# Tropical Timber Market Report since 1990

Volume 13 Number 5, 1-15 March 2008



## Snapshot

Markets in West Africa and Asia were relatively quiet as buyers decided their next move. Prices for rubberwood rose slightly as weather impacted log supply. Myanmar and Malaysia also concluded their furniture fairs, with Myanmar taking in over USD36 million in business and Malaysia expecting to bring in USD667 million. Malaysian and Indonesian government representatives also remained positive about their exports despite the weak economic outlook in the U.S.

Efforts to curb deforestation continued in Brazil, although some manufacturers expected to be impacted by IBAMA's recent illegal logging investigations. Sinop, which has a large furniture cluster, recently posted lower results in January as a result of the weaker U.S. dollar and less availability of raw materials from neighboring states. The falling dollar also concerned Peruvian timber exporters, who were wary of an impending crisis in the sector. However, more positive inroads were made in the consideration of a new Peruvian law that may boost reforestation efforts in deforested areas.

Some consumer markets were more optimistic about an upswing in timber markets by the spring. The Japan Lumber Wholesalers' Association believed that demand would pick up by the spring, despite recent struggles of manufacturers over shipping delays and high prices for products from Southeast Asia. Nevertheless, European markets were still showing signs that an upswing was not in sight, as European markets had been described as 'stable' at best and UK markets as 'tough going'.

## Headlines



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## Report from Central/West Africa

**Demand for West African logs holds steady**

No prices changes were reported in the first weeks of the month. Log producers in Gabon were settling into the newly implemented log quota system and demand for logs remained steady throughout the region.

Lumber prices also are unchanged and firm, with demand from European and Asian buyers at normal levels. Exporters are following closely the various EU initiatives with major importing countries on methods for preventing imports of illegally sourced tropical timber, including negotiations on Voluntary Partnership Agreements. There are also frequent calls from the media and various timber associations to continue attempts to harmonize the acceptance of certification procedures of various organizations so that governments and other purchasing bodies are able to equally recognize the different schemes. The current situation makes it difficult for buyers to understand whether the timber offered by one seller certified by a particular organization would be as sustainably and legally sourced than that of another. Any harmonized framework has to take into account the regulatory requirements of the exporting countries, adding complexities to such processes.

**FSC reinstates certificate for Wijma Douala**

*TTJ* reported that Wijma, a Cameroon subsidiary of Koninklijke Houthandel G Wijma & Zonen BV in the Netherlands, has had its Forest Stewardship Council (FSC) certificate reinstated. The Cameroon-based company had its certificate suspended after failing to meet several forest management standards. However, Wijma has improved its management protocols and procedures and strengthened its forest management standards in Cameroon. The company will continue to monitor its operations through a newly developed monitoring programme.

**West Africa Log Prices**

| West Africa logs, FOB | € per m$^3$ | | |
|---|---|---|---|
| Asian market | LM | B | BC/C |
| Acajou/ Khaya/N'Gollon | 221 | 190 | 175 |
| Ayous/Obéché/Wawa | 221 | 205 | 168 |
| Azobe & Ekki | 167 | 167 | 91 |
| Belli | 198 | 198 | - |
| Bibolo/Dibétou | 168 | 167 | 114 |
| Bubinga | 533 | 457 | 381 |
| Iroko | 289 | 274 | 259 |
| Okoume (60% CI, 40% CE, 20% CS) | - | 150 | - |
| Moabi | 335 | 335 | 282 |
| Movingui | 205 | 190 | 152 |
| Niove | 129 | 129 | - |
| Okan | 198 | 198 | 152 |
| Padouk | 289 | 289 | 267 |
| Sapele | 297 | 297 | 282 |
| Sipo/Utile | 335 | 305 | 267 |
| Tali | 190 | 190 | 152 |

| Gabon Okoumé logs, FAS* | | € per m$^3$ | |
|---|---|---|---|
| | | Asia | Europe |
| Grade | QS | 213 | 219 |
| | CI | 171 | 171 |
| | CE | 146 | 150 |
| | CS | 108 | 111 |

*Based on SNBG official prices

**West Africa Sawnwood Prices**

| West Africa sawnwood, FOB | | € per m$^3$ |
|---|---|---|
| Ayous | FAS GMS | 396 |
| | Fixed sizes | 427 |
| Okoumé | FAS GMS | 375 |
| | Sel. & Bet. GMS Italy | 310 |
| | Sel. & Bet. fixed sizes | - |
| Sipo | FAS GMS | 630 |
| | FAS fixed sizes | - |
| | FAS scantlings | 645 |
| Padouk | FAS GMS | 600 |
| | FAS scantlings | 630 |
| | Strips | 425 |
| Sapele | FAS Spanish sizes | 620 |
| | FAS scantlings | 635 |
| Iroko | FAS GMS | 458 |
| | Scantlings | 519 |
| | Strips | 304 |
| Khaya | FAS GMS | 396 |
| | FAS fixed | 427 |
| Maobi | FAS GMS | 630 |
| | Scantlings | 645 |
| Movingui | FAS GMS | 460 |

## Report from Ghana

**Ghana announces new project on best practices**

*The Daily Graphic* reported that Prof. Nii Ashie Kotey, Chief Executive of the Forestry Commission (FC), has announced a multilateral project to set best practices for natural resource and environmental protection. The project, which will start under the leadership of the World Bank, will also involve development partners from the UK, EU, the Netherlands, Denmark, Canada and France. The project aims to promote forest management, protection of forest resources from bush fires, plantation establishment and natural regeneration, amount other objectives.

Prof. Kotey said the FC would use internally generated funds to support education and methods to prevent wild fires, indicating that approximately GHc10 million would be generated this year to support the project. The representative for German technical cooperation, Ms. Marita Brommelmeier, announced that EUR13 million had been allocated to the project by the German government. She called for the sustainability of the project to ensure consistent dissemination of lessons learned, adding that such lessons from the project may help alleviate poverty in the future.

**Ghana Log Prices**

| Ghana logs, domestic | US$ per m$^3$ | |
|---|---|---|
| | Up to 80cm | 80cm+ |
| Wawa | 90-105 | 110-140⬆ |
| Odum Grade A | 160-170 | 175-185 |
| Ceiba | 80-95⬆ | 100-120⬆ |
| Chenchen | 60-88⬆ | 90-112⬆ |
| Khaya/Mahogany (Veneer Qual.) | 70-90 | 95-120 |
| Sapele Grade A | 130-150 | 155-175 |
| Makore (Veneer Qual.) Grade A | 125-135 | 140-166 |

**Ghana Sawnwood Prices**

| Ghana Sawnwood, FOB | € per $m^3$ | |
|---|---|---|
| FAS 25-100mm x 150mm up x 2.4m up | Air-dried | Kiln-dried |
| Afrormosia | 855 | - |
| Asanfina | 480 | 560 |
| Ceiba | 205 | 260 |
| Dahoma | 310 | 385 |
| Edinam (mixed redwood) | 390 | 450 |
| Emeri | 430 | 490↑ |
| African mahogany (Ivorensis) | 580 | 670 |
| Makore | 510 | 610↓ |
| Niangon | 520↑ | - |
| Odum | 670↑ | 750↑ |
| Sapele | 540 | 600↑ |
| Wawa 1C & Select | 255 | 280 |

| Ghana sawnwood, domestic | | US$ per $m^3$ |
|---|---|---|
| Wawa | 25x300x4.2m | 235↑ |
| Emeri | 25x300x4.2m | 330↑ |
| Ceiba | 25x300x4.2m | 180↑ |
| Dahoma | 50x150x4.2m | 306 |
| Redwood | 50x75x4.2m | 255↑ |
| Ofram | 25x225x4.2m | 305↑ |

**Ghana Veneer Prices**

| Rotary Veneer, FOB | € per $m^3$ | |
|---|---|---|
| | CORE (1-1.9mm) | FACE (<2mm) |
| Bombax | 325 | 350 |
| Kyere, Ofram, Ogea & Otie | 325 | 360 |
| Chenchen | 315 | 360 |
| Ceiba | 235 | 315 |
| Mahogany | 425 | 460 |

The above prices are for full sized panels, smaller sizes minus 15%. Thickness below 1mm would attract a 5% premium.

| Rotary Veneer, FOB Core Grade 2mm & up | € per $m^3$ |
|---|---|
| Ceiba | 245 |
| Chenchen, Ogea & Essa | 295 |
| Ofram | 305 |

| Sliced Veneer, FOB | € per $m^2$ | |
|---|---|---|
| | Face | Backing |
| Afrormosia | 1.80 | 1.00 |
| Asanfina | 2.00↑ | 0.88 |
| Avodire | 1.12 | 0.75 |
| Chenchen | 0.72 | 0.50↓ |
| Mahogany | 1.50 | 0.79 |
| Makore | 1.30↓ | 0.80 |
| Odum | 1.54 | 1.10 |

**Ghana Plywood Prices**

| Plywood, FOB | € per $m^3$ | | | |
|---|---|---|---|---|
| B/BB, Thickness | Redwoods | | Light Woods | |
| | WBP | MR | WBP | MR |
| 4mm | 560 | 465 | 500 | 360 |
| 6mm | 380 | 315 | 335 | 285 |
| 9mm | 388 | 305 | 290 | 280 |
| 12mm | 340 | 285 | 300 | 280 |
| 15mm | 350 | 290 | 300 | 260 |
| 18mm | 300 | 290 | 285↑ | 260 |

Grade AB/BB would attract a premium of 5%. BB/BB would be 5% less, C/CC 10% less and CC/CC 15% less.

**Ghana Added Value Product Prices**

| Parquet flooring 1st | FOB € per $m^2$ | | |
|---|---|---|---|
| | 10x60x300mm | 10x65-75mm | 14x70mm |
| Apa | 12.00 | 14.47 | 17.00 |
| Odum | 7.90 | 10.18 | 11.00 |
| Hyedua | 13.67 | 18.22 | 17.82 |
| Afrormosia | 13.25 | 15.70 | 17.82 |

Grade 2 less 5%, Grade 3 less 10%.

## Report from Malaysia

**MIFF 2008 to generate sales of USD667 million**

According to Datuk Tan Chin Huat, Chairman of the Malaysia International Furniture Fair 2008 (MIFF 2008), the event is expected to bring in sales of USD667 million, matching the level of sales from MIFF 2007. Chairman Tan said he was optimistic the event would attract more international buyers, especially from Western countries. Tan also noted that household furniture had contributed over 80% of the country's total furniture exports, while office furniture and sofas accounted for 7% and 5%, respectively. He further anticipated that the contribution of office furniture to the economy would grow 10% in the next two years.

**Prices hold as buyers plan next move**

Prices of Malaysian timber products held steady over the last two weeks. While the construction industry in Japan was far from recovering, plywood manufacturers were not prepared to ease prices further. Rising fuel costs had caused many manufacturers to resist cutting prices. Moreover, some manufacturers were expecting demand to pick up as several reconstruction projects will be launched in China to fix damage caused by recent winter storms.

Rubberwood prices rose due to heavy rains that limited supply. Additionally, the soaring price of crude oil has caused prices of hydro-carbon material to increase and sent competing materials such as rubber up as well. Log prices in Sarawak are likely to rise in the next few weeks as the state has been hit by a spell of bad weather.

**Weak US dollar will not harm Malaysia furniture exports**

*The Star* has reported on recent remarks by MIFF 2008 Chairman Tan (see article above), who indicated furniture exports were likely to maintain current levels and would command higher prices. Tan noted that the furniture industry was 'diversifying', saying that companies were designing products specifically for buyers of their choice. These companies, referred to as Original Design Manufacturers (ODM), were hoping to offset the dollar's weakening to some extent by allowing the exporter or manufacturer to determine selling prices. At the opening of the MIFF 2008, the Deputy Minister of International Trade and Industry, Ng Lip Yong, echoed Tan's positive outlook and expected furniture exports would reach RM10 billion by 2010.

**APP Timber reports 15% increase in sales volume**

In a press release issued by APP Timber's Headquarters in Malaysia, the company announced that sales in 2007 had increased 15% in volume compared to 2006. However, it was noted that the company increased its sales value only by USD1 million, due to weakening markets for Asian products and sourcing from lower quality raw materials. The company noted the upswing in demand from the flooring industry and stable demand from the door industry, despite fierce competition for low-priced products from China. Michael Hermens, managing director of APP Timber, indicated that 2008 would be a difficult year but the company was prepared to meet the challenges in the year ahead. He also said the company planned to add new warehousing facilities in Indonesia and Thailand.

**Malaysia Log Prices**

| Sarawak log, FOB | US$ per $m^3$ |
|---|---|
| Meranti SQ up | 295-315 |
| Small | 270-292 |
| Super small | 256-266 |
| Keruing SQ up | 269-280 |
| Small | 232-262 |
| Super small | 223-232 |
| Kapur SQ up | 243-260 |
| Selangan Batu SQ up | 268-294 |

| Pen. Malaysia logs, domestic (SQ) | US$ per $m^3$ |
|---|---|
| DR Meranti | 350-392 |
| Balau | 285-315 |
| Merbau | 413-435 |
| Rubberwood | 236-254↑ |
| Keruing | 278-290 |

Peninsular Malaysian meranti logs are top grade and are used for scantlings for the EU. Their prices are higher than Sarawak's.

**Malaysia Sawnwood Prices**

| Malaysia Sawnwood, FOB | US$ per $m^3$ |
|---|---|
| White Meranti A & up | 427-450 |
| Seraya Scantlings (75x125 KD) | 707-745 |
| Sepetir Boards | 321-333 |
| Sesendok 25,50mm | 444-473 |
| Kembang Semangkok | 424-442 |

| Malaysian Sawnwood, domestic | | US$ per $m^3$ |
|---|---|---|
| Balau (25&50mm,100mm+) | | 343-363 |
| Merbau | | 558-577 |
| Kempas 50mmx(75,100 & 125mm) | | 286-302 |
| Rubberwood | 25x75x660mm up | 279-307↑ |
| | 50-75mm Sq. | 301-326↑ |
| | >75mm Sq. | 314-346↑ |

**Malaysia Plywood Prices**

| Malaysia ply MR BB/CC, FOB | US$ per $m^3$ |
|---|---|
| 2.7mm | 478-504 |
| 3mm | 455-480 |
| 9mm & up | 413-436↑ |

| Meranti ply BB/CC, domestic | US$ per $m^3$ |
|---|---|
| 3mm | 454-464 |
| 12-18mm | 392-400↑ |

**Other Malaysia Panel Prices**

| Malaysia, Other Panels, FOB | | US$ per $m^3$ |
|---|---|---|
| *Particleboard* | Export 12mm & up | 227-245↑ |
| | Domestic 12mm & up | 215-232↑ |
| *MDF* | Export 15-19mm | 294-318↑ |
| | Domestic 12-18mm | 269-287↑ |

**Malaysia Added Value Product Prices**

| Malaysia, Mouldings, FOB | US$ per $m^3$ |
|---|---|
| Selagan Batu Decking | 677-695 |
| Red Meranti Mouldings 11x68/92mm x 7ft up | |
| Grade A | 714-734↓ |
| Grade B | 629-646 |

**Malaysia Furniture and Parts Prices**

| Malaysia, Rubberwood, FOB | | US$ per piece |
|---|---|---|
| Semi-finished dining table | | |
| solid laminated top 2.5'x4', extension leaf | | 55-71 |
| As above, Oak Veneer | | 62-76 |
| Windsor Chair | | 53-56 |
| Colonial Chair | | 46-54 |
| Queen Anne Chair (soft seat) | without arm | 47-60 |
| | with arm | 51-60 |
| Chair Seat 27x430x500mm | | 34-39 |
| Rubberwood Tabletop | | US$ per $m^3$ |
| 22x760x1220mm sanded & edge profiled | | |
| Top Grade | | 616-626 |
| Standard | | 583-601 |

## Report from Indonesia

**Indonesia upbeat on export outlook despite market conditions**

*The Jakarta Post* reported on the Ministry of Trade's optimistic remarks that Indonesia's exports to European Free Trade Association (EFTA) countries would jump 12% in 2008. Due to the slowing US economy and weak Japanese markets, Indonesian plywood manufacturers are also eager to expand their market share in Middle East countries, especially the UAE. Alternative markets are also being sought due to falling real estate prices in major Chinese cities over the last six months. Some Indonesian politicians are even considering the establishment of a timber trade promotion center in the UAE, modeled after the Malaysian Timber Council's center in Dubai.

**Controversial mining regulation prompts NGO action**

*The Jakarta Post* has reported on a recent government decision to allow 13 mining companies to carry out open-pit mining in protected forest areas. Only the 13 companies, which have been already approved by the government to conduct open-pit mining operations, will be allowed to engage in these activities; open-pit mining permits will not be issued to new applicants. The regulation requires the 13 companies to pay Rp3 million per hectare per year for activities conducted in protected forests. In response to this regulation, the Indonesian NGO, the Indonesian Forum for the Environment (Walhi), has been trying to raise funds in an attempt to 'rent' forests so major mining cannot conduct activities in these areas.

**Indonesia Log Prices (domestic)**

| Indonesia logs, domestic prices | US$ per $m^3$ |
|---|---|
| Plywood logs | |
| Face Logs | 233-273 |
| Core logs | 177-207↑ |
| Sawlogs (Meranti) | 230-270 |
| Falcata logs | 178-194↑ |
| Rubberwood | 210-233 |
| Pine | 204-229 |
| Mahoni (plantation mahogany) | 604-650 |

**Indonesia Sawnwood Prices**

| Indonesia, construction material, domestic | | US$ per $m^3$ |
|---|---|---|
| Kampar (Ex-mill) | AD 3x12-15x400cm | 246-255↑ |
| | KD | 327-340 |
| | AD 3x20x400cm | 348-369 |
| | KD | 370-382 |
| Keruing (Ex-mill) | AD 3x12-15x400cm | 280-290 |
| | AD 2x20x400cm | 269-279 |
| | AD 3x30x400cm | 275-284 |

**Indonesia Plywood Prices**

| Indonesia ply MR BB/CC, FOB | US$ per $m^3$ |
|---|---|
| 2.7mm | 470-500 |
| 3mm | 412-471 |
| 6mm | 389-411 |

| MR Plywood (Jakarta), domestic | US$ per $m^3$ |
|---|---|
| 9mm | 327-340 |
| 12mm | 302-324 |
| 15mm | 300-331 |

**Other Indonesia Panel Prices**

| Indonesia, Other Panels, FOB | | US$ per $m^3$ |
|---|---|---|
| *Particleboard* | Export 9-18mm | 234-244 |
| | Domestic 9mm | 200-216↑ |
| | 12-15mm | 188-201↑ |
| | 18mm | 186-190↑ |
| *MDF* | Export 12-18mm | 308-320 |
| | Domestic 12-18mm | 250-272 |

**Indonesia Added Value Product Prices**

| Indonesia, Mouldings, FOB | US$ per $m^3$ |
|---|---|
| Laminated Boards Falcata wood | 379-398 |
| Red Meranti Mouldings 11x68/92mm x 7ft up | |
| Grade A | 670-694↓ |
| Grade B | 595-635↓ |

## Report from Myanmar

**Demand rises for other hardwood logs**

Demand and supply for teak logs remained unchanged at the beginning of March. However, there was a strong demand for non-teak hardwood logs. Prices in the February tender were not as high because buyers were not able to price and choose logs for purchase. Myanmar's 2008 furniture fair also closed on 9 March. About 38 companies participated in the event and the value of goods contracted was estimated at USD36 million.

**Myanmar Log Prices (natural forests)**

| Teak Logs, FOB | € Avg per Hoppus Ton (traded volume) | | |
|---|---|---|---|
| *Veneer Quality* | Jan | Feb | 6 mo. Avg |
| 2nd Quality | 5,555 (5 tons) | 5,401 (4 tons) | 5,355 |
| 3rd Quality | 5,001 (6 tons) | 5,149 (10 tons) | 4,977 |
| 4th Quality | 4,538 (31 tons) | 4,526 (42 tons) | 4,237 |
| *Sawing Quality* | Jan | Feb | |
| Grade 1 (SG-1) | 2,614 (364 tons) | 2,785 (365 tons) | 2,655 |
| Grade 2 (SG-2) | 2,163 (588 tons) | 2,207 (564 tons) | 2,290 |
| Grade 3 (SG-3) | 1,961 (13 tons) | NIL | 1,792 |
| Grade 4 (SG-4) | 1,931 (371 tons) | 1,871 (271 tons) | 2,093 |
| Grade 5 (SG-5) Assorted | 1,629 (475 tons) | 1,819 (656 tons) | 1,734 |
| Grade 6 (SG-6) Domestic | 1,395 (547 tons) | 1,416 (406 tons) | 1,416 |
| Grade 7 (ER-1) | 1,018 (306 tons) | 1,061 (154 tons) | 1,056 |
| Grade 8 (ER-2) | 1,239 (13 tons) | 706 (27 tons) | 1,064 |

Hoppus ton=1.8m$^3$; All grades, except SG-3/5/6, are length 8' x girth 5' &up. SG-3/4/6 are girth 4' &up. SG-3 grade is higher than SG-4 but with lower girth and price.

| Logs, FOB | € Avg per Hoppus Ton (traded volume) |
|---|---|
| Pyinkado | 250 (291 tons) |
| Gurjan (keruing) | -- |
| Tamalan | -- |
| Taungthayet | 163 (115 tons) |

Prices differ due to quality or girth at the time of the transaction.

## Report from Papua New Guinea

**Log Prices (average unit values)**

| Saw/veneer log grade | \$ Avg unit value FOB per m$^3$ | |
|---|---|---|
| | Jan | Feb |
| Malas | 67 | 65 |
| Calophyllum (bintangor) | 90 | 83 |
| Taun | 73 | 84 |
| Terminalia | 68 | 68 |
| Pencil Cedar | 90 | 90 |
| PNG Mersawa | 90 | 94 |
| Red Canarium | 67 | 68 |
| Erima | 63 | 64 |
| Dillenia | 69 | 70 |
| Burckella | 66 | 70 |
| Kwila/Merbau | 175 | 155 |

| Plantation kamarere logs | \$ Avg unt val. FOB per m$^3$ | |
|---|---|---|
| Diameter | Jan | Feb |
| 60+cm (Vietnam market) | 60 | - |

## Report from Brazil

**Brazil concludes initial bidding process for concessions**

Brazil's Ministry of Environment has announced the selection of six companies that have been approved to participate in the bidding process for forest concessions in the Jamari National Forest in the Amazon. The announcement was made in late February 2008 after initial proposals were reviewed by the Brazilian Forest Service in Brasilia. After analyzing the proposals by eight bidders, the Bidding Special Committee of the Ministry approved the following to participate in the bidding process: Amata S.A., Civagro, Porto Junior, Sakura Madeiras, the consortium led by Alex Madeiras and the pool of companies represented by ZN Madeiras. Two companies interested in bidding were not approved by the Special Committee, as their documentation did not meet the required criteria.

The six selected companies will now submit technical proposals for the concessions, which will be evaluated on the basis of bidding price, delivery of social benefits, environmental impacts, efficiency and generation of other local benefits. The companies will be bidding for three areas of the Jamari National Forest. These areas are considered appropriate for sustainable exploitation of forest resources (wood, oils, resins, etc) in the Jamari Management Plan by the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA) in 2005.

The opening of the concession area was established by the a new law on public forest management (Law 11,284/06) after a long process of public hearings, which decided, among other rules, that federal, state and municipal forest areas could not be privatized. It was also decided that these areas should be managed in three ways: established as conservation units, designated for communal use, or used as sustainable forest management concessions for use up to 40 years. During such a period, the concessionaire would be responsible for ensuring the land would be used properly and sustainably.

**Authorities step up efforts to combat deforestation in Pará**

Continuing from previous reports about the growing deforestation problems in Pará state, *Agência de Noticias da Amazônia* recently noted federal and state efforts to combat deforestation. Operations by over 120 inspectors from IBAMA, the military and civil police and the Pará State Secretary of Finance and Environment have continued confiscating illegal timber. It is believed that much of the illegal timber coming to Pará state is from neighboring Tailândia. Recent timber confiscations in Tailândia have led to protests at logging sites (see TTM 13:4).

In Tucumã municipality, in the South-Center region of the state, officials verified that no more natural forest for harvesting existed. Only 11.6% of the original forest remained in the area and this area had been left untouched due to its location on hills and in flooded areas. Although the Tucumã municipality was required by federal law to protect 80% of forest area, the original forest area in the municipality had largely disappeared. This was perceived as a common situation in Pará, since there was weak control at the federal and state government levels.

**Exports from Sinop cluster shrink 13% in January**

*Só Notícias* reported that exports of Sinop, a major timber cluster in Northern Mato Grosso, dropped 13.5% in January 2008, compared to the same period in 2007. According to the Foreign Trade Secretary of State, sales to international markets declined from USD4.4 million in January 2007 to USD3.8 million in January 2008. The product with the highest drop was sawnwood (59%) followed by tropical plywood (35%). Despite lower sales, timber exports from Sinop represented 77% of its total exports. A major cause of such decline was the weak US dollar compared to the Brazilian Real.

The main importers of Sinop's timber products were Belgium, France, the UK, Germany and Italy. Imports dropped 33% in January 2008 compared to the same period in 2007, falling from USD147,000 to USD97,400. Sinop is a timber cluster that has been under continuous federal and state inspection for illegal logging and processing activities since 2005, when major inspections and control operations were conducted.

**Timber sector has high social impact in Mato Grosso**

*Diário de Cuiabá* indicated that exports of logs and manufactured timber products had a small impact on trade, but a large impact on the social environment in some municipalities in the state of Mato Grosso. Timber sector exports from this state peaked in 2007, at USD 245.9 million or 4.8% of the external trade revenue. In 2006, this rate was smaller than in 2007 with exports worth USD 195.2 million.

Mato Grosso performed even more poorly in 2005 when exports were worth USD 188.7 million, falling as a result of the 'Curupira' operation. This was a special inspection operation of IBAMA to catch illegal loggers and expose illegal logging activities. In 2004, exports had reached USD 197.7 million (FOB).

Logs, sawnwood, beams, plywood, furniture and other timber products are exported from Mato Grosso to global markets. China, France, the Netherlands, Thailand, the United Kingdom, Spain, Belgium, Italy, the US and Russia are among the main recipients. In addition to exports of furniture, logs and manufactured timber, Mato Grosso is also an important supplier of raw material for the Brazilian furniture industry and for urban and rural civil construction.

Timber exporters in Mato Grosso are concerned about the implementation of Decree 6,321 enacted in December 2007, which prohibits deforestation in 36 municipalities in four Amazon states. Exporting companies generally are not supplied with raw material or other inputs exclusively from the municipalities where they operate, as in the case of Sinop (a major Mato Grosso timber cluster). Before the decree, a timber company in a municipality was allowed to purchase timber from other municipalities, promoting inter-regional trade. However, the new decree may create barriers to trade for regional companies and have serious consequences on their businesses.

**Brazil Log Prices (domestic)**

| Brazilian logs, mill yard, domestic | US$ per $m^3$ |
|---|---|
| Ipê | 139 |
| Jatoba | 99 |
| Guariuba | 66 |
| Mescla (white virola) | 73 |

**Brazil Sawnwood Prices**

| Sawnwood, Belem/Paranagua Ports, FOB | | US$ per $m^3$ |
|---|---|---|
| Jatoba Green (dressed) | | 841 |
| Cambara KD | | 465 |
| Asian Market (green) | Guariuba | 265 |
| | Angelim pedra | 595 |
| | Mandioqueira | 234 |
| Pine (AD) | | 193 |

| Brazil sawnwood, domestic (Green) | | US$ per $m^3$ |
|---|---|---|
| *Northern Mills* (ex-mill) | Ipé | 649 |
| | Jatoba | 493 |
| *Southern Mills* (ex-mill) | Eucalyptus (AD) | 194 |
| | Pine (KD) 1st grade | 256 |

**Brazil Veneer Prices**

| Veneer, FOB (Belem/Paranagua Ports) | US$ per $m^3$ |
|---|---|
| White Virola Face 2.5mm | 295 |
| Pine Veneer (C/D) | 211 |

| Rotary cut Veneer, domestic | US$ per $m^3$ | |
|---|---|---|
| (ex-mill Northern Mill) | Face | Core |
| White Virola | 256 | 214 |

**Brazil Plywood Prices**

| Plywood, FOB | US$ per $m^3$ |
|---|---|
| White Virola (US Market) | |
| 5.2mm OV2 (MR) | 460 |
| 15mm BB/CC (MR) | 398 |
| White Virola (Caribbean market) | |
| 4mm BB/CC (MR) | 507 |
| 12mm BB/CC (MR) | 407 |

| Pine Plywood EU market, FOB | US$ per $m^3$ |
|---|---|
| 9mm C/CC (WBP) | 306 |
| 15mm C/CC (WBP) | 275 |
| 18mm C/CC (WBP) | 277 |

| Plywood, domestic (ex-mill Southern mill) | | US$ per $m^3$ |
|---|---|---|
| Grade MR (B/BB) | White Virola 4mm | 876 |
| | White Virola 15mm | 640 |

Domestic prices include taxes and may be subject to discounts.

**Other Brazil Panel Prices**

| Belem/Paranagua Ports, FOB | US$ per $m^3$ |
|---|---|
| Blockboard Pine 18mm 5 ply (B/C) | 315 |
| *Domestic Prices,* Ex-mill Southern Region | |
| Blockboard White Virola faced 15mm | 571 |
| Particleboard 15mm | 359 |

**Brazil Added Value Products**

| FOB Belem/Paranagua Ports | | US$ per $m^3$ |
|---|---|---|
| Edge Glued Pine Panel | | |
| Korean market (1st Grade) | | 651 |
| US Market | | 503 |
| Decking Boards | Cambara | 603 |
| | Ipê | 1672 |

## Report from Peru

**New law could boost Peru's reforestation activities**

The Peruvian government is considering the approval of a law to promote private investment in reforestation and agroforestry, which could help boost zones devastated by illegal logging. About 10 million deforested hectares require urgent investment for their recovery. To generate such investment, experts suggest that up to 40,000 hectares could be designated as a concession for a maximum of 60 years, with a reversion clause should the investor fail to develop reforestation projects. Experts believe that in the next ten years, reforestation investment could raise USD950 million.

**Falling dollar concerns timber exporters**

Due to recent drop of the U.S. dollar against the Peruvian Nuevo Sol, exporters are wary of a forthcoming crisis originated by the loss of international competitiveness. Timber exporters have requested the government to establish correction measures to protect the national currency. Exporters have recently said some companies of the sector have started firing workers and were discussing closure of operations due to the loss of international competitiveness.

**Peru Sawnwood Prices**

| Peru Sawnwood, FOB Callao Port | | US\$ per $m^3$ |
|---|---|---|
| Mahogany S&B KD 16%, 1-2" random lengths (US market) | | 1847-1875 |
| Spanish Cedar KD select | | |
| North American market | | 938-985 |
| Mexican market | | 960-988 |
| Pumaquiro 25-50mm AD | Mexican market | 490-525 |

*Cheaper and small-dimension sawnwood for this market.

| Peru Sawnwood, FOB Callao Port (cont.) | US\$ per $m^3$ |
|---|---|
| Virola 1-2" thick, length 6'-8' KD | |
| Grade 1, Mexican market | 315-372 |
| Grade 2, Mexican market | 274-304 |
| Cumaru 4" thick, 6'-11' length KD | |
| Central American market | 760-795 |
| Asian market | 720-760 |
| Ishpingo (oak) 2" thick, 6'-8' length | |
| Spanish market | 550-585 |
| Dominican Republic | 565-575 |
| Marupa (simarouba) 1", 6-11 length Asian market | 395-415 |

| Peru Sawnwood, FOB Iquitos | US\$ per $m^3$ |
|---|---|
| Spanish Cedar AD Select Mexican market | 939-978 |
| Virola 1-2" thick, length 6'-13' KD | |
| Grade 1, Mexican market | 319-349 |
| Grade 2, Mexican market | 288-296 |
| Grade 3, Mexican market | 179-192 |
| Marupa (simarouba) 1", 6-13 length KD | |
| Grade 1, Mexican market | 250-263 |

| Peru sawnwood, domestic | US\$ per $m^3$ |
|---|---|
| Mahogany | 1295-1331 |
| Virola | 97-110⬇ |
| Spanish Cedar | 475-488⬇ |
| Marupa (simarouba) | 135-138 |

**Peru Veneer Prices**

| Veneer FOB | US\$ per $m^3$ |
|---|---|
| Lupuna 3/Btr 2.5mm | 220-228 |
| Lupuna 2/Btr 4.2mm | 220-250 |
| Lupuna 3/Btr 1.5mm | 245-255 |

**Peru Plywood Prices**

| Peru plywood, FOB (Mexican Market) | | US\$ per $m^3$ |
|---|---|---|
| Copaiba, 2 faces sanded, B/C, 15x4x8mm | | 368-385 |
| Virola, 2 faces sanded, B/C, 5.2x4x8mm | | 420-427 |
| Cedar fissilis, 2 faces sanded 4x8x5.5mm | | 755-765 |
| Lupuna, treated, 2 faces sanded, 5.2x4x8mm | | 365-380 |
| Lupuna plywood | B/C 15x4x8mm | 350-358 |
| | B/C 9x4x8mm | 345-350 |
| | B/C 12x4x8mm | 350-360 |
| | B/C 8x4x15mm | 420-430 |
| | C/C 4x8x4mm | 380-388 |
| Lupuna plywood B/C 8x4x4mm Central Am. | | 385-395 |

| Lupuna Plywood BB/CC, domestic | US\$ per $m^3$ |
|---|---|
| (Iquitos mills) | |
| 122 x 244 x 4mm | 426 |
| 122 x 244 x 6mm | 397 |
| 122 x 244 x 8mm | 403 |
| 122 x 244 x 12mm | 398 |
| (Pucallpa mills) | |
| 122 x 244 x 4mm | 450 |
| 122 x 244 x 6mm | 439 |
| 122 x 244 x 8mm | 427 |
| 122 x 244 x 12mm | 419 |

**Other Peru Panel Prices**

| Peru, Domestic Particleboard | US\$ per $m^3$ |
|---|---|
| 1.83m x 2.44m x 4mm | 277 |
| 1.83m x 2.44m x 6mm | 230 |
| 1.83m x 2.44m x 12mm | 198 |

**Peru Added Value Product Prices**

| Peru, strips for parquet | | US\$ per $m^3$ |
|---|---|---|
| Cabreuva/estoraque KD12% S4S, Asian market | | 1445-1500 |
| Cumaru KD, S4S | Swedish market | 650-695 |
| | Asian market | 920-945 |
| Cumaru decking, AD, S4S E4S, US market | | 930-950 |
| Pumaquiro KD # 1, C&B, Mexican market | | 492-534 |
| Quinilla KD, S4S 2x10x62cm, Asian market | | 590-620 |
| | 2x13x75cm, Asian market | 700-730 |

## Report from Bolivia

**Bolivia Sawnwood Prices**

| Sawnwood 1-3"x3x5"x7-19', FOB Arica Port | | \$ Avg un. val. per $m^3$ |
|---|---|---|
| Mahogany | (US market) | 1675-1777 |
| Spanish Cedar | (US market) | 602-953 |
| Oak | (US and EU market) | 579-735 |

**Bolivia Added Value Product Prices**

| Doors 13/4"x36"x96", FOB Arica Port | | Avg \$ per piece |
|---|---|---|
| US market | Mara macho/Tornillo (FSC) | 100-403 |
| | Yesquero | 100-490 |
| | Ochoó | 120-495 |

## Report from Guyana

**Guyana's FTCI continues training activities in local communities**

Guyana's Forest Training Center Incorporated (FTCI), which was established as part of an ITTO project to enhance training on reduced impact logging techniques in Guyana, has so far trained 59 people since the start of 2008. The FTCI, which specialize in forest operations and management, has also run a chainsaw milling course to train community-based logging associations. This course, together with outreach programmes by both FTCI and the Guyana Forestry Commission, is part of a renewed effort to improve the management of logging operations for the various communities that depend on the forest for their livelihood.

**Demand surges for roundwood and shingles**

Compared to 2007, February 2008 exports of roundwood and shingles exports from Guyana delivered substantial improvements in value. Roundwood exports rose 37% in value and 5.9% in volume. Higher demand for posts and poles pushed the weighted average roundwood price upward 22.7% from USD218 to USD267 per m³. Shingles exports also performed well, as exports to new markets in Africa and stronger demand from the Caribbean led to a 76.4% growth in export value and a 21.4% increase in volume. The weighted average price for shingles rose 45.3% from USD505 to USD733 per m³, due to better prices obtained in new markets.

**Guyana Log Prices**

| Logs, FOB Georgetown | SQ - $ Avg unit value per m³ | | |
|---|---|---|---|
| | Std | Fair | Small |
| Greenheart | 110↓ | 105↓ | 100↓ |
| Purpleheart | 170-190↑ | 150-185 | 130-180↓ |
| Mora | 120 | 105-110 | 100 |

*Small SQ is used for piling in the USA and EU. Price depends on length.

**Guyana Sawnwood Prices**

| Sawnwood, FOB Georgetown | | $ Avg unit val. per m³ | |
|---|---|---|---|
| EU and US markets | | Undressed | Dressed |
| Greenheart | Prime | 570-650↓ | 466-615↓ |
| | Select/Standard | 400-640↓ | 445↓ |
| Purpleheart | Prime | - | 487-657↑ |
| | Select/Standard | 446-600↑ | 445-615↑ |
| Greenheart scantlings | | - | - |

**Guyana Plywood Prices**

| Plywood, FOB Georgetown Port | | | $ Avg unit val. per m³ |
|---|---|---|---|
| Baromalli | BB/CC | 5.5mm | 440 |
| | | 12mm | 390↑ |
| | Utility | 5.5mm | - |
| | | 12mm | 345↓ |

## Report from Japan

**Tokyo association anticipates upbeat trends in spring**

*Japan Lumber Journal* reported on the market's sluggishness in February, after seeing stronger movement of goods in January. Participants at a recent Tokyo Lumber Wholesalers' Association committee meeting noted that the market was 'rising from the bottom' and expected to pick up by April. Most prices for items were said to be at the previous month's levels, but some prices, such as those for lauan structural plywood were higher than those in January.

**Plywood supply in December plunges 24.5%**

The Japan Plywood Manufacturers Association announced that plywood imports had dropped 24.5% to 280,000 m³ in December 2007 from December 2006 levels. *Japan Lumber Journal* said that imports from Malaysia fell 31.6% from the previous year and Indonesia's imports fell 14.4%, continuing to slide for the seventh month in a row. China's imports were also reduced, falling 17.1% from December 2006 levels. In 2007, Malaysia was still the biggest importer (50.1%), followed by Indonesia (29.4%) and China (16.7%). China was the only country to have increased its share of imports in 2007.

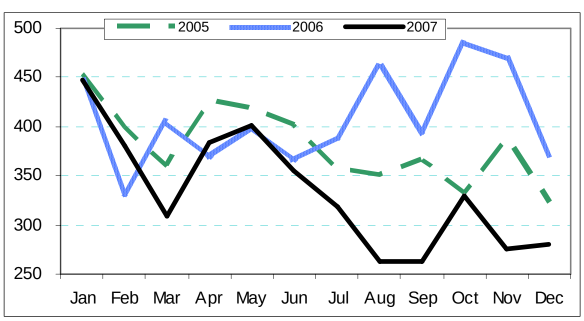



**Figure 1: Japan Plywood Imports 2005-2007 (000 m³)**

At the end of February 2008, *JLJ* noted that the imported plywood situation was tight. Japanese buyers also continued to face pressure from exporters, who were holding firm on prices and negotiations of volume. In addition, vessels to Japan had been delayed, causing suppliers further problems. As a result, slow movement of imported plywood was expected during February and March.

**Japan Forestry Agency's 2008 budget cut by 2.3%**

The Japan Forestry Agency's budget for fiscal year 2008 has been lowered 2.3% from the previous year's level, reported the *Japan Lumber Journal*. The emphasis of this year's budget has shifted from public to non-public works. About 30.6 billion yen of the budget is set aside to help Japan reach its Kyoto Protocol emissions targets through carbon sequestration in forests. Japan will also focus on improving its domestic wood processing and distribution systems. Other areas that will be addressed in the 2008 budget include training for forest managers, research in silvicultural techniques and boosting local timber production.

**NTFPs boosted forestry production in 2006**

The Statistical Department of the Ministry of Agriculture, Forestry and Fisheries stated that Japan's forestry production rose 3.7% in 2006 from the previous year, the first increase in 10 years. The *JLJ* noted that production of lumber was up 3.3% and cultivation of mushrooms jumped 4.3%. The primary factor for the increase in production of lumber was a price rise for cypress and continually growing outputs of cedar. Prices rises for various Japanese mushrooms also helped boost overall forest production.

**Sluggish housing starts impact Japanese business**

The *Japan Lumber Journal* said that low housing starts throughout 2007 have begun to impact Japanese businesses, noting the recent closure of Shimosawa Sangyo Co, Ltd. While the company was well-revered in Japan, its 2006 sales slumped and the company suffered further losses from weak construction demand in 2007. However, other businesses were more optimistic about their outlook for 2008. Japan Kenzai Co., Ltd. last month held an exhibition with major building material makers. The sponsors of the exhibition said turnout was more positive than expected, given the slowdown in the housing industry. Sales also met expectations at about JPY44 billion.

**Log and Sawnwood Prices in Japan**

| Logs for Ply Manufacture, CIF | Yen per Koku |
|---|---|
| Meranti (Hill, Sarawak) | (Koku=0.278 m³) |
| Medium Mixed | 8,500 |
| Standard Mixed | 8,600 |
| Small Log (SM60%, SSM40%) | 7,600 |
| Taun, Calophyllum, others (PNG) | 7,850 |
| Mixed light hardwood, G3/4 grade (PNG) | - |
| Okoumé (Gabon) | 14,000 |
| Keruing MQ & up (Sarawak) | 9,900 |
| Kapur MQ & up (Sarawak) | 9,400 |

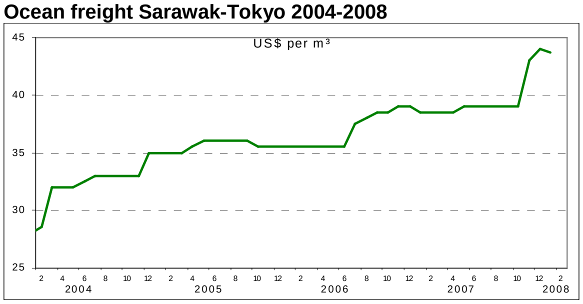
| Logs for Sawmilling, CIF | Yen per Koku |
|---|---|
| Melapi (Sarawak) High Select | 11,000 |
| Agathis (Sarawak) High Select | - |

| Lumber, FOB | Yen per m³ |
|---|---|
| White Seraya (Sabah) 24x150mm, 4m, Grade 1 | 145,000 |
| Mixed Seraya, Sangi 24x48mm, 1.8-4m, S2S | 54,000 |

**Wholesale Prices (Tokyo)**

| Indonesian & Malaysian Plywood | Size (mm) | Feb (¥ per sheet) | Mar |
|---|---|---|---|
| 2.4mm (thin plywood, F 4star, type 2 ) | 920 X 1830 | 370 | 370 |
| 3.7mm (med. Thickness, F 4star, type1) | 910 X 1820 | 560 | 560 |
| 5.2mm (med. Thickness, F 4star, type 1) | 910 X 1820 | 670 | 670 |
| 11.5mm for sheathing (F 4star, type 2) | 910 X 1820 | 930 | 930 |
| 12mm for foundation (F 4star, special) | 910 X 1820 | 960 ↑ | 1000 ↑ |
| 12mm concrete-form ply (JAS) | 900 X 1800 | 930 | 930 |
| 12m coated concrete-form ply (JAS) | 900 X 1800 | 1050 | 1090 ↑ |
| 11.5mm flooring board | 945 X 1840 | 1300 ↓ | 1300 |
| 3.6mm baseboard for overlays (OVL) | 1230 X 2440 | 900 | 880 ↓ |
| **OSB (North American)** | | | |
| 12mm foundation of roof (JAS) | 910 X 1820 | 1000 | 1000 |
| 9mm foundation for 2 by 4 (JAS) | 910 X 2440 | 1050 | 1050 |
| 9mm conventional foundation (JAS) | 910 X 2730 | 1250 | 1250 |
| 9mm conventional foundation (JAS) | 910 X 3030 | 1350 | 1350 |

**Ocean freight Sarawak-Tokyo 2004-2008**




*More information on Japan in www.n-mokuzai.com*

## Report from China

### China furniture exports breach USD20 billion in 2007

According to statistics from the General Administration of Customs, the total value of exported wooden, metal, plastic, stone and glass furniture in China accounted for USD24.34 billion in 2007, up 35.1% from 2006. The total value of exports amounted to USD23.27 billion, increasing 34.95% from 2006; the import value was USD1.07 billion, up 37.75%. The main factors driving China's furniture exports were:

1) *Stable growth of different types of furniture*: The main exported furniture products were metal framed seats, wooden framed seats, as well as metal and wooden furniture. The export value of these furniture types amounted to USD10.83 billion, representing 46.5% of total exports.
2) *Unit prices increased considerably*: Compared with 2006, unit prices in 2007 rose 114%, with unit prices for some types of seats growing nearly 1,000 times.
3) *The U.S. remained the largest export destination*: In terms of value, China exported about USD10 billion of various types of furniture to the US in 2007, up 26.7% from the year before, accounting for 43% of China's total export value. Other important markets were the UK, which accounted for USD 1.52 billion or 6.5% of China's total export value; Japan with USD1.46 billion (6.3%); Hong Kong S.A.R., USD1.18 billion (5.1%); and Canada, USD846 million (3.7%). Over 80% of furniture exported to the EU was sent to the UK, Germany, France, Netherlands, Spain, Italy and Belgium.
4) *Guangdong Province ranked first in furniture exports*: In terms of value, Guangdong exported USD9.3 billion in 2007, representing about 40% of the nation's total, up 33.8% over the last year. After Guangdong, Zhejiang exported USD4.49 billion, growing 45.8% in 2007. Shanghai was the third largest exporter with USD2.59 billion in 2007, up 51.8% from 2006. Following Shanghai, Jiangsu and Fujian provinces exported USD1.9 billion and 1.35 billion, up 35.4% and 21.9% respectively.
5) *Private enterprises' share of exports further increased*: Furniture exports by private enterprises grew dramatically in 2007, up 56.9% from 2007 and accounting for 28.3% of total exports from China. Joint ventures exported USD13.36 billion worth of furniture in 2007, up 29.6% from 2006, accounting for 57.4% of the nation's total. State-owned enterprises ranked third, exporting USD2.72 billion worth of furniture, 21.8% more than the year before. Collective-owned enterprises also exported USD508 million of furniture, up 18.8% over 2006 levels and accounting for 2.2% of China's total exports.

### Imported log volume drops at Taicang Port

Taicang Port of Jiangsu Province, which is located at the center of Yangtze River Delta, imported 1.02 million m³ of logs in 2007, valued at USD105.49 million. Some 31,000 m³ of logs valued at USD3.79 million came from New Zealand. There were also small amounts of logs imported from Madagascar and Slovakia shipped by container. The logs imported through Taicang Port in 2007 were down 7.3% from 2006 in terms of volume, although the imported value was up 12.4% during the same period. It is expected that logs imported through Taigcang Port will rise nearly 50% to 1.5 million m³ in 2008.

### China's wood flooring output to reach 500 million m² in 2010

There have been about 3,000 enterprises and about 1 million employees engaged in this sector, since wood flooring production began in the mid-1980s. The total productive value of the industry reached about RMB50 billion yuan. According to statistics from the Chinese Forest Products Industry Association, China's output of wooden flooring was 350 million m² in 2007. Mr. Zhang Wenling, Secretary General of the Association, anticipated that output of Chinese wood flooring would grow by over 10% annually in the next two years and reach 500 million m² in 2010.

### Zhaoyin set to be largest port for log imports in Fujian Province

Zhaoyin Port in Zhangzhou City has now become the largest port in Fujian to import logs. Over 606 thousand m³ of logs valued at USD73.39 million were imported in 2007, up 50% in volume and 85% in value from 2006. The rapid increase in log imports in Zhaoyin Port is due to the following: demand for plywood logs due to the rapid increase in productive capacity for plywood in China; rapid development of the wood processing industry, especially the plywood industry, and the promotion of wood consumption in Zhangzhou district; and a reduction in imports of radiata pine in Korea, Indonesia as well as certain provinces in China.

**Guangzhou City Imported Timber Market**

| | |
|---|---|
| *Logs* | Yuan per $m^3$ |
| Radiata 6m, 30cm diam. | 1300 |
| Luan | 2200-2400⬆ |
| Kapur | 1900-2500 |
| Merbau 6m, 60cm diam. | 4800-5200⬇ |
| Keruing 60cm+ diam. | 1900-2350 |
| Beech 6m,30cm veneer Qual. | 3300-3600 |
| *Sawnwood* | |
| Teak sawn grade A | 7400-7500 |
| US Maple 2" KD | 8800-12500 |
| US Cherry 2" | 15000-15600⬆ |
| US Walnut 2” | 12500-14500 |
| SE Asian Sawn 4m+, KD | 3700-3900 |
| *Plywood*note, dimensions have changed* | Yuan per sheet |
| 4x8x5mm | 87 |
| 4x8x15mm | 219-223 |

**Shanghai Furen Wholesale Market**

| | |
|---|---|
| *Sawnwood* | Yuan per $m^3$ |
| Beech KD Grade AB | 2500-3200 |
| US Cherry, 25mm | 10500-11000 |
| US Red Oak, 50mm | 9800-10500 |
| Sapele 50mm FAS (Congo) | |
| KD (2”, FAS) | 9500-9800 |
| KD (2”,grade A) | 8000-9500 |

**Shandong De Zhou Timber market**

| | | |
|---|---|---|
| *Logs* | | Yuan per $m^3$ |
| Larch | 6m, 24-28cm diam. | 1250 |
| White Pine | 6m, 24-28cm diam. | 1280 |
| Korean Pine | 4m, 30cm diam. | 1500 |
| | 6m, 30cm diam. | 1550 |

**Hebei Shijiangzhuang Wholesale Market**

| | | |
|---|---|---|
| *Logs* | | Yuan per $m^3$ |
| Korean Pine 4m, 38cm+ diam | | 1700⬇ |
| Mongolian Scots Pine | 4m, 30cm diam. | 1300⬇ |
| | 6m, 30cm+ diam. | 1350⬇ |
| *Sawnwood* | | |
| Mongolian Scots Pine | 4m, 5-6cm thick | 1500⬇ |
| | 4m,10cm thick | 1550⬇ |

**Tian Jin City Huan Bo Hai timber Market**

| | |
|---|---|
| *Logs* | Yuan per $m^3$ |
| Okoume 80cm+ | 3000 |
| Sapele 80cm+ | 5350 |
| Padauk 40cm+ | 6000 |
| *Sawnwood* | |
| US Black Walnut 2.2-4m, 5cm thick | 16000 |
| Padauk 2.2-3.2m, 5cm thick | 11000 |
| Sapele 2.2-2.6m, 5cm thick | 6800 |
| Ash 4m, 5cm thick | 4300 |

*For more information on China's forestry see: www.forestry.ac.cn*

## Report from Europe and the UK

**European demand for tropical hardwoods remains slack**

Reports from around north-western Europe suggest subdued demand for tropical hardwoods. Europe’s tropical log imports continue to decline while demand for sawn lumber in countries throughout the region - including UK, Ireland, Benelux and Germany - is described at best as stable. Some suggest that sales of tropical sawn lumber in the region are down from the same period last year. Economic uncertainty is sapping confidence in future sales and encouraging importers to be cautious over restocking. Nevertheless, the spring season is approaching which, with its promise of increased construction activity, may provide at least some short-term improvement in demand.

The UK hardwood market is generally described as ‘tough going’. With the end of the financial year for many importers (end of March), combined with general uncertainty about future levels of demand this year, many companies are now off-loading stock. In a highly competitive environment, there is little concern for replacement cost and market prices for some key hardwood products on the ground in the UK have been weakening. Against this background, there is little incentive for buyers to enter the forward market for tropical hardwoods. Where occasional holes are opening up in stock, most buyers are looking to the large distributors in the Netherlands and Belgium to satisfy their short-term needs.

As for individual species, prices for sapele sawn lumber have been falling since the start of the year, both for forward orders and for stock already on the ground in north-western Europe. FOB prices quoted to German importers for 52 mm FAS AD sapele boards have fallen from levels of around EUR645-EUR660 in December 2007 to stand at around EUR590-EUR620. Whereas delivered prices (inclusive of commission) for 1” KD sapele boards in the UK were hovering around GBP665/$m^3$ at the start of the year, quotes as low as GBP600/$m^3$ may now be obtained. However, one leading agent notes that buyers should be wary of the cheapest prices as ‘a lot of people are doing silly things with measures’ to give the appearance of providing a competitive price.

European demand for sipo is generally slack and prices have been slipping. Prices are in a wide range, to a large extent dependant on whether stock is from Côte d’Ivoire or Cameroon, the latter tending to offer superior texture and density. FOB prices for 52 mm FAS AD sipo boards quoted to German importers currently stand in the region EUR725/$m^3$ to EUR775/$m^3$. UK delivered prices inclusive of commission for FAS KD sipo boards are currently being quoted in the range GBP645/$m^3$ to GBP685/$m^3$.

The iroko market in the UK is generally described as stable, but the important Irish market for this species is very quiet. Prices are generally described as stable. FOB prices for 52 mm FAS AD iroko boards quoted to German importers currently stand in the region EUR570/$m^3$ to EUR590/$m^3$.

Demand for Côte d’Ivoire framire in the UK is variously described as ‘weak’ or ‘stable’ with delivered prices generally falling. One UK agent gave a price indication of around GBP505/$m^3$ for FAS KD stock delivered inclusive of commission, but also noted that prices are all over the place at present. It seems that after a lengthy period of tight supply, the Côte d’Ivoire is at last shipping some old contracts to Europe. FOB prices now being quoted to German importers for AD stock are in the region of EUR570/$m^3$ to EUR600/$m^3$.

There are some reports that demand for African whitewood species – such as ayous/wawa and koto – is marginally better than that for African redwoods driven by reasonable activity in the mouldings and sauna industries. This combined with restricted supply of some species has led to reasonably firm pricing. Demand for wenge from the European flooring sector is also reasonably buoyant at present.

Meranti lumber prices quoted to European buyers have changed little since the start of the year. European demand for Asian sawn lumber is subdued due to sluggish activity in the construction sector. However, this is generally balanced by limited supply. Overall forward availability is generally regarded as being tight, with mills cutting back on already limited production over the Chinese New Year period and now with heavy rain affecting logging operations in major supply regions. The weakness of the dollar against the euro has meant that Asian lumber prices have generally been competitive in the European market against African alternatives in recent months. However, price decreases for sapele and sipo since the start of the year have been eroding this price advantage.

Prices for bangkarai/balau decking being quoted to European buyers also seem to be stable. On-ground demand in Europe generally picks up at this time of year as the weather improves. However European traders do not expect any significant upturn in forward orders as existing stocks at European ports are generally regarded as adequate to meet this demand.

**Chinese plywood supplies become difficult to access in UK**

The main news from the UK plywood market is that supplies of Chinese plywood are becoming more and more difficult. Poor weather in China has been a major short-term factor, but a more important long-term structural factor is the gradual removal of tax benefits for Chinese exporters, which is particularly undermining the ability of smaller Chinese mills to compete in the UK market. Other problems facing Chinese mills supplying the UK market are increased competition for wood raw material in China, rising labor and fuel costs, and the difficulties of supplying environmentally certified products from China due to the complexity of supply chains. Longer term, there is an expectation that Chinese mills supplying the UK market may increasingly replace core veneers made from poplar, which are becoming less readily available and are difficult to certify, with core veneer made from eucalyptus or radiata pine.

Freight rates from Asia into the European market are also rising. While FOB prices for Chinese plywood have remained reasonably stable, CIF prices to European importers are increasing.

Malaysia and Brazil are the major beneficiaries of Chinese supply problems in the UK market. Malaysia is benefiting particularly from its ability to supply high quality material, increasing volumes of which are FSC certified, and to exploit a lower GSP tax rate than Indonesia. Brazilian shippers are benefiting from relatively short shipping times in addition to low GSP rates.

Despite economic uncertainty, some UK plywood importers contacted for this report indicate that underlying plywood consumption is holding up reasonably well in the UK. Importers that have become too reliant on Chinese product have been suffering, but those able to offer a wide variety of product from a diversity of supply areas, including certified products, are picking up business.

One interesting development in recent months in the UK panels market is that some of the largest UK plywood agents are now taking trial shipments of Chinese MDF and OSB. These are products which have traditionally been supplied from Europe's large domestic composite panels industry. European importers have been encouraged to take this step following recent Chinese investment in the panels industry which is now offering very competitively priced product to European buyers. UK importers note that the quality of Chinese composite panels is currently nowhere near good enough to satisfy the demands of European manufacturers that need their raw materials to meet very demanding specifications (consistency, thickness, color, texture etc). However the products may well be appropriate as merchant grade material for onward sales to the joinery and DIY trade.

**The Netherlands Sawnwood Prices**

| FOB (Rotterdam) | USD per $m^3$ |
|---|---|
| Sapele KD | 1130⬇ |
| Iroko KD | 1024 |
| Sipo KD | 1236⬇ |
| DRM Bukit KD | 1130⬇ |
| DRM Seraya KD | 1133⬇ |
| DRM Meranti KD Seraya MTCC cert. | 1172⬇ |
| Merbau KD | 1179 |
| Sapupira (non FSC) KD | 946 |
| Sapupira (FSC) KD | 1367 |
| | |
| Anti-slip decking AD C&F Rotterdam | |
| Selangan batu | 1100 |

**UK Log Prices** ***note: sources for UK prices have changed**

| FOB plus commission | | € per $m^3$ |
|---|---|---|
| N'Gollon (khaya) | 70cm+ LM-C | 330-350 |
| Ayous (wawa) | 80cm+ LM-C | 220-230 |
| Sapele | 80cm+ LM-C | 365-375 |
| Iroko | 80cm+ LM-C | 297-310 |

**UK Sawnwood Prices**

| FOB plus Commission | Pounds per $m^3$ |
|---|---|
| Teak 1st Quality 1"x8"x8" | - |
| Tulipwood FAS 25mm | 220-250 |
| Framire FAS 25mm | 450-470 |
| DR Meranti Sel/Btr 25mm | 440-450 |
| Sipo FAS 25mm | 620-660 |
| Sapele FAS 25mm | 600-620 |
| Iroko FAS 25mm | 550-570 |
| Wawa No.1 C&S 25mm | 250-260 |
| Balau/Bangkirai Decking | 600-620 |
| White Oak | 430-440 |

**UK Plywood and MDF Prices**

| Plywood Panels 8x4", CIF | US$ per $m^3$ |
|---|---|
| Brazilian WBP BB/CC 6mm | 545-555 |
| Malaysian WBP BB/B 6mm | 545-555 |
| China (hardwood throughout) 18mm | 440-450 |
| China (hard face, poplar core) 18mm | 410-420 |

## Internet News

***Below are web links to news items published by the press. These items do not necessarily reflect the views and policies of ITTO.***

Activity in the Australian construction industry has slowed, weighed down by declines in house and apartment building. The Australian Industry Group-Housing Industry Association Performance of Construction Index (PCI) fell by 4.4 points in February to 53.9, new figures show.
http://news.smh.com.au/construction-industry-activity-slowing/20080307-1xqd.html

As close friends and neighbors, the Government of Papua New Guinea and the Government of Australia have mutually consented to long-term cooperation on reducing greenhouse gas emissions from deforestation and forest degradation.
http://www.australia.to/story/0,25197,23040466-823,00,00.html

Asian markets are likely to fall further as nagging concerns about the health of the U.S. economy and the worsening credit crisis continue to hound investors.
http://money.cnn.com/news/newsfeeds/articles/newstex/AFX-0013-23597717.htm

Bridgestone Americas Holding's Firestone Liberia plantation unit has opened the first phase of its effort to process rubberwood.
http://www.tirereview.com/default.aspx?type=wm&module=4&id=2&state=DisplayFullText&item=10736

China, India and Vietnam are ranked as the top three hot property growth markets in the Asia-Pacific region for the next five years, a survey said.
http://www.netindia123.com/showdetails.asp?id=901947&cat=Business&head=China%2C+India+and+Vietnam+top+property+growth+markets++

Experts from China and Southeast Asia called for establishing a regional South China Sea Economic Cooperation Organization (SCSEC) to boost regional trade and investment.
http://english.china.com/zh_cn/business/foreign_trade/11021616/20080307/14713591.html

The Ho Chi Minh City Handicraft and Wood Industry Association (HAWA) said U.S. trade barriers against Vietnam's furniture are unlikely in the near future despite various concerns.
http://www.saigontimes.com.vn/daily/detail.asp?muc=1&Sobao=3140&SoTT=5

Only sustainable timber will be used during construction for the London 2012 games, the Olympic Delivery Authority has pledged. The Authority started the search for up to 20 timber suppliers to form a Timber Supplier Panel, which will supply up to 600,000 m² of hardwood, softwood plywood and other products, plus 40,000 m² of softwood timber to contractors and their suppliers.
http://www.building.co.uk/story.asp?sectioncode=284&storycode=3107888&c=0

The recent Winter 2008 Las Vegas Market showcased the very latest home furnishings styles and future trends. And World Market Center Las Vegas today launched the Winter 2008 edition of Style File on www.lasvegasmarket.com.
http://www.furninfo.com/absolutenm/templates/NewsFeed.asp?articleid=8652

A total of 16 companies have decided to open showrooms at The International Home Furnishings Center's InterHall during the Spring 2008 High Point Market in High Point, North Carolina. The 60 exhibitors will include a broad range of price points for both furniture and home accessories.
http://furniturestyle.com/Departments/IndustryNews/IndustryNewsLanding/tabid/84/Default.aspx?tid=2&ContentID=10728

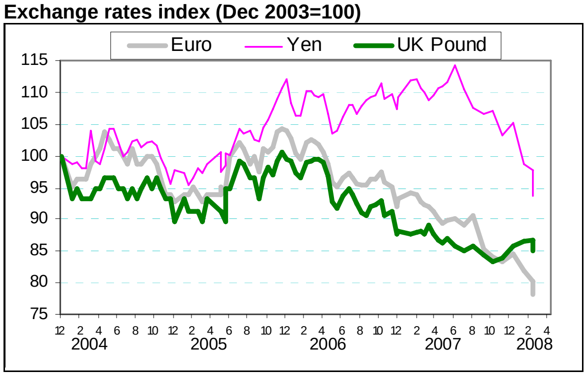
Two crucial barometers of U.S. housing market have worsened markedly in recent months, ratcheting up pressure on policy makers in Washington, D.C. for action to stem the growing housing crisis and its widening impact on the nation's financial system.
http://online.wsj.com/article/SB120485071664018195.html?mod=hpp_us_whats_news

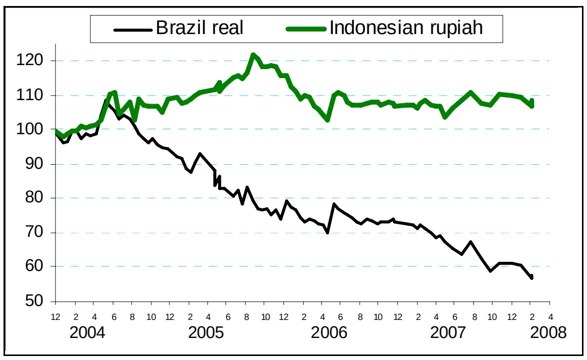
## Main US Dollar Exchange Rates

As of 14 Mar 2008

| | | | |
|---|---|---|---|
| Brazil | Real | 1.689 | ⬆ |
| CFA countries | CFA Franc | 420.271 | ⬇ |
| China | Yuan | 7.090 | ⬇ |
| EU | Euro | 0.6407 | ⬇ |
| Indonesia | Rupiah | 9,217.00 | ⬆ |
| Japan | Yen | 100.78 | ⬇ |
| Malaysia | Ringgit | 3.1586 | ⬇ |
| Peru | New Sol | 2.8121 | ⬇ |
| UK | Pound | 0.4938 | ⬇ |

**Exchange rates index (Dec 2003=100)**

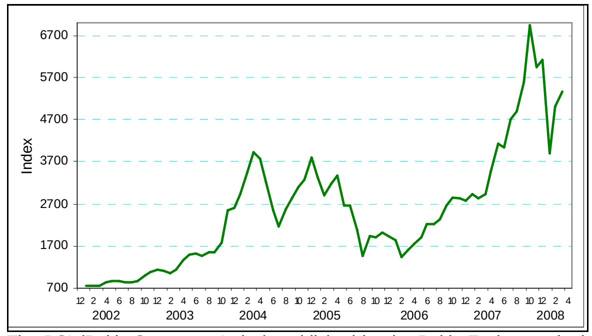



## Abbreviations and Equivalences

| | |
|---|---|
| LM | Loyale Merchant, a grade of log parcel |
| QS | Qualite Superieure |
| CI, CE, CS | Choix Industriel, Economique or Supplimentaire |
| FOB | Free-on-Board |
| CIF; CNF | Cost, insurance and freight; Cost and freight |
| KD; AD | Kiln Dry; Air Dry |
| Boule | A log sawn through and through, the boards from one log are bundled together. |
| BB/CC, etc. | Log/plywood grades. Letter(s) on the left indicate face veneer(s), on the right backing veneer(s). Grade decreases in order B, BB, C, CC, etc. |
| BF; MBF | Board Foot; 1000 Board Feet |
| Hoppus ton | 1.8 $m^3$ |
| Koku | 0.278 $m^3$ or 120 BF |
| SQ; SSQ | Sawmill Quality; Select Sawmill Quality |
| FAS | Sawnwood Grade First and Second |
| GMS | General Market Specifications |
| GSP | Guiding Selling Price |
| MR; WBP | Moisture Resistant; Water and Boil Proof |
| MDF | Medium Density Fibreboard |
| PHND | Pin hole no defect grade |
| $; ⬆⬇ | US dollar; Price has moved up or down |

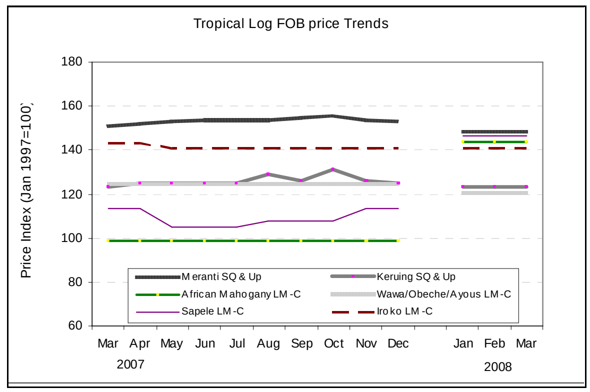
## Ocean Freight Index

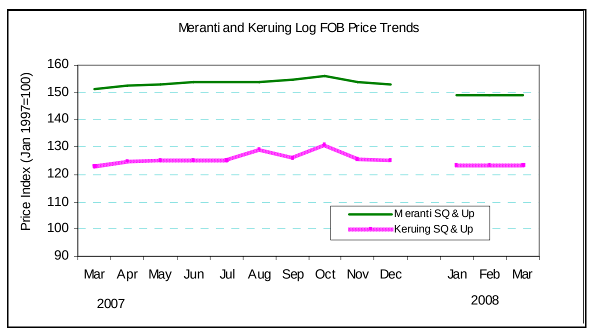


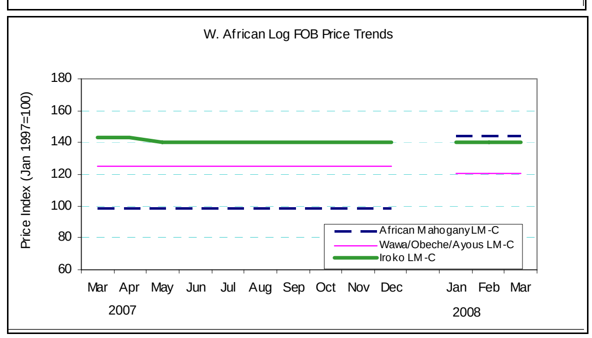

The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes. It is based on a 52,454 mt bulk carrier carrying commodities such as timber.

## Appendix. Tropical Timber Price Trends

## Tropical Log Price Trends

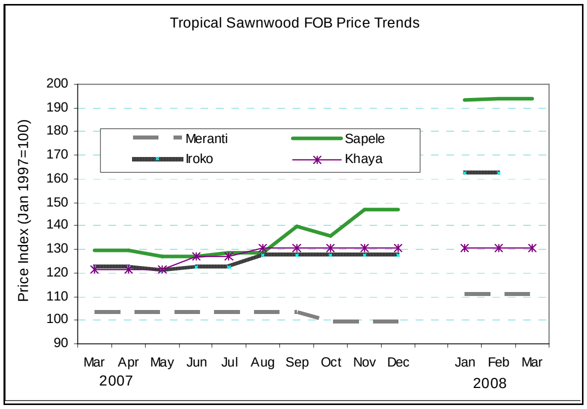


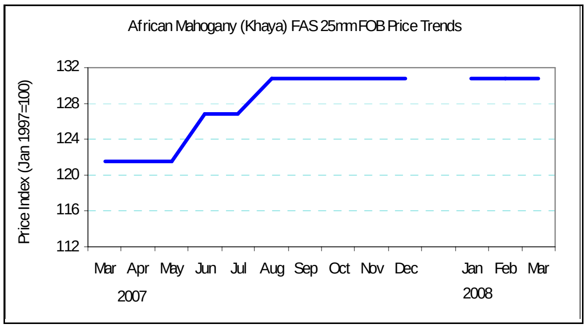



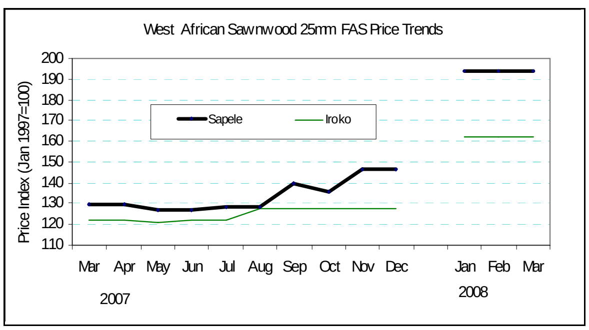




More price trends in Appendix 4, ITTO's Annual Review http://www.itto.or.jp/live/PageDisplayHandler?pageId=199

## Tropical Sawnwood Price Trends




**Please note that our price series have changed since January 2008. Prices for selected UK imported species, which are used in log and sawnwood price charts above, are now collected from different suppliers.*

## Tropical Plywood Price Trends