

Forestry in Guyana
Quarterly Market Report

1999/1



Economics Section
Policy and Planning Division
Guyana Forestry Commission

July 1999

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ACKNOWLEDGEMENTS

This *Quarterly Market Report* was produced by Ms M Persaud, Economist and Ms E Fripp, Forest Economist, of the Policy and Planning Division, Guyana Forestry Commission.

Acknowledgements are due to Mr. Thomas Singh, Head of Policy and Planning Division, for his comments and to Ms Roslin Grogan and Ms Skeeta McKenzie, University of Guyana Students for assistance in compilation of the data.

Many thanks are due to Mr. James Singh, Commissioner of Forests (a.g.) and Mr. Chris Turnbull, DFID Project Leader for their comments on the final draft of the report.

1. INTRODUCTION

The Market Report is produced quarterly by the Economics Section of the Policy and Planning Division. The purpose of the Quarterly Market Report is to provide a brief overview of trends in production and trade, and current issues affecting markets for Guyana's forest products.

The report is based primarily on the production, export and price data of the Guyana forest industry, which are monitored by the Guyana Forestry Commission (GFC). Data are obtained from producers, GFC forest officers, exporters and merchants, and compiled at the GFC Headquarters.

The report of the first quarter of 1999 (1999/1) begins with a summary of sector performance, definitions of timber products and flows, after which production, exports and prices are reviewed. A summary of international developments is then presented followed by a calendar of key developments in the sector.

2. SUMMARY

The first quarter of 1999 saw a further relapse of forest sector performance due to a spill over of market lags from 1998, poor weather conditions for harvesting due to the rainy season, increases in production costs due to increases in fuel prices and a depreciation of the Guyana dollar.

Economic growth in the first quarter of 1999, according to the finance minister in a press release, was poor at negative 2 % compared with economic growth of 1.26% in the corresponding period of 1998. Inflation was 2.1% and the dollar devalued by 20.3% relative to the first quarter of 1998.

There were decreases in all primary production sectors except rice. Production of sugar fell by 5.8%, fish by 24%, bauxite by 7% and gold by 5.9%. Rice production increased by 24%.

According to the Economic Commission for Latin America and the Caribbean (ECLAC) forecasts, Latin American and Caribbean markets will face a spill over of low expansion and contraction problems from 1998 into 1999. However, World Bank projections in February stated that all major commodity prices are expected to continue declining, with only timber prices projected to rise by 7% because of tightness in supplies.

Production

With respect to the corresponding period of 1998, the first quarter of 1999 saw decreases in total production of logs to 96,973 m³, chainsaw lumber to 3,971 m³, roundwood to 3,413 m³, splitwood to 106 m³, charcoal to 19,595 kgs, plywood to 15,544 m³, wattles to 1,560 pieces and manicole palm to 306,704 stems. There were increases in production of firewood to 569 cords and mangrove bark to 30,704 kgs. Due to incomplete data on sawmill production it is impossible to give an accurate picture on sawmill production. However, a decline in log production would indicate that there has also been a decline in sawmill production.

Exports

The first quarter of 1999 also saw export volume decreases for logs to 8,859 m³ and roundwood to 1,141.92 m³. There were increases in the export volume of sawnwood to 5,720.23 m³, splitwood to 149.52 m³ and plywood to 17,640 m³. Total export value increased to US\$7.27 million from US\$5.7 million in 1998 first quarter. Export value of charcoal was not included in the 1998 first quarter total export value, however the total value of charcoal exports in first quarter of 1999 is small and therefore has little impact on the difference between the total export values.

Prices

Domestic prices

For the first time we are able to present quarterly domestic prices in the report hence we are not able to present movements in quarterly prices. According to producers and merchants, domestic prices have remained stable over the past year.

Export prices

An index of export prices, as shown in Graph 8 with Jan 1999=100, shows a recovery in plywood and log prices. Dressed and undressed lumber prices remain fairly stable.

3. TIMBER PRODUCTS DEFINITION AND FLOWS¹

In order to make the market reports more comprehensible, a definition and description of the terminology used to describe the forest products, was required. In an economy, the forestry sector is classified as the primary sector and to avoid any conflict in terminology, the use of primary and secondary products and levels of production within the forest industry are to be defined by the level of processing.

Figure 1 represents the flow of timber (non-timber forest products are excluded) from the forest into different categories of products (based on the statistical data collected by the GFC). The logs recorded at the GFC, are used in the production of sawmill lumber, shingles plywood and for domestic and export logs. The production of roundwood, splitwood, chainsaw lumber and fuelwood (firewood and charcoal) are recorded independently of log production. The total of logs used in their production is not monitored and recorded by GFC.

Roundwood comprises of piles, poles, posts and spars. Splitwood includes paling staves, vat staves and shingles and fuelwood includes charcoal and firewood.

¹ Extracted from *Forestry in Guyana, Market Summary 1998*, Guyana Forestry Commission, June 1999.

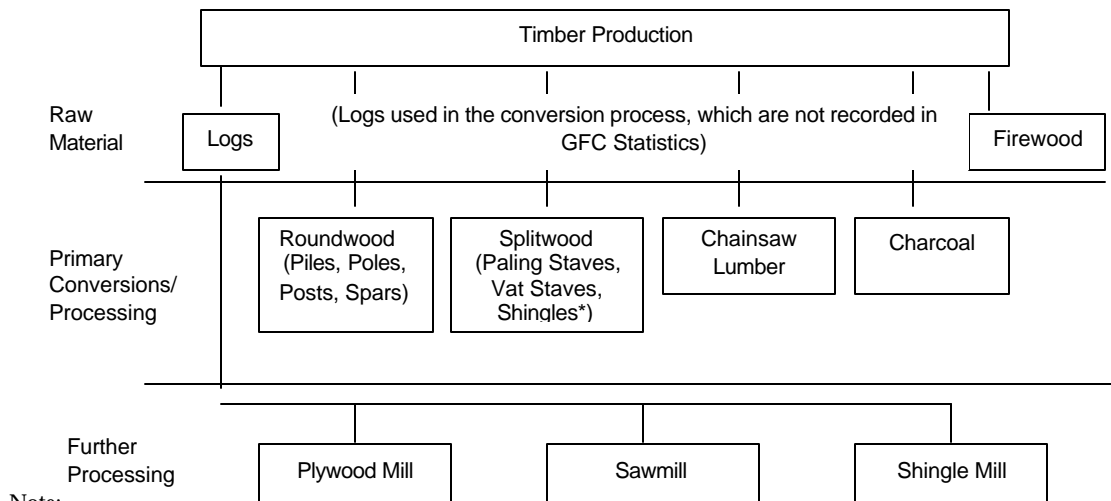
3.1 Levels of Processing

The flow of timber from the forest to forest products passes through three main stages of processing. Forest products such as logs and firewood can be classified as raw materials as they are removed from the forest, with limited processing². Products such as roundwood, splitwood, chainsaw lumber and charcoal all require a degree of conversion from the raw material. This level of processing can be defined as primary conversion³. Primary conversion is often performed in the forest, as in the case in Guyana.

In Guyana there are three forest product types that are produced following further processing. These are plywood, sawmill lumber and shingles from the shingle mill. Shingles are produced in the forest and as such are classified as primary conversion products, however shingles that are produced from the mill are classified under further processing. Further processing includes the transformation of primary products into semi-finished and finished products made wholly or almost wholly of timber⁴.

Forest Products produced from further processing are not included the calculation of forestry's contribution to Gross Domestic Product (GDP) for Guyana.

Figure 1: Flows of Timber Products from Guyana's Forests



Note:

Flows and definitions are based on statistical data available at the GFC.

* Shingles are produced under primary conversion in the forest and some shingles are produced at the shingle mill which is then classified as further processing.

² Processing can be defined as the conversion of harvested raw material into products that may be used in further manufacturing or for consumption.

³ The conversion of raw material into semi finished or finished products made wholly from timber.

⁴ International Tropical Timber Agreement (ITTA)

4. DOMESTIC PRODUCTION

This section provides an overview of changes in production in the first quarter of 1999 relative to 1998 (refer to table 1).

Weather is usually a significant factor affecting forest products in the first quarter. There were heavy rains in the first two months of the year causing production to decline. However towards the end of the quarter production increased, due to producers working to recover what they lost out on in the first two months using machinery that were well serviced during the rainy period.

Timber markets were depressed as a result of a decrease in domestic building activities, and slow export markets. The domestic construction sector was slow, as Government approved construction contracts had been delayed. The domestic market is also faced with competition from substitute products like concrete and also cheap and illegal chainsaw wood. The presence of illegal chainsaw activities, with lower production costs, no forest charges to be paid, chainsaw operators are able to supply the market with low cost sawnwood. The market is prepared to buy such lumber regardless of its apparent lower quality compared to sawmill produced lumber. Chainsaw lumber, Sawmillers believe, account for the majority of the domestic sawnwood market. The extent of illegal chainsaw activities is not known.

Internationally, some exporters were finding it difficult as stockpiles in the UK were high and buyers were not taking more lumber. Producers expect that the situation in the UK markets will continue through the first half of the year.

In addition the Guyana dollar depreciated by 8.5%⁵ from the previous quarter, causing the price of inputs to increase. Fuel prices also increased by almost double in late February, causing production costs to increase.

⁵ Source: Bureau of Statistics.

Table 1: Production of Forest Products in Guyana

PRODUCTS	Unit	4 th Quarter (Oct-Dec)			1 st Quarter 1999 (Jan-Mar)		
		1997	1998	% change	1998	1999	% change
TIMBER PRODUCTS							
Logs							
Greenheart	m ³	20,929	18,271	-13	21,946	19,130	-13
Other Species	m ³	115,141	71,047	-38	101,009	77,843	-23
Total Logs	m ³	136,070	89,319	-34	122,955	96,973	-21
Chainsaw Lumber	m ³	8,235	5,295	-36	6,488	3,971	-39
Roundwood							
Greenheart Piles	m ³	956	1,857	94	1,989	2,333	17
Kakaralli Piles	m ³	525	120	-77	171	3	-98
Wallaba Poles	m ³	1,233	487	-61	1,480	445	-70
Posts	m ³	1,049	786	-25	759	620	-18
Spars	m ³	7	11	54	10	12	20
Total Roundwood	m ³	3,770	3,621	-14	4,409	3,413	-23
Splitwood							
Paling Staves	m ³	438	278	-37	336	102	-70
Vat Staves	m ³	-	6	-	-	-	0
Shingles	m ³	-	19	-	41	4	-90
Total Splitwood	m ³	438	303	-31	377	106	-72
Fuelwood							
Charcoal	kgs	116,056	113,330	-2	87,489	19,595	-78
Firewood	cords	283	1,354	378	392	569	45
Plywood	m ³	20,147	17,582	-13	15,989	15,544	-2
NON-TIMBER FOREST PRODUCT							
Wattles	pieces	628	905	44	2,135	1,560	-27
Mangrove Bark	kgs	0	21,534	-	0	30,704	-
Manicole Palm	stems	1,490,977	1,446,541	-3	1,457,150	306,834	-79

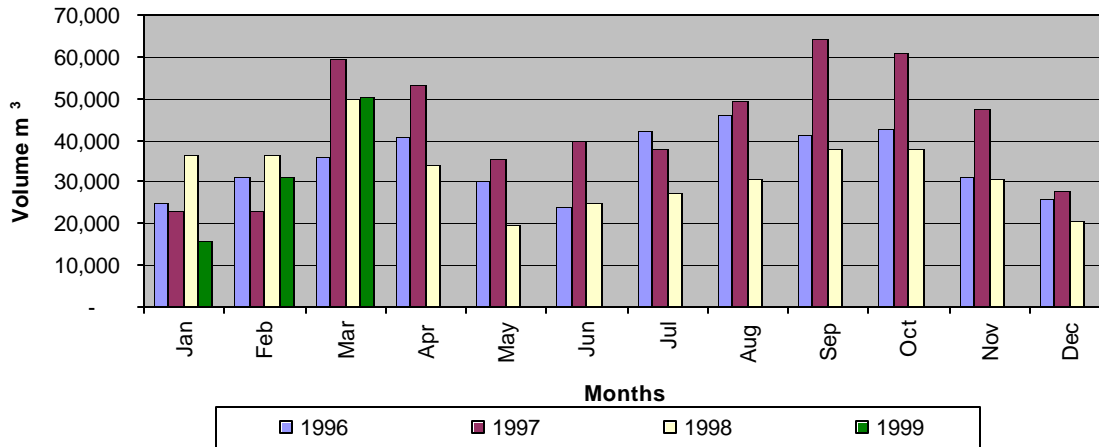
Source: Guyana Forestry Commission

Note Fuelwood Production we have reverted to the original measurements of Charcoal and Firewood until conversion rates are clarified.

4.1 Timber Products

Logs

Graph 1: Log Production, 1996-1999



Log production fell to 96,973 m³ in the first quarter, 21% below 1998 levels in the same period, and 7% below 1997 levels.

Graph 1 shows that log production was remarkably low in January 1999 compared to the previous three years but then recovered to 1997 levels in the February and March. Table 1 also shows that there were declines in Greenheart (*Chlorocardium rodiei*) and other species. Together Greenheart and Class 2 species, which comprised mainly of Baromalli (*Catostemma spp.*), accounted for 57% of total log production in the first quarter of 1999. Baromalli is the major peeler species used in the production of plywood, which declined in production in January and February of this year.

A seasonal adjustment indicates that there were real declines in the first two months of 1999 based on factors other than season. These declines suggest that market conditions mentioned earlier along with a spill over of market lags from 1998 affected Guyana's timber markets in the first quarter of the year.

There was also a decrease in log exports volume and value (see section on exports). Log domestic and export prices remained stable with the exception of Mora (*Mora excelsa*) on the export market, which declined.

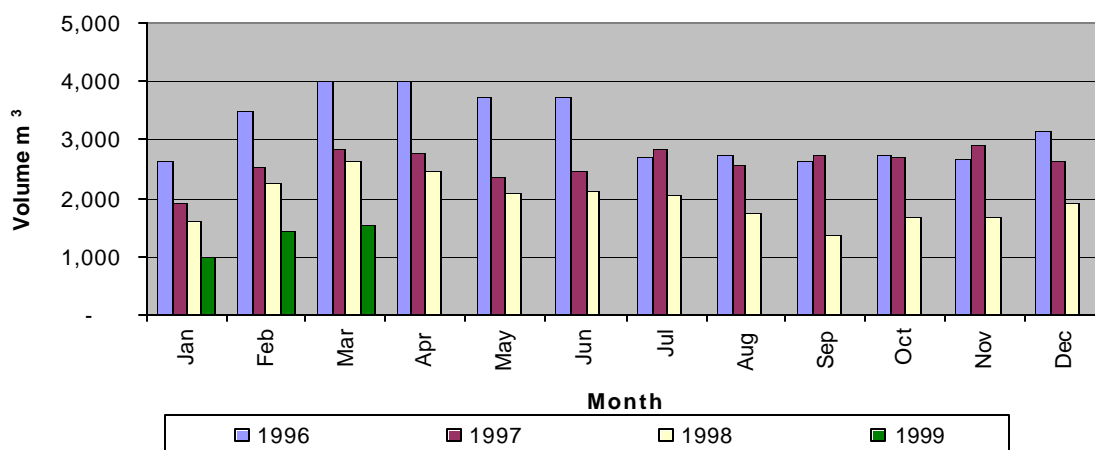
Using data on actual log production and seasonal indices were calculated based on data for January and February 1999, log production forecasts for April-December were computed and are given in Table 2.

Table 2: Forecasts of Log Production for April-December 1999

Month	Log Production (m ³)
April	42,000
May	33,000
June	31,000
July	35,000
August	45,000
September	48,000
October	49,000
November	41,000
December	28,000
TOTAL PROJECTED FOR 1999	448,973

Chainsaw Lumber

Graph 2: Chainsaw Lumber Production, 1996-1999



Figures presented under this section only captures legally produced chainsaw lumber. It is predominantly small concessionaires (SFPs) that engage in chainsaw operations. In 1998, there were 390⁶ SFP operations in Guyana mostly concentrated in the Demerara region.

Table 1 shows that chainsaw lumber production fell to 3971m³ in first quarter of 1999, 39% lower than that of 1998 first quarter. Graph 2 depicts a steady decline of chainsaw lumber production since 1996.

Complaints from Sawmillers and other timber producers would imply that chainsaw lumber has actually grown in magnitude, which may be a result of illegal chainsaw activities.

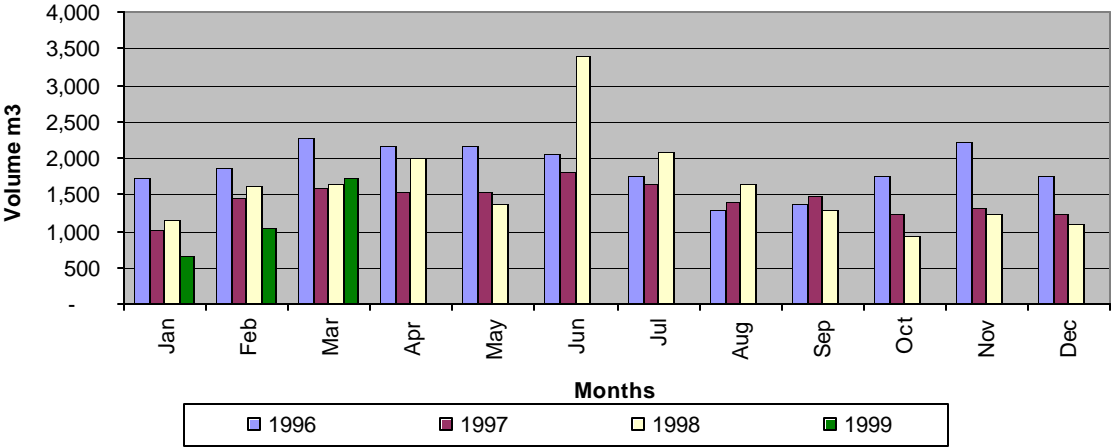
The decline in chainsaw production as time progresses reflects that for these small operations with limited equipment and resources, the accessibility of timber becomes harder as areas close

⁶ includes those under consideration for conversion to larger concessions, i.e. TSA and WCL

to roadways and rivers (the main transport routes) are worked out in the Demerara region. However, a new road in the Ituni area (Berbice region) will open up forests for small operators.

Roundwood

Graph 3: Roundwood Production, 1996-1999



Roundwood in this section comprises of Piles, Poles, Posts and Spars.

As shown in Table 1, there was a 23% decline in total roundwood production in the first quarter of 1999 relative to 1998, amounting to 3,413m³. Although the total of roundwood declined, there were increases in the production of Greenheart piles and spars during this period. The increase in the production of Greenheart piles is related to export demand from North America and Europe in the first quarter of 1999.

Graph 3 depicts lowest level of production for roundwood for the first two months of 1999 compared to the last three years. Roundwood production however recovered in March, back up to 1997 and 1998 levels.

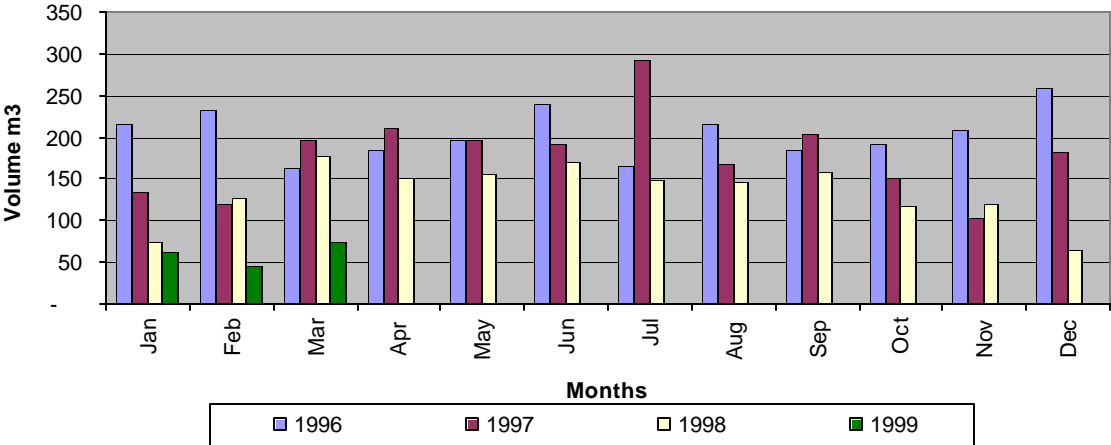
Splitwood

Splitwood comprises of paling staves, vat staves and shingles.

Splitwood production was 106m³ in the first quarter of 1999, 72% lower than it was in 1998. There was a 70% decline in the production of paling staves and a 90% decline in the production of shingles. Note that the shingles reported in this section exclude shingle mill production.

Major declines in splitwood production as depicted in Graph 4 are brought about from a decline in the production of paling staves which constitute the majority of splitwood. Paling staves are being replaced gradually by substitutes such as concrete and chain link fencing materials. This is not uncommon as reports from UK markets show a similar decline in the production of paling staves as a result of substitution for alternative products.

Graph 4: Splitwood Production, 1996-1999



Fuelwood

Charcoal production totalled 19,595 kgs in the first quarter of 1999. This figure represents a 78% decrease relative to the first quarter of 1998. Charcoal production reflect the seasonal pattern in consumption of the product as well as difficulty of its production in rainy season.

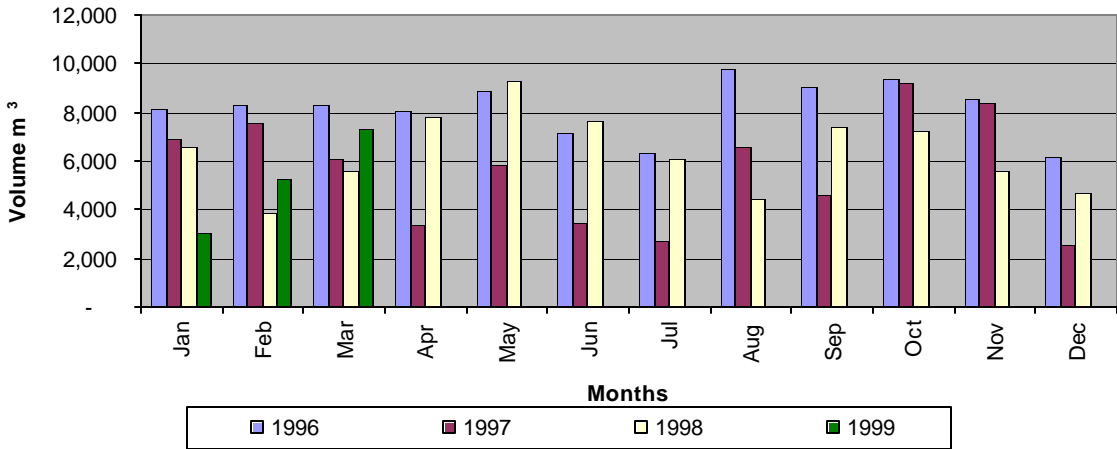
Firewood production was 569 cords for the first quarter of 1999, 45% higher than 1998 levels. The majority of firewood produced is consumed in steam boilers by sugar estates and bakeries in Guyana. The remainder is consumed in rural homes as fuel for cooking.

Plywood

Relative to 1998, there was a slight decrease in plywood production in the first quarter of 1999 of 2% to 15,544 m³. The decrease in production was a result of log shortages caused by heavy rains early in the year. As depicted in Graph 5 January 1999 experienced the lowest plywood production when compared to the previous three years but February and March exceeded 1998 levels and in March also higher than 1997 levels.

Plywood exports, however, increased compared to the previous year and export prices are on the rise.

Graph 5: Plywood Production, 1996-1999



4.2 Non-timber Forest Products

Wattle

A wattle is a sapling less than 3 inches (8cm) in diameter and is used mainly in agricultural /farming activities for supporting young plants.

Wattle production totalled 1,560 pieces in the first quarter of 1999, representing a 27% decline from 1998 levels during the same period. The decrease in wattle production is related to an decrease in farming activities in the first quarter.

Mangrove Bark

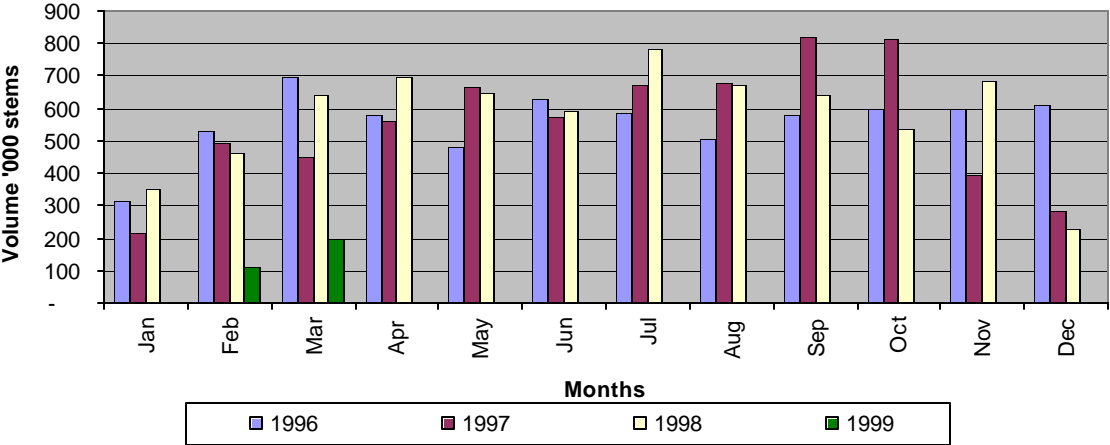
Mangrove bark is used in the leather craft industry in the tanning of leather.

In the first quarter of 1999, mangrove bark totalled 30,704 kgs from no production in the corresponding period of 1998. The increase in mangrove bark production is due to an increase in the demand for mangrove bark used by the cottage industry in the manufacturing of leather accessories.

Manicole Palm

Manicole palm (*Euterpe oleraceae*) is processed, tinned and largely exported as a delicacy to markets in Europe. The sole producer in Guyana is Amazon Caribbean Ltd which began production in 1990. A very small percentage of the end product is sold on the domestic market.

Graph 6: Manicole Palm Production, 1996-1999



Production of Manicole palm plummeted in the first quarter of 1999 to a low of 306,834 stems, 79% lower than its 1.45 million stems in 1998. Graph 6 depicts that this has been the lowest level of production for the product in four years with zero production in January. In our 3rd Quarter report for 1998 we projected that there would have been an increase in Manicole palm production as a result of a new canning factory built in Berbice last year. The plant was opened but had to cease operations in December 1998 due to a collapse in the markets for Manicole palm in Europe. Personal correspondence with AMCAR revealed that the company is faced with strong competition from Venezuela and other plantation palms (for example in Costa Rica) with lower production costs due to more advanced technology, and lower royalties paid to the government per cabbage of Manicole palm.

5. ROYALTY ON PRODUCTION

Royalty is levied on primary forest products that are harvested from Guyana’s State forest by concessionaires. The royalty as stated in this section is the amount payable to the Guyana Forestry Commission and is not the cash royalty collected during the period, given debt collection from previous periods and unpaid royalties from the current period.

Royalty on production declined to G\$30.28 million in the first quarter of 1999, from G\$39.81 million in the corresponding period of 1998. The 24% decline from 1998 levels is in line with reduced production levels in the first quarter of 1999.

Table 3 gives a breakdown of royalty on production of the various products in the first quarter of 1999 with logs accounting for 66% of total royalty, chainsaw lumber 19%, roundwood 12% (of which greenheart piles constitutes 10.6%), splitwood 0.26%, fuelwood 0.29% and non-timber forest products 1%.

Graph 7: Royalty on Production, 1997-1999

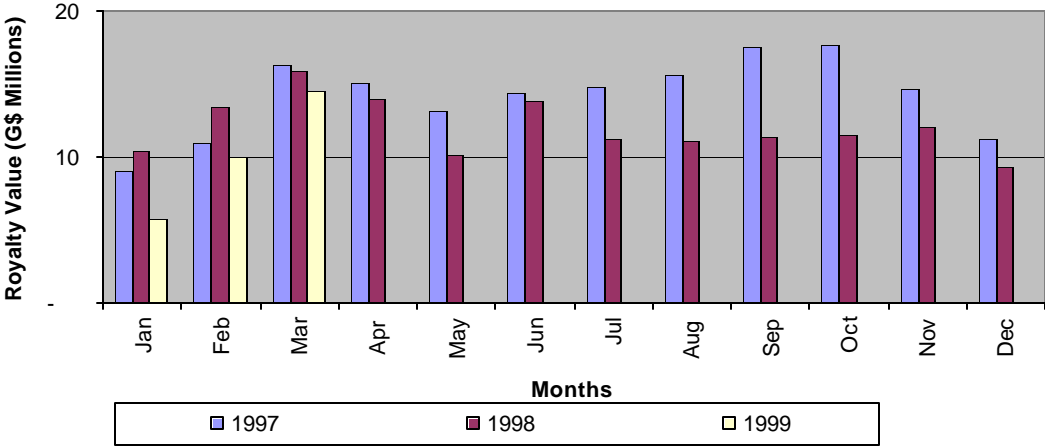


Table 3: Breakdown of Royalty on Production (Jan-Mar 1999)

PRODUCTS	Royalty on Production G\$
TIMBER PRODUCTS	
Logs	
Greenheart	7,439,838
Other Species	12,714,731
Total Logs	20,154,569
Chainsaw Lumber	5,876,483
Roundwood	
Greenheart Piles	3,222,095
Kakaralli Piles	877
Wallaba Poles	364,002
Posts	109,022
Spars	42,320
Total Roundwood	3,738,316
Splitwood	
Paling Staves	74,500
Vat Staves	0
Shingles	3,900
Total Splitwood	78,400
Fuelwood	
Charcoal	25,900
Firewood	62,568
NON-TIMBER FOREST PRODUCTS	
Wattles	3,800
Mangrove Bark	33,845
Manicole Palm	306,834
TOTAL ROYALTY	30,280,715

Source: Guyana Forestry Commission

6. EXPORTS

6.1 Export: Volume and Value

Table 4: Export Volume of Forest Products from Guyana

PRODUCTS	Unit	4 th Quarter (Oct-Dec)			1 st Quarter (Jan-Mar)		
		1997	1998	% change	1998	1999	% change
Logs	m ³	7,336	13,477	83	15,875	8,860	-44
Sawnwood	m ³	7,702	5,002	-35	3,773	5,720	52
Roundwood	m ³	825	2,810	241	2,861	1,142	-60
Splitwood	m ³	207	300	45	117	150	27
Charcoal	kgs	n.a.	n.a.	-	n.a.	38,683	-
Plywood	m ³	19,767	18,253	8	10,449	17,640	69

Source: Guyana Forestry Commission

Note: Sawnwood includes dressed lumber, undressed lumber, sleepers and pallets

Roundwood includes hewn, piles, poles and posts

Splitwood comprises shingles and paling staves

n.a. – not available

Table 5: F.O.B. Export Value of Forest Products from Guyana ('000 US\$)

PRODUCTS	4 th Quarter (Oct-Dec)			1 st Quarter (Jan-Mar)		
	1997	1998	% change	1998	1999	% change
Logs	567.78	696.02	23	1,333.47	548.26	-59
Sawnwood	2,873.22	1,837.48	-36	1,472.15	1,589.95	8
Roundwood	202.33	552.27	173	517.81	193.50	-63
Splitwood	60.26	98.98	64	36.47	75.50	107
Charcoal	n.a.	n.a.	-	n.a.	2.72	-
Plywood	6,175.35	4,253.31	-31	2,404.77	4,868.17	102
TOTAL	9,878.95	7,438.06	-25	5,764.67	7,278.10	26

Source: Guyana Forestry Commission

Note: Sawnwood includes dressed lumber, undressed lumber, sleepers and pallets

Roundwood includes hewn, piles, poles and posts

Splitwood comprises shingles and paling staves

n.a. – not available

Relative to the 1998, the first quarter of 1999 showed decreases in the volumes of log and roundwood exports. There were increases in export volumes of sawnwood, splitwood and plywood. Figures for quarterly charcoal exports for 1998 were not available at the time of writing of the report. Total export earnings also increased to US\$7.27 million. The increases in volumes and values of most products exported indicate that markets are showing signs of recovery.

Log exports accounted for 9% of total logs produced in the first quarter of 1999. At 8,860 m³ log export volume was 44% below 1998 levels. The value of log exports was US\$0.54 million, 59% lower than 1998 levels in the first quarter. Of the exports, 99.5% went to China and the remainder to Guatemala. The demand from China is due to decreases from traditional suppliers in the Asia/Pacific region due to decreases in production caused by the Monsoon rains early in the year. Domestic log supply in China is also shortened due to the ban of logging along the Jinshajiang, a tributary of the Yangtse River.

At 5,720 m³ **sawnwood** export volume in the first quarter of 1999 was 52% higher than 1998 levels. Export value stood at US\$1.58 million, 8% higher than 1998 levels. Together Latin America and Europe accounted for 87% of total sawnwood exports in the first quarter of 1999. As shown in the section on export destinations, the market for sawnwood in Europe is growing, in particular for dressed lumber, undressed lumber and sleepers. How long the demand for sawnwood from Europe will continue is the question in every producer's mind as the European buyers are beginning to request certification of products? The Latin America/Caribbean region however still dominates the Guyana's sawnwood market with a share of 48% of total sawnwood exports.

34% of piles, 35% of poles and 30% of posts produced in the first quarter of 1999 were exported. At 1,142 m³ **roundwood** export volume was 60% lower than the corresponding period of 1998. Piles constituted 70% of all the roundwood exported during this period of which 64% went to the United States of America (USA) and the remainder to Europe. Although the New York City Council has stopped purchasing Greenheart pending elimination from their list of approved species in January of this year, the majority of Greenheart piles exported to the USA went to buyers in Staten Island, New York.

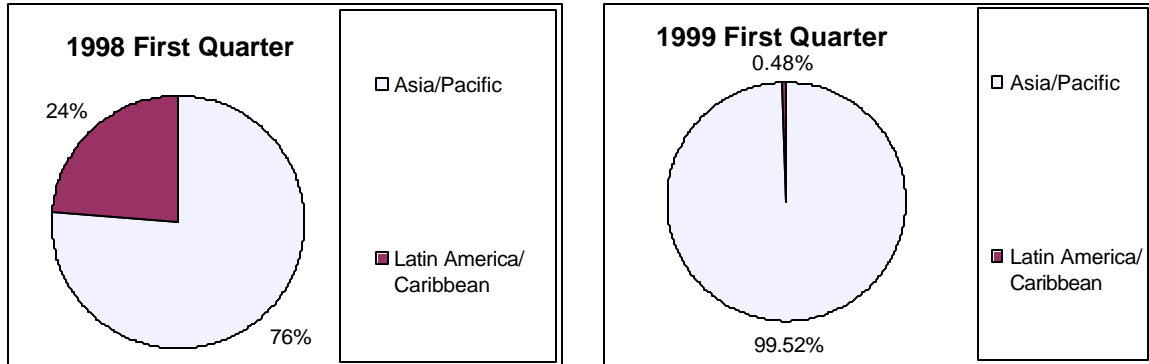
Splitwood exports in the first quarter of 1999 comprised of shingles and paling staves. A minor quantity of 2 m³ paling staves was exported to the USA. This figure represented 2% of the paling staves produced in the first quarter of 1999. At 147 m³ shingles export volume was 25% higher in the first quarter of 1999 relative to 1998. The majority of shingles went to Latin America/ Caribbean region, the main market for Guyana's shingles. The increase in the demand for shingles could be linked with reconstruction projects that resulted from the damages caused by hurricanes Georges and Mitch in September and October of 1998 in the Latin American/ Caribbean region.

Plywood markets have begun to recover from recession period that started in 1997 as a result of the Asian economic crises and continued through 1998. Plywood exports exceeded its production levels in the first quarter and orders were met with stocks. Plywood export volume in the first quarter of 1999 totalled 17,640 m³, 69% higher than it was in the first quarter of 1998. Export value increased to US\$4.8 million, 102% higher relative to 1998.

6.2 Export: Destination

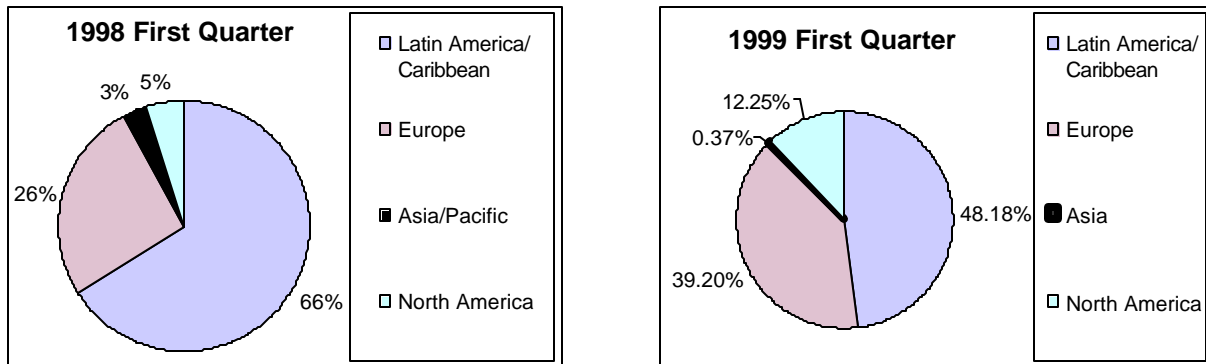
The exports by destination are based on volumes.

Logs



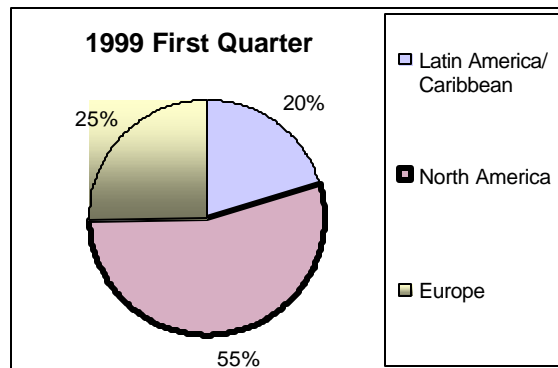
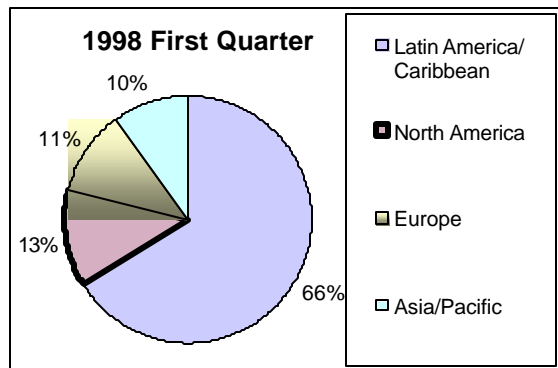
The Asia/Pacific region increased its market share of logs from Guyana in the first quarter of 1999 to 99.5% (all of which went to China in January) from 76% in the first quarter of 1998. The shift toward Asia/Pacific region however is a result of reduced demand for logs from the Latin America/Caribbean region in the first quarter of 1999.

Sawnwood



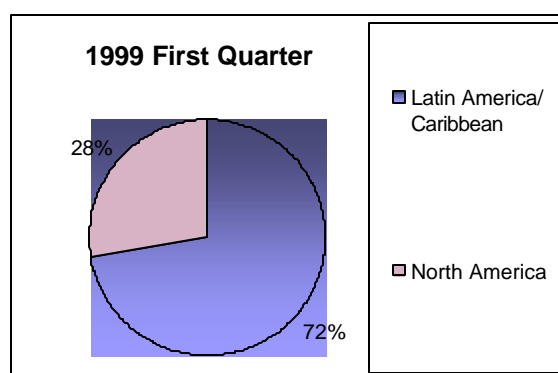
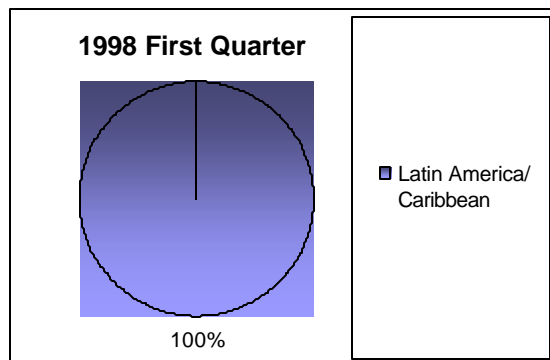
Although Latin America/Caribbean continues to receive the largest share of sawnwood from Guyana, their market share has declined in comparison to 1998 first quarter. Europe increased its market share to 39% in the first quarter of 1999 from 20% in the corresponding period of 1998. The North American market for sawnwood also grew, amounting to 12% of total market shares. The Asia/Pacific market decreased even further to less than 1% of the market share.

Roundwood



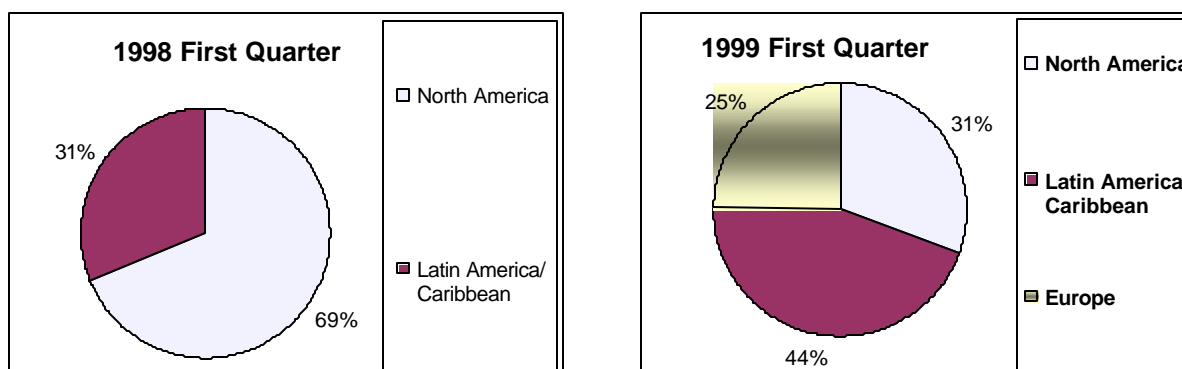
The roundwood market shifted toward North America in the first quarter of 1999 to 55% from 13% in the first quarter of 1998. This was due to the increased demand for piles from North America. There was movement away from the Latin America/Caribbean market from 66% of total market shares in the first quarter 1998 to 20% for the same period in 1999. The movement in market shares away from Latin America/Caribbean is related to poor markets as a result of low expansion and contraction in many of these economies as mentioned in the Summary on page 1. Also many Latin America/Caribbean countries have experienced natural disasters recently (in late 1998) and are therefore spending on reconstruction projects. It is expected therefore that the Latin American/Caribbean markets will pick up as reconstruction projects gain momentum.

Splitwood



The splitwood market in North America is growing from nil in the first quarter of 1998 to 28% in the first quarter of 1999. The 28% of splitwood exports to North America comprised of paling staves and shingles. Although the Latin America/Caribbean market shares declined, export volumes of shingles to that region increased.

Plywood



Plywood markets are shifting from being primarily dominated by North American buyers to a more levelled playing field between North America, Latin America and Europe. North America plywood market shares reduced from 69% in 1998 first quarter to 31% in 1999 first quarter. Latin America/Caribbean market shares increased from 31% to 44% and Europe bought 25% of the plywood exports from Guyana in the first quarter of 1999. The European market is fairly new but is gradually growing as seen in the last three quarters of 1998.

7. PRICES

7.1 Domestic Prices

Average Domestic Prices (minimum and maximum) for 1st Quarter 1999

Logs G\$

Species	Min/cft hoppus	Max/cft hoppus	Min/m ³	Max/m ³
Baromalli	170	258	4,722	7,167
Crabwood	350	350	9,722	9,722
Greenheart	378	428	10,500	11,889
Locust	104	428	2,889	11,889
Mora	100	270	2,778	7,500
Purpleheart	378	428	10,500	11,889
Shibadan	250	367	6,944	10,194

Dressed Lumber G\$

Species	Min/bm	Max/bm	Min/m ³	Max/m ³
Baromalli	45	55	19,080	23,320
Crabwood	85	105	36,040	44,520
Greenheart	123	125	52,152	53,000
Locust	110	116	46,640	49,184
Mixed Hardwood	55	70	23,320	29,680
Mora	58	70	24,592	29,680
Purpleheart	123	125	52,152	53,000
Shibadan	77	85	32,648	36,040

Undressed Lumber G\$

Species	Min/bm	Max/bm	Min/m ³	Min/m ³
Baromalli	35	45	14,840	19,080
Crabwood	80	100	33,920	42,400
Greenheart	110	120	46,640	50,880
Locust	105	105	44,520	44,520
Mora	53	65	22,472	27,560
Purpleheart	105	120	44,520	50,880
Shibadan	73	75	30,952	31,800
Ulu	35	40	14,840	16,960

Other Products

Product	Unit	Min G\$/unit	Max G\$/unit
Greenheart Piles <=55'	lin ft	480	580
Kakaralli Piles <=55'	lin ft	350	350
Greenheart Piles >55'	lin ft	730	1,200
Kakaralli Piles >55'	lin ft	700	700
Wallaba Poles <=50'	lin ft	238	300
Wallaba Poles >50'	lin ft	340	786
Wallaba Posts 10'	post	300	600
Wallaba Posts 8'	post	900	900
Shingles	piece	14	17

Plywood

G\$/2,440 mm x 1,220 mm (4'x8') Average Retail Price

Width	Min Price	Max Price
5.2 mm	1150	1230
9 mm	1950	1958
12 mm	2550	2587
15 mm	3100	3100
18 mm	3750	3850

Plywood Prices from the mill

Width	G\$/2,440mm x 1,220mm	G\$/m ³
5.2 mm	914	59,047
9 mm	1522	56,809
12 mm	2011	56,296
15 mm	2525	56,548
18 mm	2925	54,588

7.2 Export Prices

The prices quoted in this section are average export prices based on exports from Guyana for the period January to March 1999. Please refer to the average exchange rate presented in the annex of the report for conversion to Guyana dollars.

Logs US\$

Species	Min/cft hopp	Max/cft hopp	Min/m ³	Max/m ³
Mora	1.72	2.26	47.78	62.78
Purpleheart	1.90	2.44	52.78	67.78
Mixed Hardwood	2.44	3.06	67.78	85.00

Dressed Lumber US\$

Species	Min/bm	Max/bm	Min/m ³	Max/m ³
Crabwood	0.85	0.95	360.40	402.80
Greenheart	0.65	1.89	275.60	801.36
Locust	0.65	1.00	275.60	424.00
Mixed Hardwood	0.65	1.10	275.60	466.40
Mora	0.95	0.95	402.80	402.80
Purpleheart	0.50	1.35	212.00	568.16
Shibadan	0.95	1.20	402.80	508.80
Kabukalli	0.57	0.95	241.68	402.80

Undressed Lumber US\$

Species	Min/bm	Max/bm	Min/m ³	Max/m ³
Crabwood	0.60	1.60	254.40	678.40
Greenheart	0.75	1.35	318.00	568.16
Locust	0.75	0.85	318.00	360.40
Mixed Hardwood	0.64	0.75	271.36	318.00
Mora	0.55	1.00	233.20	424.00
Purpleheart	0.68	1.15	288.32	487.60
Shibadan	0.65	0.75	275.60	318.00

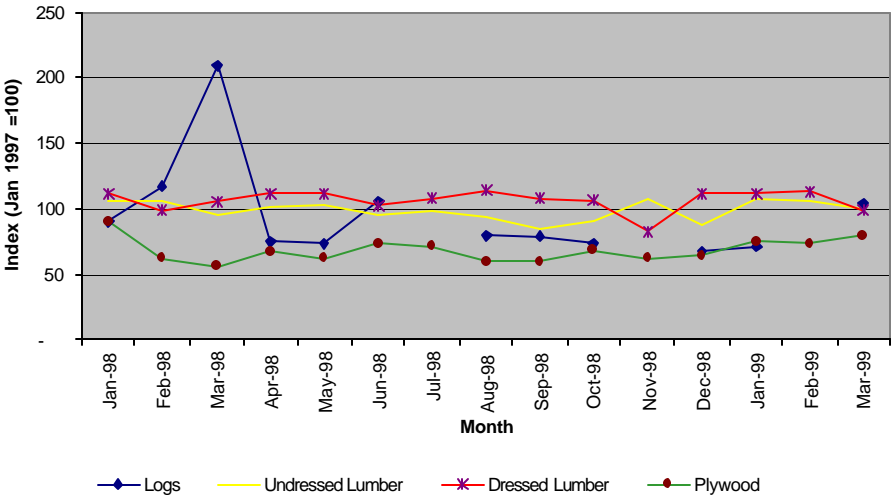
Other Products US\$

Product	Unit	Min	Max
Greenheart Piles	lin ft	2.00	5.50
Wallaba Poles	lin ft	1.90	1.90
Wallaba Posts	post	2.75	12.50
Mora Sleepers	Bm	0.55	0.81
Pallets	Bm	0.75	0.75
Shingles	Bundle of 50 pieces	6.06	16.66

Plywood Prices US\$

Species	Min/m ³	Max/m ³
Baromalli	134.30	430.00

Graph 8: Average F.O.B. Prices for Selected Products



Graph 8 above shows movement of average export prices for logs, dressed lumber, undressed lumber and plywood with January 1997 as the base period (Jan 1997=100)

Trends in Log prices show a downward movement. Gaps in the trend line are a result of no exports of logs for those periods. However as depicted in Graph 8, March log export prices are back up to January 1997 level.

Undressed and dressed lumber prices remained somewhat stable at just above January 1997 prices in the first two months of 1999, declining slightly to January 1997 price level in March 1999.

Plywood prices are climbing again, but remain 20% below January 1997 level at the end of March 1999.

8. INTERNATIONAL TROPICAL TIMBER MARKET IN THE FIRST QUARTER OF 1999

This section identifies some of the major international market occurrences in the first quarter of 1999.

General Issues

Overall the international market has shown continued signs of recovery from the depressed markets in 1997 and the first half of 1998. However although prices show signs of recovery, demand is still sluggish in many markets and stocks have piled up causing a lull in the recovery momentum.

⁷ Further information can be obtained from ITTO Fortnightly Tropical Timber Market Report and timber reports from Internet web pages on timber trade.

The heavy Monsoon rains in the Far East have had major implications for log supplies and on dampening the demand from Japan.

Many operators who curtailed or ceased operations in 1998 due to the low demand, were reluctant to restart their operations until the markets show stronger signs of recovery.

Freight costs have continued to rise (in Brazil by up to 22%). In the Far East many vessels were having to trek around the region to find full cargoes as a result of the recent decline in fortunes of many local economies, coupled with the lack of logs.

The market remained in a confused and somewhat destabilised state and the IMF's insistence on freeing-up the previously tightly-controlled marketing of Indonesian timber and timber products are exacerbating the problem.

China and Indonesia have agreed a barter deal whereby China will take Indonesian logs, lumber and plywood, crude palm oil, rubber and some other products in return for sugar, medicines, soybean, cotton and, machinery for processing logs, sawn timber and plywood. The deals are being co-ordinated by the Indonesian Chamber of Commerce and Industry (KADIN).

Logs

Log export prices improved at the end of 1998 and continued to do so in the first part of 1999. Throughout the market log shortages are apparent in most sectors. This is due to factors such as the prolonged wet season in the Far East (causing a delay in logging start up and transport problems); some log producers are supplying domestic demands; and some producers are slow to re-enter the market after the depressed situation in 1997 and 1998.

However the recovery in prices is being dampened by the supply of low-priced logs in Indonesia which are being demanded by Japan, and the competition arising from West African producers. West Africa has started to supply peeler logs, especially okume, to China. The supply is adequate although log export restrictions proposed by Cameroon could have an impact in the second half of the year.

Papua New Guinea and Solomon Islands' log prices have firmed up a little since last year's very low-priced log stocks were cleared. Production, however, is very low with many concessions still closed or operating at a low level. Some buyers of Solomon Islands logs have been reported to have moved into Indonesia for current needs.

Malaysian log export prices have risen by about US\$5/m³ and are holding firm, while Keruing is in very short supply.

There is a log shortage in the market now but demand is only moderate and, with Japan forecasting the same forest products import requirement for 1999 as for 1998, supply factors are likely to be more important than demand in the first half 1999.

Sawnwood

There are no forecasts of any immediate upturn in the overall market volume situation but producers and traders are cautiously optimistic of a continuation in the upward price trend. It is likely that the general curtailment in log production will mean available supply volumes of sawn lumber remaining moderate at least for the first half of 1999. Far East sawmills have been helped by quite firm prices for the African red species competing with meranti/seraya, and though African sawn lumber prices have been under pressure, the red species are holding their ground and even firming up a little.

In 1998, sawn lumber producers held on to their markets by reducing prices wherever necessary in order to satisfy their traditional buyers in Europe. Then by the fourth quarter 1998 the producers began to refuse low price offers, held very firm and are now seeing much better results and a general rising trend in prices. For example, Indonesian mills have always sold products in US dollars and have had to reduce their prices to compete with Malaysian producers.

There is some comfort for Far East producers and traders in that softwood competitors, who have been so active in replacing tropical hardwoods, also suffered downturns in trade volumes and prices. Notably this was true for New Zealand and some Scandinavian shippers, who saw the Far East as a new and lucrative outlet for large volumes of softwoods.

Korean buyers returned to the market mainly to cover for the current low stock in softwood logs and low grade hardwood sawn lumber rather than any huge resurgence in demand from the still rather cool economy.

Plywood

Heavy rains in the Far East have dampened log supplies to plywood producers which will assist to keep prices firm. Plywood prices are reported to be higher, with China buying strongly, while Japan is still quite slow with only a modest price rise.

The impact of the 8% currency devaluation on Brazilian plywood output appears to have been relatively slight. It has not been possible for many producers to gear up their production quickly while domestic demand remains very depressed.

Demand in the UK has slowed for plywood following a period of rapid price rises. Stockpiles have mounted, so much at Tilbury docks in the UK, that an embargo on shipments was enforced until the storage space became available. Strong competition and stock piles is dampening the price recovery.

However stocks of lower priced plywood are diminishing in the UK market and there is a general feeling that prices will have to rise in the middle part of 1999. Prices in Europe remain slightly higher than the UK and are the preferred market for Indonesian producers. UK consumers are content with Malaysian and Brazilian hardwood plywood, whilst Europe has a preference for Indonesian material.

Demand in the Far East and Pacific Rim had a slow start to the year but started to recover following the conclusion of Chinese New Year celebrations.

Radiata pine plywood continues to reach the UK from Korea, although has declined slightly due to a slight improvement in the more easily-reached Far East and Pacific Rim markets, as well as to the product being more expensive than a key rival, namely Elliott's pine plywood from Brazil.

Demand for domestic plywood in the US remains robust on the back of a seasonally adjusted projection of 1.8 million new housing starts.

While figures for the 1998 year-end are not available yet, it is anticipated that US plywood exports to the UK will have failed to reach even the 100,000m³ mark, compared with more than 200,000m³ the previous year. Material continues to arrive but incoming volumes are 'basically down to a trickle'. Additionally, concern is raised in the US at the continued failure of US plywood to meet the British Standards.

9. CALENDAR OF KEY EVENTS IN GUYANA'S FORESTRY SECTOR FOR THE FIRST QUARTER 1999

January 1999

Concession holder, Willems Timber and Trading Company Inc entered a joint venture agreement for a proposed US\$20 million investment with a Dutch company, Project Evaluation Consultancy (PEC) NV. The Government of Guyana agreed to waiver 15% withholding tax on dividends for the transaction to take place. The restructured operation will operate under the regulations of the Forest Stewardship Council (FSC) of Holland and aim at making the operation a model lumber company in the sustainable use of forest resources. The company is interested in downstream processing activities such as furniture manufacture.

Iwokrama International Centre for Rainforest Conservation Development held a two-day workshop at Lethem, Rupununi with participants from every indigenous community in Region 9. The workshop was arranged to provide information on Iwokrama's programmes for communities and how the Centre can contribute to the sustainable development of Region 9 and help conserve its forest and natural resources.

The New York City Council has stopped purchasing Greenheart from Guyana pending elimination from their list of approved species for NYC Board walks and other uses. NYC is one of the largest buyers of Greenheart piles and the possibility of ban would have a great impact on the forest industry in Guyana.

February 1999

Barama Company Limited (BCL), Guyana's largest logging company, plans to invest a further US\$32 million into its operation to facilitate the relocation of its logging camp to the banks of the Essequibo river. The impending relocation will remove the inconvenience the company faces in transporting logs to the plywood factory some 240 miles away. It will also facilitate the company harvesting from the central segment of its 1.6 million hectares concession.

The Vice President of the Tourism and Hospitality Association of Guyana (THAG) Mrs. Catherine Hughes at a press conference held at the Ocean View Convention Centre on 19 February 1999 lobbied that forest based tourism development in Guyana has the potential to double the size of the Guyana economy. She noted that forest based tourism, alone, earned Costa Rica US\$800M in 1997 – a figure which represented 33% more than the entire GDP of Guyana. The forests of Costa Rica are tiny in comparison to that of Guyana.

March 1999

Barama Company Limited and Golden Star Resources Limited signed an agreement to begin two years of exploratory work for precious minerals in Barama's forest concession. Executive Director – Corporate Services of Barama, Mr. S K Loong said that the initial investment is worth between US\$300,000 and US\$1 million depending on the extent of exploratory work. Loong also stated that the surveys will be done in an environmentally friendly manner and will not affect the company's forestry operations.

ANNEX

Glossary of terms

Firewood	Include parts of trees made up into bundles or loads, or cut in a manner in which it is usual to cut wood for burning, and all refuse wood generally, but does not include straight logs or poles of any kind.
Forests	An ecosystem dominated by woody plants, consisting either of closed forest formations, where trees of various stories and undergrowth cover a high portion of the ground, or of open forest with a continuous vegetation cover in which the tree crown exceeds 10%, and includes mangrove forests and any wetlands or open lands within a forest which form an integral part of the ecosystem.
Non-timber forest products	All biological material, other than industrial roundwood, that may be extracted from natural ecosystems, either for commercial purposes, for use within the household or for social, cultural or religious purposes. Also known as non-wood forest products.
SFP	State Forest Permission: A lease, valid for 1 year, for an area up to 8,094 hectares (20,000 acres) of State forest.
Spars	Saplings 15-25 cm (6-10 ") in diameter.
Timber	Include a tree or any ligneous part of a tree whether standing, fallen or felled, and all wood, whether or not sawn, split, hewn or otherwise cut up or fashioned.
Wattles	Saplings less than 3" (8 cm) in diameter.

Average Quarterly Exchange Rate to the United States (US) Dollar

December 1997	G\$142.00=US\$1
March 1998	G\$149.30=US\$1
June 1998	G\$147.15=US\$1
September 1998	G\$152.61=US\$1
December 1998	G\$164.70=US\$1
March 1999	G\$174.46=US\$1

Source: Bureau of Statistics, Guyana

Metric Conversion Table

To convert	From	Into m³ (roundwood equivalent) multiply by
Logs	Cft hoppus	0.036
	Cft	0.0283
Mill sawn lumber	Board ft/Board Measure	0.002358
Chainsawn lumber	Board ft/Board Measure	0.002358
Piles	Linear ft	0.020
Poles	Linear ft	0.0067
Posts	Linear ft	0.0057
Paling staves	Pieces	0.00223
Vat staves	Pieces	0.001132
Shingles	Pieces	0.000566
Spars	Linear ft	0.000283

Source: GFC, FAO

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Note

The Guyana Forestry Commission is responsible for the provision of the domestic statistical data on forestry.