builder's wood), products for domestic/decorative use (table/kitchenware, ornaments picture frames, etc.), packaging/pallets, coopers' products (casks, barrels, etc.) and other manufactured products (tools, handles, brooms, shoe lasts, etc.). Since furniture and parts of cane and bamboo have become important tropical forest products exports for many ITTO member countries, the value of these products are also included in this analysis.

14.6.1 Major Importers

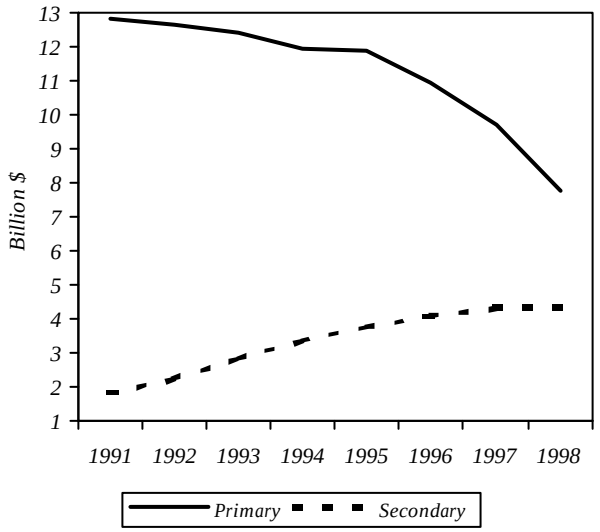
All ten of the world's major SPWPs importers are ITTO consumer members. ITTO consumer country imports of SPWPs from ITTO producers ($4.3 billion) were 15% of total imports of these products from all sources in 1997, an almost constant proportion since 1994. This value was 44% of the total value of primary tropical timber product imports by ITTO consumers in 1997, up from 28% in 1994. This proportion increased in 1998 to over 56% as imports of primary products shrank and those of SPWPs from ITTO producer countries remained stable (graph 14.6.1). Consumer imports from producer countries grew by about 29% between 1994 and 1998, about the same rate of growth as imports from all sources. ITTO consumer imports of SPWPs from other ITTO consumer countries have been constant at about two-thirds of global import value since 1994 and were worth $20.3 billion in 1997.

The top ten ITTO importers accounted for over 88% of ITTO consumer imports of SPWPs from ITTO producers in 1997, down slightly from 89% in 1994. The United States is by far the world's largest single importer of SPWPs and the largest importer from ITTO producer countries. These countries accounted for 20% of its huge $7.8 billion import market for SPWPs in 1997, though this proportion is gradually declining. United States imports come predominantly from other ITTO consumers (62% in 1997). Imports from ITTO consumer countries have more than doubled in value from 1994 to 1998, while imports from producer countries have risen only by 37%.

The EU is the world's largest importer of SPWPs, with its fifteen member states in 1997 importing $15.6 billion worth of these products, led by Germany, France, the United Kingdom, Belgium-Luxembourg, the Netherlands and Austria, which together accounted for over 84% of total EU imports. However, the EU countries import a relatively small proportion (10% in 1997) of their SPWPs from ITTO producer countries. EU imports from ITTO producers have been stable at around 9 to 10% of total SPWPs imports from 1994 to 1997. Although this is a small market share, its value now exceeds $1.5 billion, comparable to United States imports from ITTO producers and more than double the value of Japanese SPWPs imports from ITTO producers. The market share of EU SPWPs imports held by other ITTO consumers has been declining gradually from 71% in 1994 to 65% in 1998. In Germany, the largest EU SPWPs importer ($5.1 billion in 1997), only 7% of the market has been captured by ITTO producers. Japan is the largest market

GRAPH 14.6.1

ITTO Consumer imports of primary and secondary tropical timber products, 1991-1998



Source: ITTO, 2000.

in terms of percentage of imports of SPWPs from ITTO producers. ITTO producers captured 30% of Japan's $2.6 billion market for these products in 1997, still by far the largest share in all of the major markets, despite falling from 37% in 1994. Transportation costs, tariff levels and regional marketing relationships play a role in the differences in market share held by ITTO producers in the major markets for SPWPs, but there is clearly a substantial opportunity for all producing countries to increase their share of the huge European market for these products.

Two-thirds of SPWPs imports by ITTO consumers and by the EU, the leading import region, are wooden furniture. Cane and rattan furniture (18%) and builder's woodwork (mouldings, dowels, etc. (16%)) are far behind as the second and third most valuable types of SPWPs import. France has the greatest proportion of wooden furniture in its SPWPs imports at 74% in 1997.

14.6.2 Major Exporters

Of the top ten exporters of SPWPs as ranked by value in 1997, Italy is by far the world's largest exporter of SPWPs, with over 72% of its exports absorbed by other ITTO consumer countries. Italian exports made up about 32% of the $19.1 billion worth of SPWPs exports of the EU in 1997. The EU accounts for 73% of ITTO consumer exports of SPWPs. Other major exporters include Canada, China, Poland and the United States.

China has experienced rapid growth in SPWPs exports, which almost doubled from 1994 to 1998. This trend is expected to continue, as many companies from Taiwan Province of China and other traditional Asian producers establish furniture and other SPWPs joint ventures in southern China because of its low wages. Combining UN statistics for Taiwan Province of China ($1 billion worth of SPWPs exports in 1997) and China ($2 billion) consolidates China's position as by far the top developing country exporter of SPWPs.

80% of ITTO consumers' 1997 SPWPs exports consisted of wooden and cane/bamboo furniture, mostly shipped to other ITTO consumers. Italy's SPWPs exports are mostly (92%) composed of these categories of furniture, with wooden furniture exports alone valued at almost $5.3 billion in 1997. Cane and bamboo furniture exports from ITTO consumers (where little if any cane or bamboo is grown) were almost $3.5 billion in 1997, compared to only $612 million in total exports of this product by all producer countries.

Indonesia, Malaysia, Thailand, Brazil and the Philippines are the major ITTO producer member exporters of SPWPs, each with exports over $375 million. Other ITTO producer exporters of SPWPs are relatively smaller and include Honduras, Bolivia and India. The top five ITTO producer exporters accounted for 97% of total ITTO producers' SPWPs exports of $4.1 billion in 1997 (up 15% from 1994). To put ITTO producer exports into a global perspective, Italy shipped over $6.1 billion worth of SPWPs to global markets in 1997, about 48% more than the combined value of all SPWPs exports from all ITTO producer countries. ITTO consumer exports increased 27% from 1994 to 1997 while ITTO producer exports increased by only 16%. Exports by both consumers (-4%) and producers (-16%) declined in 1998 due to the economic downturn that was affecting many regions.

Although developing countries enjoy some degree of tariff relief under the Generalized System of Preferences (GSP) or other schemes for SPWPs in many of the major markets, these advantages have been eroded by general tariff reductions in many countries under the Uruguay Round of trade negotiations. Tariffs on SPWPs in many countries remain high, however, compared to those for primary products like logs and sawnwood. This is one reason why the contribution of developing countries to total imports of such products by ITTO consumers is still below their potential. The EU, Japan and the United States apply no import tariffs on SPWPs from GSP countries, while most favoured nation rates range from 2 to 6% on the major product categories. In contrast, many developing countries retain very high tariffs (up to 80%) on these products to protect domestic industries.

Asia Pacific is by far the dominant producing region in terms of SPWPs exports by ITTO producers, with Latin America (primarily Brazil) a distant second. Value-added processing in the African region is still minimal, due largely to a lack of capital and infrastructure, although many African governments such as Ghana, Cameroon and Gabon are making the development of secondary processing a priority. This breakdown between the main tropical regions is unlikely to change significantly, as countries in all three regions continue to express their desire to further expand downstream processing capacity.

After a remarkable export increase of almost 200% from 1991 to 1996, Indonesia's development of downstream processing declined sharply in 1997 and 1998. Indonesia was still the largest ITTO producing country exporter of SPWPs in 1997, with exports over $1.2 billion, though Malaysia was a close second with $1.2 billion and became the largest producer exporter in 1998 when Indonesia's exports crashed with its economy to $739 million. The major categories of Indonesian exports were builder's woodwork (45%) and wooden and cane furniture (29% and 13% respectively) in 1997. Wooden furniture export earnings rose rapidly following Indonesia's log export ban in 1985, from $4.8 million in 1986 to $357.2 million in 1997.

Malaysia's growth of exports of SPWPs between 1994 and 1997 has been the strongest of all producers, expanding from $792.3 million to $1.202 billion. In contrast to Indonesia, Malaysian SPWPs exports are predominantly wooden furniture (75%). About 70% of Malaysian wooden furniture exports are manufactured from rubberwood. Thailand has also linked the development of its furniture industry to its rubberwood resources, with all new sawmill licenses now contingent on use of this material. The ban on logging in Thailand's native forests imposed in 1990 has increased its dependence on imports as well as former rubber plantations for wood supplies; exports of SPWPs have therefore grown more slowly (only 3% from 1994 to 1997) than in Malaysia and Indonesia due to wood supply constraints. Most of Thailand's wooden furniture exports (worth $464 million in 1997) are manufactured at least partially from rubberwood. Both Thailand and Malaysia have been successful in penetrating high value markets with their rubberwood furniture, particularly in Japan. Regulations in both countries favour further processing, restricting exports of raw rubberwood, although the restrictions have been relaxed in Malaysia due to imbalances in domestic supply and demand. Exports from Malaysia and Thailand dropped in 1998 but were not affected as badly as Indonesian exports by the economic downturn.

In contrast to its export performance in 1990-95 when exports grew almost four-fold, Brazil's exports of SPWPs have stabilized at under $500 million, with 58% of these exports composed of wooden furniture and 29% of builder's wood work. Brazil's SPWPs exports go mainly to the major markets of the United States and Europe.

Several apparent anomalies exist in Comtrade statistics reported by trading partners. The statistics reported by the major exporters of SPWPs who reported data to Comtrade can differ substantially from the corresponding import values reported by the major importers of SPWPs. Table 14.6.1 compares the different values reported by the four major producer exporters of SPWPs (in italics) with the import statistics recorded in Comtrade for the EU and ITTO consumers (in bold). The problems identified for some primary products exported by Indonesia also hold for SPWPs, with, for example, a 107% discrepancy with EU import figures. Discrepancies can be due to a number of factors: import figures generally include insurance and freight, while export prices are FOB; partial or non-reporting of exports to Comtrade; differences in measurement methods; differences in reporting periods; smuggling and transfer pricing to avoid taxes; and uncertainty about classification of products. Large discrepancies in reported trade figures should alert governments and industries to the need for remedial action in one or more of these areas.

The development of new processing technologies (e.g. MDF, veneer lamination, etc.) and raw material supplies (e.g. rubberwood) are allowing the use of a wider range of tropical wood species in furniture and other SPWPs production in ITTO producer countries and consequent increases in production and exports. The contribution of SPWPs to the forest sectors of ITTO producers and other developing countries will continue to grow rapidly in coming years, with corresponding reductions in production and especially exports of primary tropical timber products.

14.6.3 SPWPs Prices

After plunging by over 40% (laminated scantlings) and 25% (mouldings) between mid 1997 and mid 1998, real (1990) export prices for most Indonesian SPWPs were relatively stable in late 1998 and 1999 at about $329/m^3 ($345/m^3 nominal) for laminated scantlings, $553/m^3 ($580/m^3 nominal) for red meranti mouldings

TABLE 14.6.1

Direction of trade of SPWPs for main partners, 1997

(1,000 $)

Exporter / Importer	Indonesia	Malaysia	Thailand	Brazil	ITTO producers
European Union	779,850	206,788	145,692	299,194	1,522,116
(Reported by exporter)	375,592	170,290	121,753	264,639	1,049,690
ITTO Consumers	1,644,176	951,510	744,020	425,074	4,313,072
(Reported by exporter)	1,006,617	900,577	678,967	422,394	3,429,849

Source: ITTO, 2000.

Grade A and $434/m^3 ($455/m^3 nominal) for red meranti mouldings Grade B. Malaysian SPWPs export prices were affected to a lesser extent by the economic crisis in 1997 to 1998, with prices declining by about 10% for laminated scantlings and about 21% for both grades of meranti mouldings. The declining prices for these products were caused by intense price competition between manufacturers in China, Indonesia, Malaysia, Thailand and Vietnam in the face of decreased demand. Malaysian prices for these products were about 10% lower than those from China and Vietnam in late 1998. Malaysian selangan batu decking prices have been less severely hit by competition. Prices declined by 13% from $570/m^3 ($618/m^3 nominal) to $494/m^3 ($515/m^3 nominal) between September 1997 and March 1998, but have remained relatively stable compared to other SPWPs at around $510/m^3 ($535/m^3 nominal) through 1999.

Although prices of value-added products were affected by the Asian economic downturn during 1997 to 1998, the declines were much less severe than the collapse in prices of tropical logs, sawnwood and plywood. Forest sectors in countries such as Indonesia and Malaysia whose export strategies focus on added value products fared better than countries exporting only primary products.

14.7 Conclusion

Tropical timber markets recovered slowly in 1999, with increases in demand for primary tropical products not keeping pace with overall increases in timber consumption in several major markets. China was the exception, sharply boosting demand for tropical logs to feed plywood mills deprived of domestic logs due to a logging ban. Many developing countries in Asia recovered in 1999 and look set to continue growing in 2000, although Indonesia is still struggling. Many tropical countries are now looking to secondary processed wood products to drive their forest sector export recovery, as these products are less susceptible to the sharp price swings that have characterized primary commodity markets in recent years.

Note: Additional statistics for tropical timber are included on the website version of this chapter in: www.unece.org/trade/timber/mis/reports.htm