Chapter 7
Sawn hardwood – consumption, supply and trade [1]

Highlights

- *Consumption of sawn hardwood in the UNECE region continued to rise to an all-time record through 2000, driven by improved economic conditions, particularly in the United States.*
- *Sawn hardwood production in the UNECE region increased by 4.1%.*
- *Sawn hardwood production in the United States reached an all-time record level in 2000 but, based on early reports, may have fallen by up to 25% in the early part of 2001.*
- *Trade in hardwoods was at record levels in 1999 and continued to accelerate during most of 2000 throughout the UNECE region.*
- *Prices of logs and sawnwood produced in the region advanced, although much more so in North America where the domestic and export demand was exceptionally strong and only towards the end of 2000 showed any sign of easing.*
- *European production of sawn hardwood in 2000 responded to increased demand and improved prices and swelled with the recovery of storm-blown timber at the beginning of the year and demand from Asia.*
- *Eastern Europe emerged as a more significant supplier of sawn hardwoods greatly assisted by the continued strength of the dollar and weakness of the euro currency.*
- *Globalization of hardwood markets continued to play an increasingly important role, well demonstrated by the influence of such countries as China in the global supply and demand equation.*
- *Rationalization in the furniture industry within and outside the UNECE region is changing the supply and demand profile for sawn hardwood.*
- *The first half of the 2001 market saw a sharp downturn in demand levels and prices in North America and Europe.*

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Secretariat introduction

The secretariat would like to thank Mr. Michael Buckley for authoring this analysis of the sawn hardwood markets. Mr. Buckley is well placed to perform such an analysis in that he has considerable experience throughout Europe and the United States, both as a hardwood industry consultant and also as the former European Director of the American Hardwood Export Council (AHEC). As the hardwood market is also global, especially when its tropical aspect is included, Mr. Buckley's first-hand knowledge about hardwood markets outside of the UNECE region is valuable. This is the first time in a decade that the hardwood analysis has been done by someone outside the secretariat and we hope readers will appreciate this contribution by a renowned expert.

We are grateful to Mr. David Venables, European Director of AHEC for facilitating this chapter. Several members of the secretariat have participated in the annual European American Hardwood Convention organized by AHEC, which has proved to be mutually beneficial. This cooperation on the Review's sawn hardwood chapter extends this collaboration yet one more step.

7.1 Introduction

The year of 2000 was truly a millennium year with the strongest performance in sawn hardwood for a long time and may eventually prove to have been a vintage year for most of the UNECE region. Throughout the year production increased universally, international trading developed well for all exports, and apparent consumption was significantly increased throughout the region, except possibly in the Russian Federation where 2000 volumes were up on 1999 but still well down on the 1996 level.

This chapter analyses the developments in sawn hardwood markets in the UNECE region as a whole and this year draws a distinction between EU/EFTA and other European countries. Tropical sawnwood is analysed separately in chapter 12 but is included in some import volumes in this chapter. A separate analysis of secondary processed wood products in chapter 11 describes the end uses, and indirectly, therefore, the demand for sawn hardwood. The sawnwood analysis is based on the statistics received from countries in the ECE region to whom we are grateful for this critical basis for the analysis. In addition, considerable material was drawn from secondary sources, for example trade journals and websites, as well as trade shows and industry conferences.

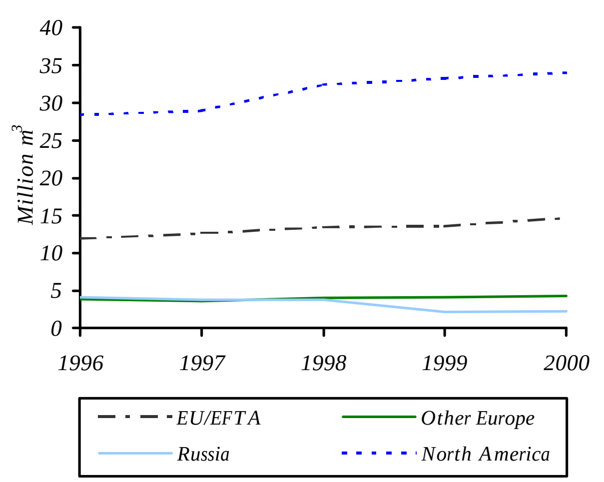
7.2 UNECE market developments

Apparent consumption of sawn hardwood in the entire UNECE region, which had fallen consistently in the early- to mid-1990s, is showing a recovery (graph 7.2.1) (table 7.2.1). The volume consumed in 1999 was up by 1.2% for the whole region compared with 1998, but last year increased to 55.2 million m^3, a further 3.4% gain over 1999. This is despite the increasing trend towards the trading of further or semi-manufactured hardwood and components which has developed in some countries, such as the German markets for furniture and interior joinery.

Sawn hardwood production responded to improved demand and rose by almost 3 million m^3 to reach a record 53.5 million m^3 in 2000 – an increase of 4.1%. Half the increase came from the United States and most of the balance of the increase came from Germany (up 11.6%), France (up 20.0%) and Romania (up 35.6%). Production in the other (non EU/EFTA) European countries has continued to grow thanks to investment and limited improvements to infrastructure. Production of hardwood products and semi-finished components may actually be growing faster than sawn hardwood as a commodity. International trade in sawn hardwood also continued to expand after achieving record levels in 1999. Exports increased in 2000 by a further 18.6% and imports by 12.0% with France exporting 15.7% more after storm clearing and notable increases of 53% and 19% from Romania and Latvia respectively. Several countries in central and eastern Europe increased imports by 15% to 29% reflecting the need to obtain material mainly for processing and re-export, e.g. as furniture. "Other European" imports have doubled in the last five years and approached 1 million m^3 in 2000, roughly a tenth of the EU/EFTA import volume. What is remarkable is that both Europe and North America have each shown almost identical growth in production over the last five years at 17%; however, production in North America is more than double that of the entire European region

GRAPH 7.2.1

Consumption of sawn hardwood, 1996 -2000



Source: UNECE/FAO Timber database, 2001.

TABLE 7.2.1

Sawn hardwood balan ce in the UNECE region, 1996 -2000
(Million m³)

	1996	1997	1998	1999	2000	Timber Committee estimate for 2001 *
EU/EFTA						
Production	7.76	7.41	7.50	7.86	8.52	8.53
Imports	5.75	6.92	7.74	8.25	9.17	9.17
Exports	1.61	1.73	1.82	2.52	3.01	3.06
Net trade	-4.14	-5.19	-5.92	-5.74	-6.16	-6.11
Apparent consumption	11.91	12.60	13.42	13.60	14.67	14.64
OTHER EUROPE						
Production	5.11	5.17	5.84	6.24	6.72	6.97
Imports	0.48	0.41	0.65	0.80	0.97	0.98
Exports	1.75	1.96	2.47	2.92	3.44	3.60
Net trade	1.27	1.54	1.81	2.12	2.47	2.62
Apparent consumption	3.84	3.62	4.02	4.12	4.25	4.35
RUSSIAN FEDERATION						
Production	4.38	3.93	3.97	2.47	2.58	2.71
Imports	0.01	0.05	0.03	0.01	0.01	0.01
Exports	0.25	0.25	0.25	0.30	0.36	0.39
Net trade	0.24	0.20	0.22	0.30	0.36	0.39
Apparent consumption	4.14	3.73	3.75	2.17	2.22	2.32
NORTH AMERICA						
Production	30.47	30.74	33.85	34.82	35.64	36.27
Imports	1.45	2.12	2.25	2.58	2.87	2.84
Exports	3.55	3.89	3.68	4.15	4.49	4.72
Net trade	2.11	1.77	1.43	1.57	1.62	1.88
Apparent consumption	28.37	28.97	32.42	33.25	34.02	34.39

*

including the Russian Federation. The apparent consumption in the Russian Federation increased slightly, by 2.3%, to reach 2.2. million m³, approximately half of the volume in 1996, as most of the 100,000 m³ increased production was exported.

Production of sawn hardwood accelerated in Europe in 2000, by 8.5% overall to a record 15.2 million m³. EU/EFTA was up by 8.5% owing to storm clean-up and other European production was up 7.8% compared with 1999 (table 7.2.2). However, within those increases there were some great variances, such as a 20% increase in production in France from the clearing up of storm blown timber and a rise of 12% in Germany responding to export opportunities in Asia. In Romania, where sawnwood production is developing with the aid of renewed foreign market interest, production was up by almost 36% and is up by 77% over the last five years. North American production increased less than Europe in 2000, in volume by 827,000 m³ and in per cent, by 2.4%.

The last year has also demonstrated the extent to which the sawn hardwood market is global and that no market, including the UNECE region, operates in isolation. For example, the growth of Asian markets in 1999 and 2000 for European beech, a hitherto generally undiscovered species in that region, has had far-reaching effects. Production, exports and grading of beech were all influenced by strengthening demand from Asia and particularly from China. However, consumption forecasts that were made in 1999 for growth ultimately proved unwise. By the end of 2000, China was overstocked with European beech – much of it bought following the December 1999 storms in France and parts of Germany and Switzerland. Buyers were few and far between – and prices were affected accordingly. Chinese traders in the main domestic markets of Guangzhou and Shanghai complained of depleted and even negative trading

TABLE 7.2.2

Product ion of sawn hardwood, 1997 -2000
(1,000 m^3)

	1997	1998	1999	2000	Change 1999 to 2000	
					Volume	%
EU/EFTA	7,413	7,496	7,863	8,517	654	8.3
of which:						
France	2,807	3,023	2,979	3,575	596	20.0
Germany	1,048	1,165	1,559	1,740	181	11.6
Italy	963	900	900	840	-60	-6.7
OTHER EUROPE	5,165	5,836	6,238	6,723	486	7.8
of which:						
Turkey	1,801	1,889	2,020	2,141	121	6.0
Romania	746	744	973	1,319	346	35.6
Poland	764	782	788	790	2	0.3
Latvia	150	400	593	580	-13	-2.2
CIS	4,629	4,813	3,281	3,483	202	6.1
of which:						
Russian Federation	3,925	3,970	2,465	2,577	112	4.5
NORTH AMERICA	30,743	33,850	34,818	35,645	827	2.4
Canada	835	1,027	1,051	1,083	32	3.0
United States	29,908	32,823	33,767	34,562	795	2.4

Source: UNECE/FAO TIMBER database, 2001.

margins in this relatively new business and so European producers and exporters did not achieve the anticipated level of new felling sales when they resumed harvesting in winter 2000/2001.

Meanwhile the furniture industry in China, which is enjoying improved domestic demand based on economic development, is also having more noticeable effects on the United States domestic furniture producers. Chinese furniture exports are expanding rapidly, especially to the United States where some furniture manufacturing capacity rationalization is now occurring as a result, and partly owing to the slowing of the United States economy.

The UNECE/FAO hardwood statistics, especially for EU/EFTA imports, contain varying volumes of tropical sawnwood. While production of tropical sawnwood by UNECE region producers from imported logs is low, the imports of tropical sawnwood are important in the EU/EFTA sub-region. In that sub-region the tropical sawnwood imports were 31% in both volume and value of total sawn hardwood imports. In 2000 in the same sub-region the tropical sawnwood imports rose to a 34% share of volume or 3.1 million m^3 and increased to a 38% share of the total value or $1.2 billion. (More information on tropical sawnwood imports by the UNECE region may be found in chapter 12.)

7.3 North American market developments

Apparent consumption in North America was 34.0 million m^3, of which the United States accounted for 33.3 million m^3. The United States accounts for 62% of apparent consumption of sawn hardwoods for the whole UNECE region but grew at a slower (than average) rate of 2.4% in 2000, perhaps as the beginning of the economic downturn started to bite in the third and fourth quarters and also because per capita consumption of hardwood is already far greater in the United States than in the rest of the region. In the year 2000 consumption per 1,000 inhabitants was 116 m^3 in the United States compared with an average of 35 m^3 in EU/EFTA, 22 m^3 in other European countries and 24 m^3 in Canada. The American hardwood industry responded to strong United States demand and production of sawnwood last year was the highest ever in the United States and may well prove to be an all-time peak, given the subsequent turnaround in the 2001 market.

United States production has increased by more than 10 million m^3 since 1991, mostly driven by the strong economy for hardwood products and for pallets and packaging of many United States products for domestic and overseas transportation. Some of this growth has been driven by exports as the result of the United States *industry's extra investment in drying capacity, its commitment to export markets and successful promotion by the American Hardwood Export Council.*

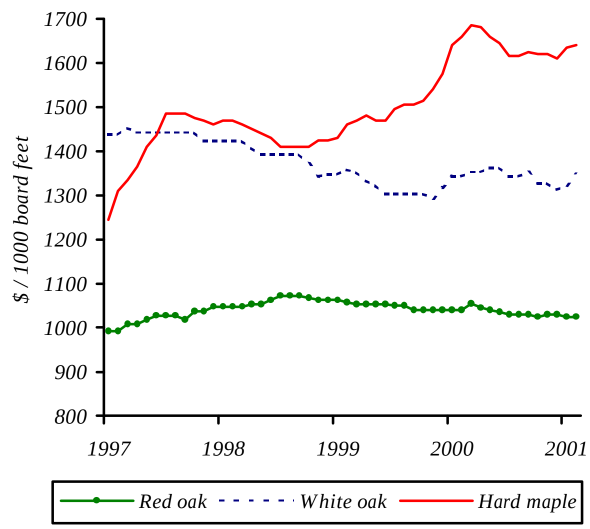
Although United States exports amounted to less than 9% of production in 2000, export products take high grade material and prices far exceed domestic prices – which gives rise to the continuing efforts by the United States to expand exports. The 2000 production of 35.6 million m^3 of sawn hardwood in the United States was produced from sawlogs that represent only 31% of the total hardwood harvest according to the latest information from USDA Foreign Agricultural Service. Approximately 62% of American hardwood logs harvested are used for fuel and pulpwood. As about 34% of sawnwood is used for domestic pallets and packaging and 6% for railroad ties (sleepers), it can be seen that all the "grade lumber" for furniture, joinery, mouldings and flooring is drawn from less than 20% of annual harvest. Only from this portion are the exports made. There is therefore an important balance and interdependence between the higher domestic and export grades and lower grades sold only domestically, and any disruption of demand for one can affect the availability of the other.

The United States domestic market enjoyed strong demand through the first three quarters of 2000 and excellent weather conditions allowed good production of logs resulting in high log stocks through the winter of 2000/2001 just as signs of a domestic market downturn started to emerge. Rapidly rising prices for domestic hardwood through the first three quarters of last year inevitably led to some consumer resistance by October. Exporters of hardwood, and finished products throughout the United States economy also began to feel the adverse and cumulative effects of currency rates, which further affected sales. By the early part of 2001 sawmill production cutbacks and lay-offs reduced sawn hardwood production as most markets went into decline.

Domestic and export prices rose strongly in the early part of 2000 and were only prevented from going even higher by the increase in production levels. This was also reflected in the higher prices that sawmills were forced to pay for logs, especially for some fashionable species, such as maple and cherry. These are in increasingly short supply due to additional restrictions to public forest access and threatened further restrictions. Any analysis of prices must take into account export and domestic grades and specifications, and there are also wide regional variances in the United States. Nevertheless a general price trend is given by graph 7.3.1. Red oak prices, the staple of both furniture and joinery, peaked in March and April although at a lower level than in mid-1998. White oak prices peaked in mid-2000, again lower than the 1997 and 1998 levels. However hard maple prices fluctuated throughout 2000 at record levels, as did cherry.

GRAPH 7.3.1

Sawn hardwood prices in the United States, 1997-2001



Source: Hardwood Review, 2001.

By the end of 2000 it also became clear that the strength of the dollar was adversely affecting American sawn hardwood exports, which had enjoyed another all-time record year at 3.0 million m^3, an increase of roughly 7% over 1999 and worth $1.43 billion (table 7.3.1). This was largely due to the recovery of some Asian markets, continuing strong demand from key European markets such as Italy and Spain, and the development of China (including Hong Kong) (table 7.3.2). The main destination remained Canada where much of the import is processed (i.e. dried, re-graded, sorted, trimmed and re-packaged in Canada) and then re-exported to compete with its original exporters. In 2000 Canadian sawn hardwood exports were 1.5 million m^3, mainly based on United States-grown hardwoods.

The first half of 2001 has produced a complete turnaround in the market with falling prices, reduced production and intense competition among exporters for market share. This is particularly tough in Europe where added competition from European producers has been heightened by the weakness of the euro and relative strength of the dollar. By July 2001, the average domestic prices of furniture grade sawn hardwood had fallen from the 2000 peak: red oak by 9%, white oak by 8% and hard maple by 8%. Some sawmills have closed and many have reduced production to the point at which there were mid-year predictions of shortages of dry sawn hardwood for the winter of 2001/2002. As a background to this, the United States hardwood industry also fears a widespread loss of much of the crucial domestic furniture industry demand to cheaper labour cost regions of the world. Theoretically this could raise sawn hardwood exports to replace lost

TABLE 7.3.1

Exports and imports of sawn hardwood, 1997 -2000
(1,000 m^3)

	1997	1998	1999	2000	Change 1999 to 2000	
					Volume	%
EXPORTS						
EU/EFTA	1,731	1,822	2,519	3,010	491	19.5
of which:						
France	576	552	719 E	832 E	113	15.7
Germany	365	446	494	718	224	45.3
Belgium	...	...	397	433	36	9.1
Austria	115	110	243	261	18	7.4
Netherlands	123	137	145	219	74	51.0
Italy	103	125 P	161	167	6	3.7
Other Europe	1,955	2,466	2,921	3,440	519	17.8
of which:						
Romania	325	333	423	646	223	52.7
Latvia	136	316	372	442	70	18.8
Poland	256	297	308	315	7	2.3
CIS	326	328	757	572	-185	-24.5
of which:						
Russian Federation	246	249	303	363	60	19.8
North America	3,893	3,680	4,149	4,490	341	8.2
Canada	1,003	1,178	1,339	1,494	155	11.6
United States	2,890	2,502	2,810	2,996	186	6.6
IMPORTS						
EU/EFTA	6,921	7,743	8,254	9,167	913	11.1
of which:						
Italy	1,760	2,021 P	2,054	2,076	22	1.1
Spain	900	1,259	1,201	1,323	122	10.2
Netherlands	542	605	687	1,052	365	53.2
France	601	600	720 E	842 E	122	16.9
Belgium	...	...	714	828	114	16.0
Germany	852	775	809	771	-38	-4.7
Other Europe	410	652	804	968	164	20.4
of which:						
Poland	75	94	133	160	27	19.9
Slovenia	84	90	120	143	24	19.9
Hungary	26	36	119	136	17	14.6
Czech Republic	66	89	91	117	26	28.6
Turkey	51	78	100	77	-23	-23.0
CIS	132	112	113	189	76	66.8
of which:						
Russian Federation	46	26	7	6	-1	-14.3
North America	2,123	2,249	2,580	2,866	286	11.1
Canada	1,027	954	1,084	1,184	100	9.2
United States	1,096	1,295	1,496	1,682	186	12.4

Source: UNECE/FAO TIMBER database, 2001.

TABLE 7.3.2

Sawn hardwood exports from United States to top ten markets, 1997-2000
($1,000\ m^3$)

	1997	1998	1999	2000	% change 1999 to 2000
Canada	906	816	952	1,029	8.1
Mexico	171	199	233	253	8.2
Italy	208	180	186	201	8.1
Spain	149	160	159	182	14.5
Hong Kong S.A.R.	126	119	146	166	13.7
China	34	33	75	130	73.3
United Kingdom	125	128	125	126	0.8
Japan	246	137	152	119	-21.7
Taiwan Province of China	152	115	110	96	-12.7
Germany	173	105	89	78	-12.8

Source: United States Department of Agriculture, Wood Products: International Trade and Foreign Markets, Annual Statistical Trade Edition, 2001.

domestic business but in reality one rarely compensates for the other. Whatever the outcome, United States hardwood industry observers suggest that with production cutbacks in 2001 and caution over investment until price levels are sustained again, the record production level of 2000 is unlikely to be repeated.

Imports into North America continue to grow steadily, but in the United States they remain at the equivalent of 8.0% of production. Caution is needed in interpreting United States imports as the data include intra-trade within the continent. However, the United States market does have significant imports of tropical sawnwood such as South American mahogany and teak, which are included in the sawn hardwood import statistics of this chapter. In volume the share of tropical sawnwood imports was 28% of North American imports of sawn hardwood in 2000 at 807,000 m^3. In value it was higher, 41%, at $365 million. The change from 1999 was insignificant.

One difference between North America and Europe is the focus of the environmental debate surrounding hardwoods, which in Europe tends to be on imported species on which countries such as the United Kingdom and the Netherlands are dependent. In the United States, environmental focus is largely on domestic harvesting and regeneration. During 2000 the American Forest & Paper Association (AF&PA) had sought mutual recognition of its Sustainable Forestry Initiative (SFI) with other national certification schemes and in June 2001 was elected to the Council of the Pan European Forest Certification (PEFC) scheme. AF&PA then announced its intention to seek recognition with PEFC, which would take their joint certified area to 59 million hectares by the end of 2001. The American Tree Farm System is another scheme, which has long been established and has mutual recognition with the SFI. Meanwhile a number of United States hardwood producers also gained Forest Stewardship Council (FSC) certificates following the example earlier set by the State of Pennsylvania, which now has all State-owned forests certified under FSC criteria.

7.4 European market developments

Taking the European region as a whole, apparent consumption totalled 19.0 million m^3 in 2000, which was an increase of 7% on 1999. Consumption of sawn hardwood in the European Union and EFTA countries increased by 1.0 million m^3 in 2000 compared to 1999, an increase of 7.9% to a record 14.7 million m^3, whereas it grew by only 3.2% and hit 4.3 million m^3 in "other" European countries. Of the main EU countries, France and United Kingdom recorded significant increases in consumption of over 20%, and outside the EU/EFTA sub-region only Romania grew its consumption significantly, by approximately 23%. It was notable that apparent consumption fell in Germany by 4.3%, where domestic demand continued to disappoint but exports, mainly of beech, far exceeded the increase in production. The largest apparent consumption, 3.6 million m^3, was in France, where production increased unexpectedly due to the windthrow, accounting for 25% of EU consumption. The United Kingdom, where unemployment continues to fall, enjoyed a strong economy despite the reductions in manufacturing industries and the problems of exporters coping with an apparently over-valued pound sterling. Romania, a hardwood-rich country, where foreign investment is beginning to show through, was also the largest consumer outside of the EU/EFTA sub-region, just above Poland (more on Romania in special chapter 3).

Consumption of hardwoods in Europe is largely driven by business investment and consumer confidence. Jobs and a healthy economic climate give rise to strength in the property market, which leads to demand for construction and renovations that require joinery, furniture and flooring. But, although inflation in Europe is generally under control and interest rates have been falling, consumer confidence remains fragile. Unemployment is still considered too high in most of the European Union and income levels remain poor in many non-EU countries. Finally Germany, the so-called engine room of Europe and largest trading partner to many neighbouring countries, is continuing to disappoint with its slow economic growth and low level of activity in new construction.

The flooring market in Europe continues to demand hardwood products in a wider range of species and a considerable shift in consumer attitudes to grades. Most producers of solid hardwood and laminated systems now offer "character wood" grades to individual consumers through retailers. However, the professional specifiers and architects are not yet convinced that their clients want such grades. The hardwood flooring manufacturing capacity in Europe seems to be approaching a situation of oversupply if the proliferation of new production lines is anything to go by. The major producers established in Germany, France, Italy and the Nordic countries have been joined by a mass of smaller manufacturers from all over Europe and competition is likely to get much tougher. Parquet production in Europe had already trebled between 1985 and 1999, as reported in this Review last year. The European Federation of the Parquet Industry (FEP) now includes non-EU members and reported that consumption in the "traditional" (EU) FEP countries set a new record in 2000 reaching 63 million m^2 production (up 8.7% on 1999) – to which is added almost 7 million m^2 production in Hungary and Romania (table 7.4.1). Consumption is also up at 80.6 million m^2 with the difference accounted for by imports and exports. 14% of the FEP production is solid sawn flooring, with "multilayer" accounting for 72% and "lamparquet" for 9%.

TABLE 7.4.1

Flooring production by Federation of the Parquet Industry members, 1997 -2000

	Area	change over previous year	
	(1,000 m^2)	Area	%
1997	53,836	3,258	6.4%
1998	58,308	4,472	8.3%
1999	60,774	2,466	4.2%
2000	62,957	2,183	3.6%

Source : FEP, 2001.

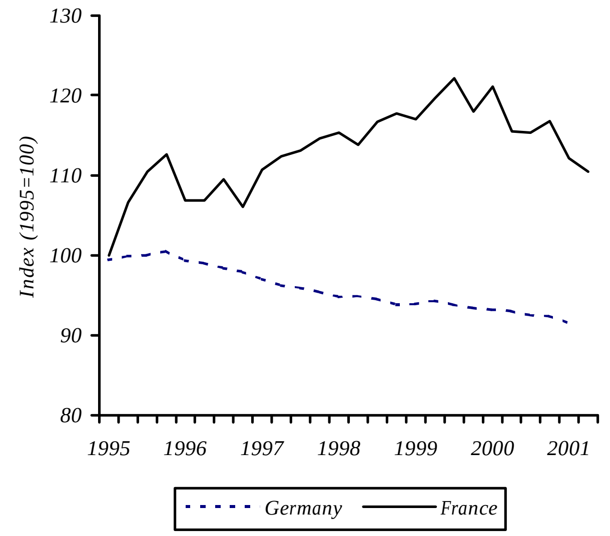
White oak for barrels for European producers of wines and spirits continues to be in seemingly ever increasing demand, and oak is sourced widely in Europe and the United States. While there is an enormous debate in the wine industry as to the best oak, there are dedicated users of both French and American oak (white only, as red oak is unsuitable) as well as those who source oak in eastern Europe. For example, Russian oak is used in countries such as Greece, and Croatian oak is exported to France where provenance may not always be declared. France is currently said to be facing a crisis of competition, not only for its wine production from the "new world" producers, but also for oak suitable for stave material which many believe will soon be in short supply. Meanwhile other European wine-producing countries, such as Spain, continue to need increased quantities of oak barrels as the taste of "oak-aged" wine maintains its fashion.

Furniture industries in Europe are subject to the same global pressures as any other industry and ultimately respond to material costs and competition from imports. In this case it gives rise to inter-State trading, and eventually a shift by manufacturers towards countries with cheaper production costs. Whereas many American manufacturers have faced competition from outside the region (Mexico, Taiwan Province of China and now China), European manufacturers are mainly experiencing a shift eastwards but within the region. European furniture markets had shown some improvements in 2000 after poor performances in 1998 and 1999 and there was considerable optimism at the furniture shows in Brussels, Paris, Cologne and Milan in 2000 and 2001. However, this may have been misplaced, as furniture markets have not realized their earlier promise. Some major producers in France declared bankruptcy in early 2001 and market forecasts have been adjusted for many countries. The German market is largely emulating the Japanese furniture producers by sourcing "offshore" to the benefit of manufacturers in Poland and other eastern European countries.

Meanwhile the use of European species has undoubtedly been stimulated by the weakness of the euro and relative strength of the dollar. Against this background production of sawn hardwood increased by over 1 million m^3 in Europe, up by 8.1%, although 596,000 m^3 of this increase was produced by France, partially from clearing up beech and oak from the December 1999 storms. The increased availability of French beech led to a gradual price decline, at a rate that was less than expected – largely buoyed up by sales to China (graph 7.4.1). Nevertheless prices for French beech remain above the index level of 110 in 1997 and 1998.

GRAPH 7.4.1

French and German beech sawnwood prices, 1995-2001



Sources: Statistisches Bundesamt; Centre d'Etudes de l'Economie du Bois, 2001.

Imports of sawn hardwood continued to rise in EU/EFTA countries, by 0.9 million m^3 (up 11.1%) to 9.2 million m^3, and although they rose by 20% in the other European countries imports there remained less than 1 million m^3. Owing to storm-generated sawnwood, exports from EU/EFTA increased by almost 20%, they jumped by 18% from the other European countries, representing a rebound towards former levels.

Most European sawmills and traders have been looking for a recovery in oak consumption, which suffered a loss of fashion in furniture during the 1998 and 1999 period. That return was partially signalled at the furniture shows of early 2001; however, many European traders await the ultimate stabilization of the euro – dollar exchange rate before they consider converting permanently from American to European oak for reasons of grading, consistent availability and specification of American oak. In other species such as hard maple, cherry and walnut the alternative supplies in Europe may prove to be more limited than those from the enormous resources in North America.

7.5 CIS market developments

Production in the Russian Federation was published last year as 3.85 million m^3 but has subsequently been revised downward to 2.47 million m^3 with new data submitted. Therefore the increase to 2.58 million m^3 now shown leaves Russian production well below the 1997 and 1998 production of just under 4 million m^3. There is some evidence reported that hardwoods, particularly high quality ash and oak, in eastern Russia are being illegally logged and exported as logs to China, Japan and the Republic of Korea, which might possibly account for some reduction in sawnwood production. There is strong demand for Russian oak in Japan by sawmills in need of cheap raw material in their attempt to survive the dramatic downturn in Japanese consumption of all wood products and the competition from Chinese imports. Generally the Japanese find the grain characteristics and colour of Russian oak similar to their own Hokkaido oak and thus easy to sell. There has also been a noticeable interest from European importers and users of oak for sawn supplies from Ukraine, but so far prices are discounted by the perception of unreliable shipment and grade.

7.6 Future demand trends in the UNECE region

The forecasts proposed by the Timber Committee for 2001 already appear to be optimistic for production and exports throughout the region, and imports may fall as most national economies slow. The economic and consumer climate throughout the UNECE region is softening, and construction and furniture consumption has been showing negative signals since the second quarter of 2001. FEP warns of difficulty for the European flooring industry to maintain the levels of growth in 2001 that were achieved in 1999 and 2000 The final outcome of the year in progress will also probably prove to be significantly different within each of the three main areas.

In EU/EFTA production may in fact remain unchanged from 2000 with increases in oak and reductions in beech. Net trade may remain in line with the forecasts on the basis of reduced exports outside EU/EFTA and reduced imports as the economy slows further. In this case apparent consumption might only fall slightly. Elsewhere in Europe production and exports may increase in line with each other but apparent consumption would remain largely unchanged. Whereas the United States will undoubtedly experience a fall in production and some fall in exports that would give a significantly reduced apparent consumption between 5% and 10%.

One of the most vital consuming industries for sawn hardwood throughout the UNECE region is furniture, an area experiencing rapid change which may be structural. United States manufacturers are under increasing threats from furniture imports from low-cost countries, mainly in Asia, which are enjoying the benefits of a strong dollar. Western European furniture manufacturers are facing ever-increasing competition from more competitive eastern European producers. Along with the bankruptcies in France mentioned previously, German producers *continue to source finished and semi-finished products from their eastern neighbours, which adversely affects its EU trading partners. The United Kingdom furniture trade has largely succumbed to imports and even the previously buoyant Spanish producers are feeling the pressure of a contracting market. This shift may give rise to some increased international trade in sawn hardwood, which compensates for the loss of some local market, but in the process substitute wood and non-wood products, and different species, could threaten the share of temperate hardwoods produced in the UNECE region.*

Fashion will continue to play its role. In the flooring sector the fashion for hardwood flooring is likely to grow but competition for market share will intensify. In the United States domestic strip flooring shipments grew by 12% in 2000, and by 152% between 1991 and 2000. The fashion for oak in wine and spirits will certainly hold up the demand for American and European white oak stave material. In furniture, light-coloured hardwoods are still fashionable in interior joinery and top of the range real wood designer furniture. The only casualty of fashion, oak, is still struggling to regain its position in the furniture market, made all the more difficult by the dynamics of the market referred to. Nevertheless the efforts of the French oak industry campaign J'ai choisi le chêne [I chose oak] appear at least to have underpinned some demand for oak. Beech still commands a place among manufacturers for its physical properties rather than by its natural grain and colour, although the German timber trade has made some good progress, through promotion, in opening the eyes of designers to the characteristics and appeal of lower grades. Against all of these species the use of birch sawnwood and veneer has been championed by the influential IKEA group in its range of home furnishing products. Such are some of the consumer elements of a market that ultimately depends as much on aesthetics as on prices and structural grades.

The conclusion at this early stage for sawn hardwood in 2001 is one of reduced consumer demand and production in the United States, with slightly reduced demand in much of Europe leading to lower levels of apparent consumption than the peak year of 2000 throughout the ECE region as a whole.