

Exports turn a corner

The immediate prospects for tropical timber exporters have brightened

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DEMAND for tropical wood products has picked up, with both export volumes (with some exceptions) and prices holding onto recent gains.

In Ghana, manufacturers have increased their exports of processed wood products, with first-quarter furniture exports up 18%, mouldings up 11% and flooring up 10% (in contrast, first-quarter exports of sawnwood, plywood and rotary veneer all declined). While data are not yet available for Malaysia and Indonesia, the sentiment in the trade there is generally positive and most companies are reporting improved prices and increased export enquiries.

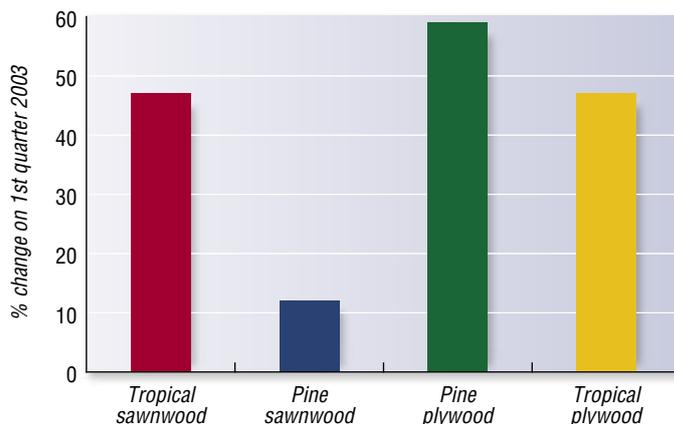
Figure 1 shows that the value of Brazilian tropical sawnwood exports increased by around 47% in the first quarter of 2004 over the same period last year (US\$46 million in 2004 compared to US\$31 million in 2003); pine plywood was another big climber. Prices for solid wood product exports also increased, pulled up by continuing high demand in the US. However, Brazilian producers complain that higher freight costs are eroding some of these gains. Indeed, freight charges are on the increase across the tropics as shippers face a chronic shortage of containers and shipping space. Freight rates to the main markets in Japan and Europe have increased by almost 75% over the six months up to May 2004. With all available shipping space being diverted to the China route and with oil prices well above US\$35 per barrel, further freight increases during 2004 seem inevitable. Exporters in Peru have been particularly hard hit (Figure 2).

Log shortage bumps up prices

A shortage of log raw materials is having an impact on prices. Mahogany (*Swietenia macrophylla*) is in chronic short supply and many traders, especially in the UK, are saying that orders for cedar (*Cedrela* spp) are now difficult to fill because of the strong demand in the US. Prices for

On the up

Figure 1: Brazilian timber exports, first quarter of 2004



dark red meranti and keruing have increased since the beginning of the year, the price of keruing up almost 25% compared to mid 2003.

Prices have also improved for African hardwoods, partly because of a supply shortage and partly because the prices for alternatives timbers from Southeast Asia or South America have been increasing. Both wawa/obeche and sapele prices have recorded gains, even though demand in Europe has been weak for the past 6–9 months. Prices for sapele have been given a boost by the stronger-than-expected demand in Spain and by steady demand in the US.

French buyers are now accepting the higher prices, having slightly misjudged the market earlier and, like China, refraining from purchasing at lower prices. Buyers for the Chinese market had at first fiercely resisted higher prices for okoume, but they are realising that the better prices are here for a while and are starting to increase orders.

Supply shortages have been attenuated in West Africa (notably in Gabon) by a later than usual start to the March–May rainy season; volumes extracted for this normally very quiet and wet period were 2–3 times the level usually achieved.

Prospects

Prospects for the tropical timber trade in the medium term are looking positive, with prices for logs, lumber and plywood having all risen over the past 4–6 months. Trade volumes have picked up, too, and despite an overall concern about log availability, no immediate disruption of trade due to log shortages is foreseen at current levels of demand.

The Japanese market is poised for a possible strengthening in the third quarter, as building activity picks up, but all eyes remain on China, the market leader. Efforts by Chinese authorities to cool the rate of growth will have some impact on consumption, especially if interest rates are pushed higher.

Surge in shipping costs

Figure 2: Cost of a 20-foot container from Callao, Peru to China

