

Downturn continues to bite, intra-regional trade helping some exporters

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The global economic downturn affected market conditions for tropical timber products in the first half of 2009 more strongly than in late 2008. Trends showed no overall upturn in demand or prices for the major tropical timber importing markets, particularly those of the US, Europe and China. This was reflected in export statistics for the first half of 2009. Nevertheless, a few producer countries were able to at least partially offset export declines due to increased levels of intra-regional trade. Leading into the last quarter of 2009, there were signs of a minor turnaround in prices and demand for some importing markets.

Low demand, weak markets

In West and Central Africa, trading was slow, particularly in the July to August period, when European holidays take place. The value of Ghana's exports in the first half of 2009 fell by 35%, due to a 30% reduction in the volume of timber exported. However, Ghana's trade with African markets grew in both export volume and value. Total revenue from these markets increased to EUR 27.49 million in 2009, up from EUR 22 million in 2008. Some upturn in exports is expected for Ghana, as its Timber Industry Development Division of the Forestry Commission reported a 21% increase in the volume of contracts for wood products during the second quarter. These figures were boosted by overland contracts to neighboring countries, a sign that intra-regional trade is an increasingly important factor in Ghana's exports.

Intra-regional trade had less of a positive effect in Latin America. Brazil and Peru's exports had been dropping in late 2008 and the trend was exacerbated in the first half of 2009 due to the weakening of the US dollar, the economic slowdown and reduced demand for wood products by the US, the main import

market for both countries. In the first half of 2009, Peru's overall exports dipped 45%, with Mexico's scaling back of Peru's imports by 71% combining with low US demand. In July 2009, Brazil's timber exports were down nearly 41% by value from a year earlier, with tropical plywood down nearly 61% and tropical sawnwood down 45%.

Crash: Brazil's exports by value, July 2008 and 2009 (US\$ million)

Product	July 2008	July 2009	% change
Solid wood*	307.2	182.3	(40.7)
Tropical plywood	12.5	4.9	(60.8)
Pine sawnwood	14.1	13.7	(2.8)
Tropical sawnwood	34.4	18.9	(45.1)
Pine plywood	43.8	21.5	(50.9)
Wood furniture	73.5	49.3	(32.9)

*Figures for solid wood exclude pulp and paper exports

Argentina, once a significant importer of Brazil's furniture products, placed restrictions on the amount of Brazilian furniture imports it would accept, a decision Brazil hoped would be reversed in 2010. Without positive trends in intra-regional trade and continued weak outlook for the US, Brazil's exporters of secondary processed products were exploring new markets (including domestic) to counter dropping export trends.

The Caribbean regional market has remained an important source of revenue for Guyana. Through the first half of 2009, the Caribbean remained the principal destination for Guyana's exports for value-added products such as outdoor and garden furniture as well as non-timber forest products. Popular export species such as greenheart and purpleheart also showed strong export trends to Indian markets. Thus, Guyana was less affected by the downturn in demand from traditional markets such as the US, Europe and China.

China no exception

China was not immune to the slow trends in trading conditions, with imports down sharply during the first half of 2009 when compared to the same period in 2008. Data from Chinese Customs revealed the total value of forest products imported by China during the first half of 2009 (worth US\$26 billion) dropped by 16% from the same period in 2008.

Nevertheless, there were some positive signs in parts of the Chinese market. China's furniture exports were down overall by 3.9% in volume and 3.7% in value during the first half of 2009. However, furniture sales through Guangzhou Province jumped in the same period as a result of more active exporting to Southeast Asian nations. ASEAN countries have become one of the largest markets for Guangdong furniture, with Singapore absorbing US\$150 million worth of exports and Malaysia receiving nearly USD200 million worth in 2008.

Europe weak

Demand from European countries was also considerably lower in the first half of 2009 than during the same period of 2008. In the first quarter of 2009, European import levels of hardwoods had already shown substantial drops in logs, plywood, rough sawn lumber and veneer.



No logs here: Japan's falling plywood production impacts tropical log imports *Photo: A. Sarre*



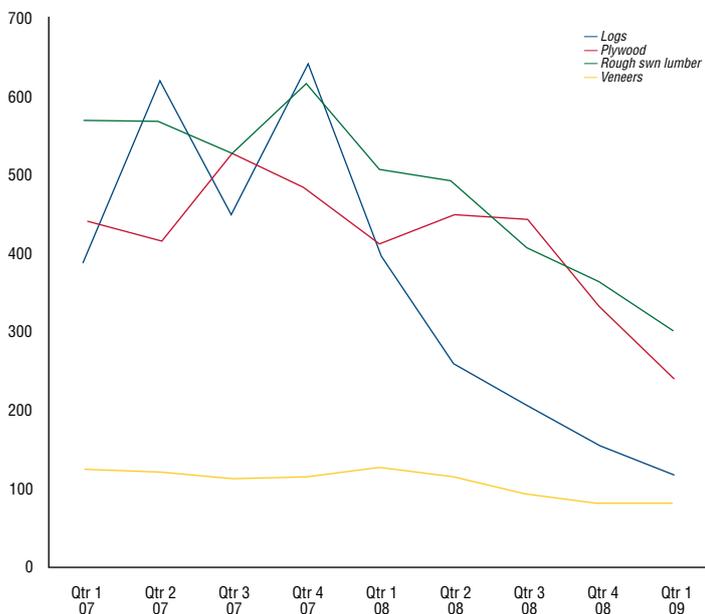
European buyers were not active in forward buying going into the last quarter of 2009 and little evidence was seen that orders would improve. European buyers were placing few orders even for popular species such as light red and dark red meranti, for which reduced production levels in Southeast Asia had until recently caused problems for European shippers.

There was little hope that production levels of tropical timber products would return to normal or expand in late 2009/early 2010. Japanese South Sea plywood mills have reduced their production levels by about 20-30% and it was doubtful production would return to normal even with slight increases in demand. The scaling back of production and layoffs in West Africa also continued through the first half of the year, a trend that was not expected to reverse itself given the low demand from the European market. This trend was also observed in Malaysia and Indonesia, which had faced massive layoffs in the timber sector in late 2008 and early 2009 (see *TFU 18/4*). Nevertheless, there were some reports of short supplies of plywood in Japan, which experts hoped was a sign of a turnaround in the market which would eventually boost imports and/or domestic production levels.

Editor's note: Lauren Flejzor has left ITTO after a successful tenure as MIS Coordinator. We wish her well in her new position

with the *FAO Forestry Department*. *ITTO's bi-weekly Market Information Service newsletter continues to be produced under acting Coordinator Mike Adams (mis@itto.int)*.

Spot the trend: EU 25 quarterly imports of hardwoods from developing countries by main product group (1000 m³)



Keeping it legal (continued from page 8)

The main challenge faced by this project was the difficulty in securing high quality satellite images for Guyana. For several months, poor quality images were the only ones available from both high and medium resolution providers. The solution to this is to plan for high resolution images to be sourced over a longer time frame. However, this has implications for both financial and time inputs. Remotely sensed optical images at medium resolution used in this project (Landsat) only allowed for clearings of approximately 1 hectare and greater to be monitored. This is characteristic of almost all medium resolution images. Only the use of finer resolution (and thus more expensive) images can detect the smaller clearings which are often the initial indicator of illegal logging.

What next?

The establishment of the Legality Monitoring and Extension unit within the GFC provides the mechanism to allow this initiative to be sustained into the future thereby enabling the outputs of this project to continue to improve the prevention and detection of illegal activities in logging, transporting and shipment. The work that has been done under this project in forest assessment using remote sensing has already fed into

Guyana's submission to the World Bank's Forest Carbon Partnership Facility where an assessment of drivers of forest area change was required.

The availability of satellite images to continually conduct national level assessment of illegal logging incidences will also determine the success of future efforts. The tropics are prone to heavy cloud cover and this can often be prohibitive to conducting remote sensing imagery analyses using optical images. New developments in satellite and remote sensing technology may overcome this problem (see, e.g., *TFU 18-1* for a description of cloud penetrating radar satellites being pioneered by Japan), but cost of images will remain a prime consideration.

The situation that is prevailing after the project completion is generally an environment where illegal logging can be detected and prevented through a more integrated, national level system. The project has allowed for a variety of technologies to be integrated and has increased capacity of the GFC to conduct such work. Local communities, exporters, other forest sector stakeholders and the nation as a whole will benefit from the resulting higher level of legality in the sector.

The full completion report of this project is available from eimi@itto.int.