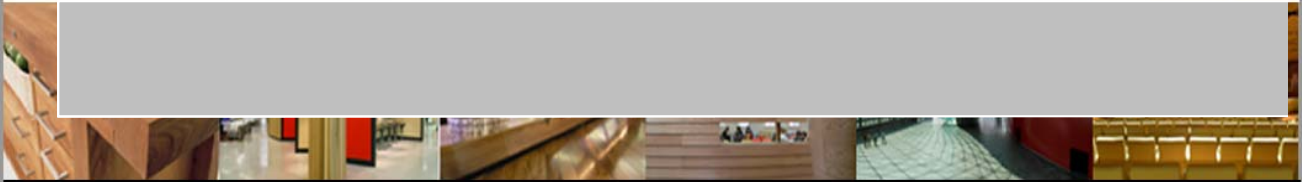


EUROPEAN MARKET REPORT



Issue: April 2010

Highlights this month

- **US hardwoods benefit from falling demand for tropical hardwoods in European markets**
- **American hardwoods on public display in Milan**
- **AHEC generate unprecedented levels of online publicity**
- **AHEC extend external treatment research to include red oak**

Current exchange rates

| | 31 st January 2010 | 28 th February 2010 | 31 st March 2010 | 30 th April 2010 |
|-----------------------------|----------------------------------|-----------------------------------|--------------------------------|--------------------------------|
| 1 EURO = \$1.40 | | \$1.36 | \$-1.35 | \$-1.33 |
| \$1 = EURO 0.72 | | €0.74 | €0.74 | €0.754 |
| £1 Sterling = \$1.61 | | 1.52 | 1.51 | 1.53 |
| \$1 = Danish DKr 5.33 | | 5.48 | 5.52 | 5.61 |
| \$1 = Swedish SKr 7.34 | | 7.17 | 7.25 | 7.26 |
| \$1 = Czech Kr 18.81 | | 19.14 | 18.89 | 19.27 |
| \$1 = Hung'y Forint 1954.13 | | 198.89 | 197.55 | 202.38 |
| \$1 = Polish Zloty 2.29 | | 2.92 | 2.88 | 2.95 |
| \$1 = Russian Reuble | | 30.15 | 29.44 | 29.24 |
| \$1 = Turkish Lira 1.50 | | 1.55 | 1.53 | 1.48 |
| \$1 = Indian Rupee 46.35 | | 46.10 | 45.04 | 44.51 |
| \$1 = UAE Dirham 3.67 | | 3.67 | 3.67 | 3.67 |

Markets

Europe

US hardwoods in the European market

An analysis of the latest Eurostat data shows that total hardwood lumber imports into the EU fell by 37% in 2009 to 2,345,000m³. US hardwoods accounted for just over 18% of the total at 428,000m³, a drop of 27% compared to 2008.

American hardwoods have been significantly affected by the economic recession and resulting downturn in Europe, but they are still a significant player in the market. Some of the reduction in exports can be accounted for by the fact that most European importers did cut back their stocks of US hardwoods in 2009. Although there appears to have been more buying activity taking place in the first quarter of 2010, European stocks of US hardwood lumber still remain at relatively low levels with new buying focusing on replacement, rather than speculative purchasing. The recent weakening of the Euro against the US dollar is likely to make European buyers even more cautious about forward purchases, at least until there are stronger signs of recovery.

The Eurostat data shows that the major suppliers of European hardwoods to the EU such as Croatia, Ukraine, Russia and Romania were also hit hard in 2009. But it appears that tropical hardwoods have seen the most impact with the main suppliers of Cameroon, Malaysia and Brazil, seeing export volumes fall by 36%, 26% and 48% respectively.

Whereas the demand for temperate hardwoods is expected to recover in the longer term, many commentators believe that the market for tropical hardwoods will continue to shrink. A number of major European hardwood importers have told AHEC recently that they have greatly reduced their tropical hardwood activity and shifted the focus of their businesses to temperate hardwoods. These changes have come about for a combination of reasons including; difficulties in sourcing reliably, concerns over sustainability and legality, and changes in fashion in European markets. If manufacturers do require a dark or red tropical look more and more of them are now prepared to take lighter temperate species such as tulipwood, maple or beech and apply a suitable stain. This shift in approach has especially helped sales of tulipwood in Europe as more manufacturers are discovering its potential. As a result many leading importers are telling AHEC that they are now selling and stocking more tulipwood lumber than ever before. Some also cite AHEC's high profile promotion of tulipwood as helping to raise more awareness of the potential of tulipwood and its availability.

Europe's recovery weaker than other major economies

In its latest forecasts released on 21st April, the IMF predicts that global output on a purchasing power basis will see healthy growth of 4.2% this year, a full percentage point more than it foresaw only six months ago. Other forecasts are even more optimistic, predicting global growth of 4.5% in 2010 – close to the average pace of the boom years prior to the recession.

Unfortunately for Europe, the healthy pace of global growth belies significant and growing differences between regions. The largest emerging economies – China, India and Brazil – are accelerating fastest with growth forecast by the IMF to be close to, or to exceed, double-digit rates. The IMF reckons that the US will grow by as much as 3% this year. In contrast Europe, where the downturn was particularly pronounced during 2010, is now experiencing one of the weakest recoveries. The IMF expects output growth of only 1% in the euro-zone and 1.3% in the UK this year.

The Economist newspaper cites various reasons for the relative weakness of the European economic recovery this year. It notes that the European economy has high relative dependence on the weak financial sector. Relatively large public and consumer debt levels have limited the scope of European governments to apply vigorous monetary and fiscal stimulus packages. Individual countries in the euro-zone have also been constrained by their inability to introduce independent monetary policies.

The European economy is less flexible than some other major economies so that, in contrast to the US, productivity has actually slumped in Europe during the downturn. This combined to the strength of the euro has limited the potential for European companies to boost exports.

Although there are now some signs that economic recovery is underway in Europe, there remain significant downside risks. A major concern is that sovereign debt fears - which threatened to overwhelm Greece before other euro-zone countries recently stepped in with a massive support programme – may now spread to other European countries. Portugal and Italy look to be particularly at risk. Even if the worst fears of economists do not materialise, current high levels of indebtedness across Europe will inevitably force many European countries to tighten fiscal policy further.

The European economy received a boost this year as companies generally stopped the fierce destocking that exacerbated the recession during 2009. This is apparent in the wood sector from the bottoming out and upturn in wood imports beginning in the last quarter of 2009.

But if this recovery in Europe is to take root, it must be able to cope with a gradual withdrawal of emergency money support. It will need to develop a more sustained impetus from the private sector than a short-term turnaround in the inventory cycle.

That will require new sources of demand. With overall domestic consumption in major end-using sectors like construction and furniture stagnant, for the wood sector this means serious efforts to increase and regain market share from alternative materials. It will require increased private investment and other measures to improve productivity and reduce costs in a drive to boost export demand for Europe's finished wood products.

European retailers push for a tougher stance on illegal imports

A group of 4 leading European retailers launched the Timber Retail Coalition (TRC) on 6 April 2010 "to support measures to curb illegally harvested timber". Kingfisher, Marks & Spencer, IKEA and Carrefour Group are the founding members. According to a TRC statement, it is "committed to tackling global deforestation linked to climate change. By providing a single platform for engaging with politicians and policymakers at national and EU levels, the TRC will significantly enhance this effort".

| The TRC supports the European Commission's on-going efforts to create an EU-wide regulation requiring importers and domestic wood suppliers to implement due diligence systems designed to minimise the risk of their trading in illegal wood. The TRC sees these efforts as "a crucial step towards the widespread adoption of responsible timber sourcing practices". The TRC believes the regulation will "help to create a level playing field, which currently does not exist as the illegally logged timber products industry still has easy access to the EU marketplace".

According to a TRC spokesman, the coalition wants the EU regulation to go further than currently proposed by the European Commission and European Council. TRC support a specific prohibition on illegal imports with punishment for timber companies that knowingly place illegal timber on the market. But TRC also says that the burden of proof should lie with

the entity that lays charges and that the principles of due diligence should not be superseded.

Next month, the European Parliament's Environment Committee is due to vote on a second more far-reaching draft of the proposed legislation tabled by Green MEP Caroline Lucas. A full plenary session of the European Parliament will then vote in June. After that further negotiations may have to be held to formulate a consensus text acceptable both to the European Parliament and to the European Council.

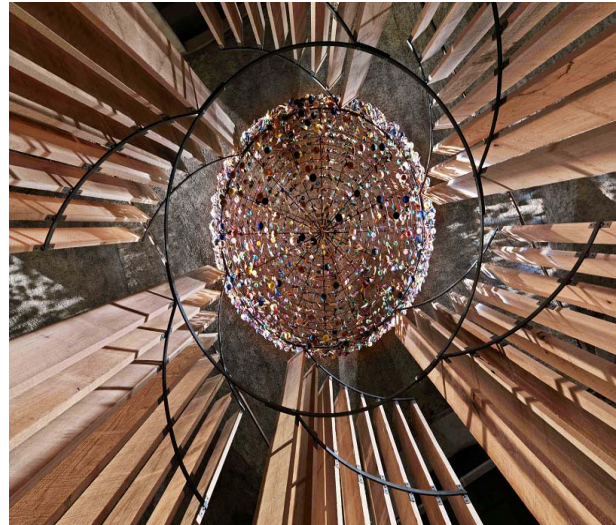
Forthcoming events

| 2010 | | | |
|-----------------|-------------------------------------------|-------------------|-----------------------------------------------|
| 7-9 May | Grading Workshops | Germany | Trade |
| 10-12 May | Domotex Middle East | Dubai, UAE | Flooring show |
| 11-15 May | Interzum Moscow | Moscow, Russia | Trade show |
| 18 May | 'In Touch with Timber' – TRADA Seminar | London, UK | Construction industry seminar |
| 24-26 May | Greenbuild | Abu Dhabi, UAE | Building & environment show |
| 2-4 June | Carrefour | Nantes, France | 100% wood show |
| 18-26 Sept | London Design Festival | London, UK | Architectural/design |
| 23-26 Sept | 100% Design | London, UK | Building/design show |
| 16-20 Oct | Intermob | Istanbul, Turkey | Suppliers to the furniture industry |
| 2011 | | | |
| 17-20 Feb | Panel Expo | New Delhi, India | Wood/machinery show |
| 25-28 May | Interzum Cologne | Cologne, Germany | Suppliers to the international furniture show |
| 30 May - 3 June | Ligna | Hannover, Germany | Woodworking show |

AHEC activities

American hardwoods on public display in Milan

After months of planning, AHEC's collaboration with well known Italian architect Matteo Thun and fashion house Marni all came together in Milan in April during design week. AHEC's European Director attended a series of events centred around four installations in high profile locations around the city, featuring four different US hardwood species; red oak, walnut, cherry and tulipwood. These installations were all part of the "FuoriSalone" organised by the design journal "Interni" taking place in locations throughout the city during design week, running in conjunction with Salone del Mobile (international furniture fair). A short video of the project, featuring all the installations is now available to view on line at the AHEC website www.americanhardwood.org AHEC has also just learnt that the Mayor of Milan who visited the installations has asked for the red oak "wooden beacons" to be displayed in the main Museum in Milan during the summer months, where it will be seen by tens of thousands of visitors.



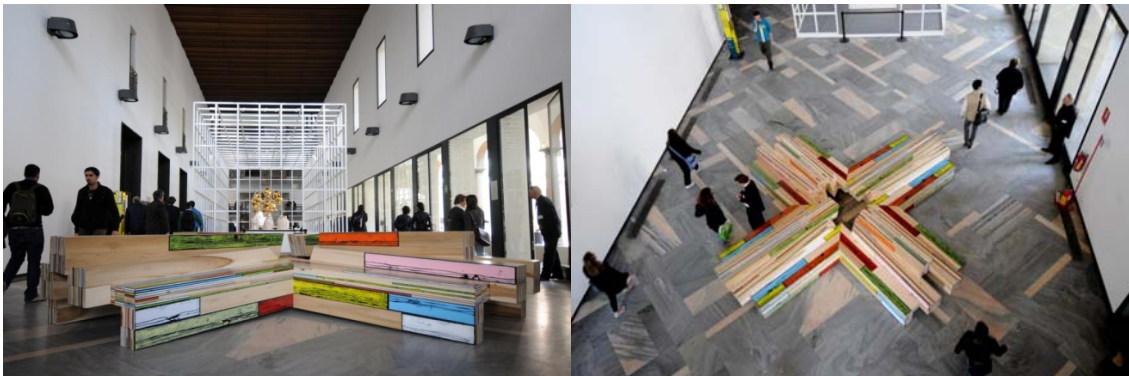
“Wooden Beacons” designed by Matteo Thun using American red oak and Marni fashion materials - part of the “Think Tank” project at Milan university, showcasing key design materials & world famous architects



A forest of walnut planks some planed and oiled set around bales of fashion fabric in the courtyard of Marni's store in Milan



A forest of American cherry planks, some planed and oiled, installed in a window display at “La Rinascente”, Milan - most well known department store located in the central square, seen by tens of thousands of passers by.



“Bench Press” in American tulipwood originally created for the London Design Festival, installed at Milan University as part of the “Think Tank” exhibition.

Milan installations generate unprecedented on line coverage

The Milan installations and collaboration with architect Matteo Thun and fashion house Marni have helped create an unprecedented level of publicity for American hardwoods. Within a few weeks AHEC have already recorded well over 100 online placements on different design, fashion and wood related websites; including market leaders such as Vogue, Wallpaper and Dezeen, all of which mention the US hardwood species used. Over the coming months AHEC are also anticipating a lot more coverage in the printed media. All the press material has also been circulated to all the other AHEC offices. All this is a result of a carefully coordinated press campaign coordinated by AHEC working closely with the architect and Marni. Many press interviews have taken place and the architect also talked about the project at the main Interni press conference attended by hundreds of representatives from the international media.

AHEC to continue collaboration with architect Matteo Thun

As a follow up to the successful Milan project, AHEC are planning to continue working with architect Matteo Thun, who is well known in Europe for his use of wood in building, furniture and industrial design. All the red oak, walnut and cherry material used in the Milan installation will be recycled and turned into a series of furniture pieces designed by Matteo and manufactured by the well known Italian furniture company RIVA1920. It is then proposed that these pieces become the focus of a special display and event at the International furniture fair in Cologne next January. Matteo has also agreed to take part in future AHEC architectural seminars.

Italian lumber grading workshop

AHEC consultant Bob Sabistina ran an NHLA lumber grading workshop near Bologna in northern Italy for one of the leading hardwood importers. The company had requested the event as result of attending the AHEC convention in Athens last year. The workshop, which included practical demonstrations, was coordinated and introduced by AHEC's PR consultant, Camilla Segre and attended by more than 50 people (staff and customers). The workshop was very well received. AHEC continue to hold workshops in different European markets regularly as part of ongoing education to promote American hardwood lumber and the NHLA grading system.

AHEC extend external treatment research to include red oak

AHEC are working with treatment specialist Osmosto to test the oil system developed for tulipwood, on samples of red oak. AHEC believe that one of the reasons why European markets still seem to be reluctant to use red oak more widely, is its lack of natural durability for external applications. Initial laboratory tests have shown that it is possible to achieve sufficient loading of the preservative, so samples will now go out on test to establish their long term weathering performance. Related to this development AHEC's European Director met with one of the UK's most well known architects, Amanda Levete, who would like to create an ambitious wooden structure for the London Design Festival. This product would seriously test the structural performance of red oak as well as requiring suitable external protection. The architect selected the red oak for the project for its colour and grain.

PR highlights

Seite 224 - Nummer 9 - Holz-Direktmarkt Märkte und Preise

Laubholz-Exporte der USA in die EU seit 2007 fast halbiert

Rückgang 2009 mit -35% noch heftiger als der im Jahr 2008 mit -21%

Die USA haben 2009 Laubholz (Kiefer, Buche und Eiche) im Wert von 4,1 Mrd. USD in die EU exportiert, das sind 25,4% weniger als 2008 mit 5,5 Mrd. USD. Die Rückgang über das Langzeitniveau hinaus ist die Folge der Produktionsrückgänge in den USA.

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Germany: US Lumber Exports

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France: Salt Works, American ash



Spain: Yale School of Forestry in American red oak



UK: New Species Guide



Italy: Italian Design Competition



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