Tropical Timber Market Report since 1990

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Snapshot

Shipping costs continue to be a core factor impacting present and future prices of tropical timber. Due to high shipping prices and limited availability of ships, West Africa exporters and producers were asking for wood product prices. The Japanese Nanyozai Freight Agreement (NFA) was also dissolved, thereby limiting future availability of shipping vessels for Sarawak timber.

In our previous issue, we reported that China's recent severe winter storms had devastated forest resources and were expected to lead to raw material shortages in the country. This edition focuses on raw material shortages in Malaysia, where heavy rains have limited log extraction and production. This is expected to cause problems for certain importers such as Japan, where Malaysian and Indonesian plywood are expected to be short in supply by mid-2008.

As discussions were continuing on EU FLEGT initiatives, some suppliers expressed skepticism they would be able to implement the new requirements expeditiously. New requirements under EU FLEGT initiatives might add complexities for timber suppliers in the future and worsen potential confusion among various EU countries' procurement policies. In other news, the EU stepped up its import of China non-timber forest products such as bamboo and rattan in 2007.

Headlines

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Report from Central/West Africa

Stable price trends continue amid slow exports

European buyers have become more cautious over the past two months because of tighter availability of credit in financial markets. This has been rather more marked in UK than Continental Europe. Some UK timber buyers are tending to avoid longer term commitments in favor of purchases only against firm orders or to renew modest stockholding. Others report stronger demand and many traders have been reporting improvements in profitability last year.

Demand for China and India was still at a high level and almost all prices for logs and lumber were unchanged through March. Price adjustments reflected changes in demand for particular species rather than any overall weakness in the market. Price drops included azobe, down EUR15m³ for LM and B grades and EUR30 lower for BC/C grade on falling demand from Netherlands, while slowing demand for douka/makore by buyers for China resulted in fairly heavy falls of EUR30 for LM and EUR46 for B grade. Andoung was also down EUR15 for LM and B grades while okan continued the recent variations in price with plunges of EUR53 for LM and B grade and EUR46m³ for BC/C. Dabema and andoung rouge showed slight gains, both up by EUR15m³ for LM and B grades. Although European demand for iroko had tended to subside in the past two months, prices have held firm and unchanged as supply was only moderate and producers were prepared to reduce felling if demand was lower rather than to cut prices.

West African producers and exporters noted that Far East prices were firm and producers were asking for higher prices as a result of increased freight costs. This meant that South American exporters were able to compete only with a very limited volume of few species. As a result, although some European buyers were nervous, none were seriously forecasting any overall price weakness. Additionally, Ghana timber exports rose by 17% last year and seemed set for ongoing sound performance through 2008. Demand for Ghana sawn wawa lumber was reported as particularly strong.

Some European buyers have hinted that prices for sapele and sipo are lower but this seems to be rather wishful thinking and not to be a situation recognized by exporters. There were no reports of lower offers while demand continues to be very brisk. There were no lumber prices rises and while the majority of species have remained stable, some weaknesses have developed at the end of the month: moabi GMS was down EUR20 to EUR610 and scantlings down EUR15 to EUR630. Padouk FAS GMS dropped EUR15 to EUR585 and scantlings were down EUR20 to EUR610.

West Africa Log Prices

West Africa logs, FOB	€ per m³		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	221	190	175
Ayous/Obéché/Wawa	221	205	168
Azobe & Ekki	152↓	167	61↓
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	145↓	198	106↓
Padouk	289	289	267
Sapele	297	297	282
Sipo/Utile	335	305	267
Tali	190	190	152

Gabon Okoumé logs, FAS*		€ per m³	
		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 m³
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	585↓
	FAS scantlings	610↓
	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
Moabi	FAS GMS	610↓
	Scantlings	630↓
Movingui	FAS GMS	460

Report from Ghana

Ministry opens bidding for seized teak

The Ministry of Lands, Forestry and Mines has invited applications for pre-qualified competitive bidders for seized teak plantation timber from the Bomforbiri Wildlife Sanctuary. An estimated total volume of 979,186m³ from 2,810 logs are to be auctioned in the bidding process.

According to local news sources, the selection criteria for bidders is based on the following:

- Applicant should be an existing company with a forestry business record of at least four years and registered with the Registrar-General Department and the Forestry Commission (FC),
- Applicant should be up-to-date with payment of stumpage fees, annual rents and any other forestry fees,
- Applicant should be up-to-date with payment of income tax or corporate tax, whichever is applicable
- Applicant should possess a valid Social Security Clearance Certificate

- Applicant should not have been convicted of or have admitted to committing two or more breaches of any forest or timber industry law or regulation in the last two years.

In TTM 13:4 (16-29 February 2008), it was reported that the Minister for Lands, Forestry and Mines directed the FC of Ghana to revoke the license of Royal Visage for illegally harvesting teak in the Bomfobiri Wildlife Sanctuary and seize the harvested teak. The statement further directed a four-member task force to oversee the removal of such logs to a convenient place for auction to any company of good standing with the highest bid offer. Messrs Royal Visage was disqualified from participating.

Local wood manufacturers lodge appeal to TIDD

Local wood manufacturers in the Techiman Municipality of the Brong Ahafo region have complained about the rising cost of lumber, saying the situation has been keeping carpenters and furniture makers out of business. They attributed the rising costs to activities of lumber exporters, appealing to the government to take a second look at exporters' operations.

In an interview with the Ghana News Agency, Mr Owusu-Ameyaw, managing director of a local construction company said the situation was also affecting the construction industry, which employed a high number of people and added that the current problem had forced some employers to reduce their work-force. He bemoaned the high cost of taxes and electricity tariffs and urged the government to fashion out a policy to support the local wood industry.

In another development, fears have emerged over the rising cost of lumber and the possible collapse of businesses in the not too distant future. The Woodworkers Association of Ghana (Ashanti Branch) have decided to embark on afforestation activities to address the threat of a lumber shortage. This was the recommendation of a survey carried out by the Association as part of its advocacy programme sponsored by the Business Sector Advocacy Challenge (BUSAC) Fund. At a news conference in Kumasi, the Association appealed to the Timber Industry Development Board (TIDD) of the FC to design a programme that would provide their members with the necessary information on plantation development. Mr. Raynolds A Debrah, Regional Chairman of the Woodworkers Association, said it had officially submitted its recommendations to TIDD. The association was also consulting with the FC in order to obtain parts of the degraded forests for the plantation projects to help the association meet its quota for regenerating degraded forests.

Inflation levels rise sharply in February 2008

Official figures released by Ghana Statistical Services (GSS) have revealed a steady rise in electricity tariffs coupled with higher food prices, which has pushed Ghana's inflation rate in February 2008 up to 13.20%, the highest level since 2007. Meanwhile, prices for agricultural commodities have risen sharply in both developed and emerging markets in recent months.

In other news, rains are expected to start rather early this year and domestic mills may encounter difficulties in log supply earlier than usual, thereby affecting log stocks at the mills.

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	600⬇
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 B/BB, Thickness	€ per m³			
	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 m²		
	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

Malaysian timber sector pins hopes on Japan imports

Prices of Malaysian timber products increased substantially as shortages of raw materials became critical as a result of tropical thunderstorms. Barring bad weather, it remains to be seen if there are sufficient strong business fundamentals in the international business environment to lift up the Malaysian timber market in the long run.

However, two foreign brokerages, Merrill Lynch and Credit Suisse have issued calls to upgrade the timber sector, according to *StarBiz*. Prices of plywood have hit bottom and Japanese regulatory bodies are relaxing some rules and regulations concerning the Japanese construction industry. This may help accelerate timber trade with Japan.

Malaysia Log Prices

Sarawak log, FOB	US$ per m³
Meranti SQ up	297-318↑
Small	273-293↑
Super small	262-271↑
Keruing SQ up	270-281↑
Small	237-267↑
Super small	226-235↑
Kapur SQ up	245-262↑
Selangan Batu SQ up	270-292
Pen. Malaysia logs, domestic (SQ)	**US$ per m³**
DR Meranti	352-394↑
Balau	287-316↑
Merbau	414-437↑
Rubberwood	239-258↑
Keruing	280-293↑

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 m³
White Meranti A & up		428-452↑
Seraya Scantlings (75x125 KD)		707-744↓
Sepetir Boards		325-335↑
Sesendok 25,50mm		444-473
Kembang Semangkok		424-442
Malaysian Sawnwood, domestic		**US$ per m³**
Balau (25&50mm,100mm+)		343-363
Merbau		558-577
Kempas 50mmx(75,100 & 125mm)		289-309↑
Rubberwood	25x75x660mm up	281-309↑
	50-75mm Sq.	303-328↑
	>75mm Sq.	315-347↑

Malaysia Plywood Prices

Malaysia ply MR BB/CC, FOB	US$ per m³
2.7mm	479-505↑
3mm	456-481↑
9mm & up	414-437↑
Meranti ply BB/CC, domestic	**US$ per m³**
3mm	455-465↑
12-18mm	394-402↑

Other Malaysia Panel Prices

Malaysia, Other Panels, FOB		US$ per m³
Particleboard	Export 12mm & up	230-248↑
	Domestic 12mm & up	218-235↑
MDF	Export 15-19mm	296-320↑
	Domestic 12-18mm	271-289↑

Malaysia Added Value Product Prices

Malaysia, Mouldings, FOB	US$ per m³
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		56-72↑
As above, Oak Veneer		63-77↑
Windsor Chair		54-57↑
Colonial Chair		47-55↑
Queen Anne Chair (soft seat)	without arm	48-61↑
	with arm	52-61↑
Chair Seat 27x430x500mm		35-40↑
Rubberwood Tabletop		**US$ per m³**
22x760x1220mm sanded & edge profiled		
Top Grade		620-630↑
Standard		587-606

Report from Indonesia

Indonesia and South Africa renew trade ties

Indonesia and South Africa have recently renewed their commitment to increasing bilateral cooperation, reported *Antara News*. Indonesian President Susilo Bambang Yudhoyono visited South Africa in an effort to strengthen trade ties between the two countries. Trade has been expanding rapidly between South Africa and Indonesia since 1994. *MarketTradeNews* noted the excellent opportunities for continued cooperation in the forestry sector, as Indonesia is a major producer of hardwood solidwood products and pulp, while South Africa is a world player in softwood production and the supply of pulp.

Asmindo positive about furniture exports in 2008

The Indonesian Furniture and Handicraft Industries Association's (Asmindo) said it held a positive outlook for furniture exports in 2008, reported *Antara News*. Asmindo's Chairman, Ambar Tjahyono, who was in China attending the Shenzhen International Furniture Exhibition, announced that Asmindo was confident that exports would reach USD3 billion in 2008. This figure was 7% higher than the figure for 2007. Tjahyono also said the Chinese public were showing interest in Indonesia's furniture and handicraft products at the International Furniture Exhibition, where some Indonesian exhibits were sold in bulk and long-term contracts.

Indonesia Log Prices (domestic)

Indonesia logs, domestic prices	US$ per m^3
Plywood logs	
Face Logs	235-275↑
Core logs	180-210↑
Sawlogs (Meranti)	232-272↑
Falcata logs	182-196↑
Rubberwood	213-236↑
Pine	207-230↑
Mahoni (plantation mahogany)	605-651↑

Indonesia Sawnwood Prices

Indonesia, construction material, domestic		US$ per m^3
Kampar (Ex-mill)	AD 3x12-15x400cm	248-256↑
	KD	328-343↑
	AD 3x20x400cm	349-370↑
	KD	372-383↑
Keruing (Ex-mill)	AD 3x12-15x400cm	282-293↑
	AD 2x20x400cm	271-280↑
	AD 3x30x400cm	276-285↑

Indonesia Plywood Prices

Indonesia ply MR BB/CC, FOB	US$ per m^3
2.7mm	472-502↑
3mm	414-473↑
6mm	391-414↑

MR Plywood (Jakarta), domestic	US$ per m^3
9mm	330-343↑
12mm	305-326↑
15mm	303-332↑

Other Indonesia Panel Prices

Indonesia, Other Panels, FOB		US$ per m^3
Particleboard	Export 9-18mm	235-245↑
	Domestic 9mm	201-218↑
	12-15mm	190-202↑
	18mm	187-191↑
MDF	Export 12-18mm	310-322↑
	Domestic 12-18mm	252-273↑

Indonesia Added Value Product Prices

Indonesia, Mouldings, FOB	US$ per m^3
Laminated Boards Falcata wood	380-399↑
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	673-697↑
Grade B	597-637↑

Report from Myanmar

Trends show less than predictable tender prices

During the last two weeks, demand for teak remained strong and higher grade teak logs had become less available. As a result, many lower grades were sold in the market. Sawlog grade 4 was the most popular type of teak and preferred by many buyers because it is affordable and diverse in use. Fairly high grade sawn timber, and in some cases veneer flitches, can be obtained from these logs. The following chart shows the pattern of tender prices over the last six months:

Grade	Sep 07	Oct 07	Nov 07	Dec 07	Jan 08	Feb 08	6 mo. avg
1st Qlty	-	-	-	-	-	-	-
2nd Qlty	€5,175	-	-	€5,287	€5,555	€5,401	€5,355
3rd Qlty	€4,707	€4,801	€4,902	€5,301	€5,001	€5,149	€4,977
4th Qlty	€4,259	€3,877	€3,800	€4,423	€4,538	€4,526	€4,237
SG-1	€2,828	€2,435	€2,582	€2,688	€2,614	€2,785	€2,655
SG-2	€2,504	€2,364	€2,301	€2,198	€2,163	€2,207	€2,290
SG-3	€2,013	€1,978	€1,480	€1,527	€1,961	-	€1,792
SG-4	€2,282	€2,197	€2,148	€2,127	€1,932	€1,871	€2,093
SG-5	€1,839	€1,754	€1,725	€1,636	€1,629	€1,819	€1,734
SG-6	€1,519	€1,567	€1,382	€1,215	€1,395	€1,416	€1,416
SG-7	€1,064	€1,139	€1,045	€1,008	€1,018	€1,061	€1,056
SG-8	€996	€1,128	€1,121	€1,168	€1,239	€760	€1,064

Table 1: Myanmar teak prices, September 2007 – February 2008

A steady decline in the price pattern is noted above. Prices are dependent on available forest area, quantity of logs available, grading and exchange rates. Some items may be overpriced at times to respond to immediate requests of buyers; corrections usually follow in the market. Teak log prices are therefore difficult to forecast.

Since 2007, the Myanmar Timber Enterprise have sold directly to buyers using six month tender average prices at the time of shipment. Even though tender prices may dramatically rise, tender average price leave little room for maneuverability, although they are used by a number of buyers from the East.

The traded volume of teak from Myanmar is very small compared to the total global log trade. However, as Myanmar is a major supplier of teak, it is expected to remain a strong market player for some time. This also applies to the sawn teak market. In the case of the sawn teak market, however, local industry cannot cope with demand due to the short supply of raw material and other constraints. It has been reported that the offshore saw millers and traders, especially from China and Vietnam, are doing very good business in trading secondary processed teakwood products.

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 Brazil

Prices rise slightly due to appreciation of Real

Prices of wood products in Brazilian Reals have remained stable since mid-March. However, prices in US dollars rose on average 2.72% due to the appreciation of the Brazilian currency. The Committee on Monetary Policy (Copom) had also maintained the prime interest rate (Selic) at 11.25% per annum. This was the fourth consecutive time that Copom has left the rate unchanged.

IBAMA teams step up illegal timber investigations

Continuing from reports in TTM 13:4 and 13:5 on Brazil's illegal logging investigations, the Brazilian Institute of Environmental and Renewable Natural Resources (IBAMA) inspectors have conducted more raids on suspected illegal logging sites since late February 2008. IBAMA inspectors, in partnership with the Federal Police, continued to investigate illegal logging activities in the Tailândia municipality. As a result of these investigations, three logging companies had been closed or discontinued, since over half of their yards were piled with illegal logs and one company was operating without a license. IBAMA had collected fines from the illegal operators and stopped all forestry operations where illegal activities were uncovered.

The inspection team visited over 40 industrial units, including logging companies, charcoal producers and private properties. Among them, 39 were fined and 23 shut down due to lack of proper documentation. Since the beginning of the inspection, 16,400 m³ of timber (93% logs and 7% sawnwood) without legal documentation was seized. The total fine imposed on violators exceeded BRL9 million. Inspectors also uncovered over 1,000 m³ of charcoal produced without environmental licenses. Over 1,000 illegal charcoal ovens were destroyed, which is equivalent to saving 60,000 small trees a month. Although most of the ovens were destroyed by police and inspectors, some were destroyed by the owners themselves to avoid paying fines.

Brazil raises intake of US timber

Plugar reported that US timber and forest products imports had increased in Brazil, opening up a new market niche. According to the Ministry of Agriculture, Brazilian imports of forest products and sawnwood increased 18.3% and 164.3%, respectively, from 2005 to 2006. Since 2007, the American Hardwood Export Council had been working to promote the use and advantages of American hardwoods to Brazilian companies. Timber products made of cherry, red oak, white oak and maple are widely exported but still have a small market share in Brazil. Experts indicate that imports of American timber/veneer can help Brazilian companies maintain or even expand their participation in international markets.

According to the Association of Furniture Industry of Rio Grande do Sul (MOVERGS), Brazilian companies are encouraged to seek business opportunities involving the use of American hardwood. Brazilian companies importing raw materials can benefit from tax returns if they re-export these goods. Furniture companies of the southern state of Rio Grande do Sul have already carried out studies on prices and quality of American hardwood for possible import. MOVERGS observed that companies need to import 'globalized products' to compete in the globalized world. However, exporters should evaluate production and competitiveness costs when targeting foreign markets.

Sinop suffers drop in timber exports

Exports of Sinop, a major timber cluster in Northern Mato Grosso, plunged in early 2008. The exported volume of timber during the first half of January 2008 dropped 13% compared to the first half of January 2007, according to the Secretary of Foreign Trade. Despite the fall, timber remains the main exported product of the region, corresponding to 78% or USD5.4 million of the total sales.

According to *Só Notícias*, Belgium took most of Sinop's exports, at USD2.1 million in value, followed by France and the Netherlands. In 2007, Sinop exported USD69 million, a 27% gain from 2006 levels. The municipality has substantially increased its foreign sales since 2000, when sales reached USD26 million.

On the other hand, timber exports in Alta Floresta, another major timber cluster in Northern Mato Grosso, increased 10% in the first half of January 2008 compared to the same period in 2007. Timber exports reached USD1.6 million in January 2008 and dropped to USD1.2 million in February 2008. Sawnwood and processed solidwood product sales to the US were USD1.3 million in value, or approximately 98% of exports, Spain received 25%, and Israel 15%. In 2007, Alta Floresta exported USD20.9

million worth of sawnwood and processed solidwood products, 30% more than in 2006.

Brazil furniture exports leap 7.2% in early 2008

MDIC/CGI Moveleiro show early estimates of furniture exports at USD141.2 million in the first half of January 2008, increasing 7.2% compared to the same period of 2007. Brazilian exports of furniture to the US in the period reached USD17.8 million, dropping 34.5% compared to 2007. On the other hand, exports to Argentina rose 52.6%, equivalent to USD13.2 million. Exports to France represented USD12.9 million, jumping 38.4% in comparison to the value of exports in 2007.

Rio Grande do Sul is the leading furniture exporting state in Brazil, representing gains of USD42.6 million between January and February 2008, a 13.8% increase compared to the same period in 2007. However, exports to the UK, the major importer of furniture from Rio Grande do Sul dropped 16.6% and exports to the US fell 42%. Furniture imports of Mexico and Argentina from Rio Grande do Sul surged 96.4% and 74%, respectively. The neighboring state of Santa Catarina exported USD48.2 million during the period, which represented a 4.8% drop from the same period in 2007.

Brazil Log Prices (domestic)

Brazilian logs, mill yard, domestic	US\$ per m³
Ipê	143⬆
Jatoba	101⬆
Guariuba	68⬆
Mescla (white virola)	75⬆

Brazil Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB		US\$ per m³
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 m³
Northern Mills (ex-mill)	Ipé	667⬆
	Jatoba	507⬆
Southern Mills (ex-mill)	Eucalyptus (AD)	200⬆
	Pine (KD) 1st grade	263⬆

Brazil Veneer Prices

Veneer, FOB (Belem/Paranagua Ports)	US\$ per m³
White Virola Face 2.5mm	295
Pine Veneer (C/D)	211

Rotary cut Veneer, domestic	US\$ per m³	
(ex-mill Northern Mill)	Face	Core
White Virola	263⬆	220⬆

Brazil Plywood Prices

Plywood, FOB	US\$ per m³
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 m³
9mm C/CC (WBP)	307
15mm C/CC (WBP)	276
18mm C/CC (WBP)	278

Plywood, domestic (ex-mill Southern mill)		US\$ per m³
Grade MR (B/BB)	White Virola 4mm	900⬆
	White Virola 15mm	658⬆

Domestic prices include taxes and may be subject to discounts.

Other Brazil Panel Prices

Belem/Paranagua Ports, FOB	US\$ per m³
Blockboard Pine 18mm 5 ply (B/C)	315
Domestic Prices, Ex-mill Southern Region	
Blockboard White Virola faced 15mm	587⬆
Particleboard 15mm	369⬆

Brazil Added Value Products

FOB Belem/Paranagua Ports		US\$ per m³
Edge Glued Pine Panel		
Korean market (1st Grade)		651
US Market		503
Decking Boards	Cambara	603
	Ipê	1672

Report from Peru

Penalties to be raised under US-Peru FTA

Early this year, an American delegation composed of environment and intellectual property specialists visited Peru twice to monitor progress on its forest policy development. American officials were interested in implementation arrangements under the US-Peru Free Trade Agreement (FTA), which was signed in 2007. During the visit, the Peruvian Foreign Commerce Ministry and Coordinator, Silvia Hooker, noted that policy reform measures were being undertaken to increase penalties for those who participate in illegal logging. For instance, the jail sentence for those found guilty of illegal logging has been increased from three to fifteen years.

In addition to progress made on forest policy reform, it was determined that the Ministry of Agriculture would oversee forest resource management and the Ministry of Environment would be responsible for protected area management. It was also recommended that OSINFOR, the supervisory body of forest concessions, would act as an independent entity. Moreover, Peru would work to apply reforms in the forest sector 18 months after the FTA enters into force and continue to promote transparency in the amount of mahogany harvested.

ADEX establishes Forest Committee

The Forest Products Committee of the Exporters Association (ADEX) oversees forest management, the manufacturing of wood products, national trade and country exports in Peru. ADEX has now created a Forest Committee to monitor its work. The Forest Committee recently published a Code of Ethics under which all forest operators to be responsible for efficient, responsible, sustainable management and manufacturing. By complying with the Code, they express their commitment to the implementation of international laws and treaties.

Reforestation law aims recovery of 100K hectares a year

Antonio Egg Brack of the Peruvian Ministry of Environment recently explained inroads in Peru's law for the promotion of private investment in reforestation and agroforestry. He explained that about 100 thousand hectares a year could eventually be reforested under the law. However, he expected all cultivation activities under the initiative to take about four years. The initiative would help forest cultivation in degraded and arid lands of coastal, highland and jungle regions, so as to recover large natural forest areas. The initiative will delegate to regional authorities the privilege to determine concession areas for forest plantations. Plantation establishment would need to be considered a long-term endeavor even if the concession is leased for a short period of time. Brack Egg noted the case of Chile, where 2.2 million hectares were reforested over a time span of 30 years.

Peru Sawnwood Prices

Peru Sawnwood, FOB Callao Port		US$ per m³
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 m³
Virola 1-2" thick, length 6'-8' KD	
Grade 1, Mexican market	327-378⬆
Grade 2, Mexican market	294-312⬆
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 m³
Spanish Cedar AD Select Mexican market	939-978
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	329-358⬆
Grade 2, Mexican market	297-305⬆
Grade 3, Mexican market	179-192
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	250-263

Peru sawnwood, domestic	US$ per m³
Mahogany	1295-1331
Virola	97-110
Spanish Cedar	455-462⬇
Marupa (simarouba)	135-138

Peru Veneer Prices

Veneer FOB	US$ per m³
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 m³
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 m³
(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 m³
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 m³
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

Fourth Business Roundtable attracts over 180 participants

Over 180 participants have registered for the Fourth Business Roundtable on the Wood Industry in Bolivia, which will be convened by the Forest Chamber of Bolivia (CFB) with the support of ITTO and the US Agency for International Development. The Roundtable, which will be held from 27-28 March 2008, will host participants from over 14 countries, half of which are international companies that purchase wood and suppliers of machinery and supplies for the forest industry. Other participants include national companies and small business owners, forest operators from indigenous communities and members from the financial and tax services sectors. The number of registered participants at the forthcoming Roundtable has already exceeded the number of participants at the 2007 Roundtable. The Roundtable is expected to generate prospective business deals worth approximately USD21 million dollars.

Bolivia Sawnwood Prices

Sawnwood 1-3"x3x5"x7-19', FOB Arica Port		$ Avg un. val. per m³
Mahogany	(US market)	1675-1777
Spanish Cedar	(US market)	602-963⬆
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 gains from higher value-added products and wider markets

Stringent efforts by policy makers and other stakeholders to increase value-added production and exports have made significant progress. After two months and a half into 2008, value-added exports are largely on track and have exceeded the value of exports during the same period in 2007 by 20%.

Thus far, there has been marked improvement in exports of furniture with current export value to the UK, the main export market, already valued at more than a third of last year's exports. Similarly, dressed sawnwood exports were nearly one third of the total 2007 value. Plywood exports, to the end of February 2008 remained roughly equal to that for the same period last year, but are expected to pick up following a restart in plywood production in March.

There has also been a widening of export markets with greater exports to new markets outside of the Latin American and the Caribbean region. Gains in already established markets have also continued to rise. This is the result of the collective efforts of industry stakeholders, including manufacturers, and the Guyana Forestry Commission to promote Guyanese forest products. Notable gains in the recent past include increased exports of dressed lumber to high value destinations such as Barbados and New Zealand, shingles to Mauritius and furniture to the UK.

Guyana Log Prices

Logs, FOB Georgetown	SQ - $ Avg unit value per m^3 Std	Fair	Small
Greenheart	-	-	-
Purpleheart	170-190	150-185	140-180↑
Mora	130-145↑	120-135↑	110-130↑

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

Guyana Sawnwood Prices

Sawnwood, FOB Georgetown EU and US markets		$ Avg unit val. per m^3 Undressed	Dressed
Greenheart	Prime	550-750↑	650-945↑
	Select/Standard	400-580↓	445-636↑
Purpleheart	Prime	-	530-650↑
	Select/Standard	551-600↑	572-630↑
Greenheart scantlings		-	-

Guyana Plywood Prices

Plywood, FOB Georgetown Port			$ Avg unit val. per m^3
Baromalli	BB/CC	5.5mm	-
		12mm	-
	Utility	5.5mm	-
		12mm	-

Report from Japan

Dissolution of NFA will affect shipping of Sarawak Timber

Japan Lumber Reports indicated that the Nanyozai Freight Agreement (NFA), which sets rates for South Sea log transportation, will be dissolved at the end of March 2008. After April of this year, Japan is likely to drop the antimonopoly act exemption for NFA members. This, coupled with the fall of South Sea log import volume, persuaded officials to discontinue the NFA. Moreover, a number of disagreements had arisen under the NFA last year. For instance, the Tokyo Regional Taxation Bureau and NFA had disagreements on the type of brokerage fee to collect from shipowners. Additionally, a group of shipowners (DSN) from Sarawak, Malaysia, decided not to renew their agreement with the NFA due to a past dispute over an unpaid commission. When the NFA is dissolved, there will be only one non-NFA shipping company to send South Sea logs to Japan and each shipping company that is a member of the NFA will have to negotiate with the Tax Bureau.

January 2008 reveals disconcerting plywood import trends

Japan Lumber Reports said plywood imports in January 2008 had dipped 30% from January 2007 levels, hovering around 311 million m^3. Domestic production of plywood also decreased in January 2008, leading the overall supply of plywood to be 27% less than in January 2007.

At the end of March 2008, the *Japan Lumber Journal* said it was 'inevitable' that Japanese importers of plywood would have to accept price increases. While imports had risen from February levels, the scarcity of plywood supply had not been resolved. It was noted that material for plywood in Malaysia and Indonesia was in short supply and logging operations had been delayed. *Japan Lumber Reports* noted that prolonged rainfall had decreased production levels and the log market was generally slow. The only exception to this was high demand for keruing and kapur, which was sought by Indian and Chinese buyers.

Tight Southsea timber supplies seen by mid-2008

Japan Lumber Journal reported on the potential shortage of imported plywood that might emerge by mid-2008. This will be largely due to unresolved problems with log transportation from Sarawak and existing log supplies that were only likely to meet demand for just over three months. Thus, it is expected that suppliers will be impacted in the latter half of the year.

The Tokyo Chapter of the Japan Southsea Lumber Conference also noted that Southsea log imports were down 25.6% from the previous year. The conference noted that the Southsea log market had shrunk around 20% in 2007. In 2007, Japan's import of Sarawak logs fell 29%, and imports from Sabah, Papua New Guinea and Solomon Islands dropped 31.2%, 13.4% and 6.8%, respectively.

Log and Sawnwood Prices in Japan

Logs for Ply Manufacture, CIF	Yen per Koku
Meranti (Hill, Sarawak)	(Koku=0.278 m^3)
Medium Mixed	8,400↓
Standard Mixed	8,500↓
Small Log (SM60%, SSM40%)	7,500↓
Taun, Calophyllum, others (PNG)	7,700↓
Mixed light hardwood, G3/4 grade (PNG)	-
Okoumé (Gabon)	14,000
Keruing MQ & up (Sarawak)	10,100↑
Kapur MQ & up (Sarawak)	9,600↑

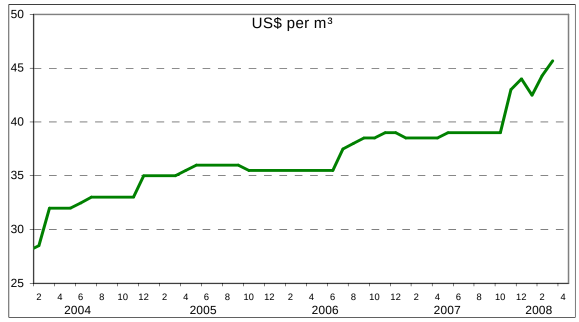
Logs for Sawmilling, CIF	Yen per Koku
Melapi (Sarawak) High Select	11,000
Agathis (Sarawak) High Select	-

Lumber, FOB	Yen per m^3
White Seraya (Sabah) 24x150mm, 4m, Grade 1	145,000
Mixed Seraya, Sangi 24x48mm, 1.8-4m, S2S	53,000↓

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 NTFP exports chalked up hefty gains in 2007

According to statistics from China Customs, China's exports of grass, willow, bamboo and rattan products (Customs code: 4601 and 4602) rose in value 22% in 2007 to about USD1.6 billion. Their volume grew 11% to 616 million tons. The unit price increased about 10% to USD2.6 per ton. The export value of grass, willow, bamboo and rattan products processed with imported materials grew 5% to USD73 million. The export volume rose 2% to 34 million tons. In 2007, the EU was the largest destination market, most exports originating from private enterprises in Shandong, Guangdong and Zhejiang Provinces.

The export value of grass, willow, bamboo and rattan products to the EU rose to USD510 million, making up 32% of exports. The export value to the US rose 16% to USD310 million, while the export volume to the US increased 4% to 100 million tons. The export value to Japan rose only 1% to 112 million tons. The export value to Hong Kong, SAR fell 19% to USD152 million.

Private enterprises augmented their share of outputs of grass, willow, bamboo and rattan products in 2007 to 34% or USD690 million. The volume from private enterprises grew 23% to 265 million tons, representing 43% of exports. The value of exports of grass, willow, bamboo and rattan products from state-owned enterprises jumped 12%, but their volume fell 3%.

Finally, Shangdong, Guangdong and Zhejiang provinces were the three most important provinces exporting grass, willow, bamboo and rattan products. Shandong Province, which ranked first, produced products worth USD436 million and its volume grew 15% to USD137 billion tons. Guangdong Province ranked second in terms of exports, while Zhejiang Province ranked third.

EU is largest market for Shandong furniture exports

According to statistics from China Customs, 2007 furniture exports through Shangdong Port rose rapidly, up 25% to USD1.07 billion. Of the total, the EU's share of exports grew 32% to USD333 million, making up 31% of the total value of exports from Shangdong Province and exceeding the US's share. Shandong furniture exports to the US, Japan and South Korea rose 24%, 9% and 20% to USD329 million, USD140 million and USD130 million respectively. Shangdong exported 87% of its furniture to the EU, the US, Japan and South Korea in 2007.

Furniture exports through Kunshan City valued at USD477 million

The Kunshan City Entry-Exit Inspection and Quarantine Bureau said the value of furniture exports in Kunshan city was USD477 million, representing 9% of the national total. Kunshan City is located on the Yangtze River Delta and is the east gate of Jiangsu Province. Kunshan furniture enterprises export to the US, EU, Canada, New Zealand, Japan, Singapore and Taiwan, SAR. There are 12 furniture enterprises in Kunshan City that have an annual value of exports exceeding USD10 million. Most furniture enterprises in Kunshan are original brand manufacturers (OBM). They manufacture international brands such as Royal Garden and Furnishing, HTL, GoodBaby and Senco. Three furniture enterprises have created their own brands and sold their products in the domestic market since 2007. About 15 furniture enterprises were established in 1993. Since that time, the US, South Korea, Hong Kong and Taiwan SAR have opened factories in Kunshan City and manufacture various categories of products.

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

Demand-side issues come to the fore

The latest hardwood market report from *TTJ*, the UK's timber industry magazine (www.ttjonline.com) suggests that while 2007 was a year when timber supply issues came to the fore, demand-side factors might well dominate 2008. Economic uncertainty in Europe has generally led to a more cautious approach to purchasing. One UK-based agent specializing in African wood suggested that 'this has been the worst start to the year for West African hardwood suppliers for a number of years…the US, European and Chinese markets have all gone cold.' It was noted that some trading companies in Africa are now heavily discounting prices of sawn lumber because of high stocks, particularly in sapele. The current strength of the euro is also encouraging reductions in euro prices. The sapele inventory both in continental Europe and the UK is regarded as ample to service existing levels of demand. Framire supplies have become easier to source as significant volumes are now being shipped against old contracts. Iroko demand remains weak in major markets of Ireland, Spain and Italy, but a reduction in production levels has helped keep prices stable. Availability of good quality wawa remains restricted. Demand for this species is quiet in the UK but there are signs of greater interest in Italy. UK demand for Malaysian meranti tembaga remains weak, foiling efforts by Malaysian mills to boost CIF prices in response to rising freight rates.

TTJ also reports the comments of Simon Fineman, Chief Executive of Timbmet, one the UK's largest hardwood importers, speaking at a recent meeting of the London Hardwood Club. Fineman suggests that the future UK market for hardwoods would see less selling of packs of sawn hardwood and more emphasis on specialized products and components that were 'fit for purpose with a proven ability to perform…the trend in the whole market place is to move to niche specialized products.'

Signs of improvement in European construction sector output

According to estimates released by Eurostat, the Statistical Office of the European Communities, construction sector output in January 2008 was up by 1.6% in the euro area and by 0.7% in the EU-27 compared to the same month in 2007. This was a significant improvement on the previous month – construction sector output in December 2007 was significantly down on the same month the previous year. Both building construction and civil engineering activity improved in January 2008 across the EU-27 and within the euro-zone. To some extent, increased activity in Eastern Europe compensated for continuing weakness in parts of Western Europe. Among European member states for which data are available for January 2008, construction output rose in six and fell in four. The highest increases were recorded in Romania (33.7%) and Slovakia (14.9%), and the largest decreases in Spain (8.0%) and the UK (2.9%).

Sluggish market seen for engineered wood flooring

The Germany-based trade journal *Euwid* (www.euwid-wood-products.com) reports that European markets for engineered wood flooring, a product which has become increasingly important in Europe in recent years, are currently very mixed. *Euwid* note that weak markets and high stocks of standard products in light species such as beech and maple have led to heavy price discounting on these products. On the other hand, some European manufacturers are trying to force through higher prices for higher grade products, particularly longstrip and plank-strip flooring made of white oak and tropical hardwoods, in order to cover rising manufacturing and freight costs. But uncertainty about future demand even for the higher grade products has led other manufacturers to adopt a 'wait and see' attitude. Although price rises are needed, they doubt the ability of the market to absorb them at this stage.

European procurement policies pose challenges to suppliers

In recent years, European governments have become heavily engaged the business of developing environmental timber procurement policies. They are being driven on by their mounting concern for illegal logging, which they perceive to be a major source of deforestation and therefore a contributory factor to carbon emissions and climate change.

Development of such policies is also being encouraged through European government's commitment to the EC's Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan. Under this Plan, the European Union is also working with a wide range of tropical timber supplying countries on Voluntary Partnership Agreements (VPAs) to help tackle illegal logging. Under the terms of VPAs, all wood imported into the EU from partner countries would be subject to strict legality licensing requirements. Ghana, Indonesia, Malaysia, and Cameroon are all now engaged in formal negotiations. Other countries likely to begin formal negotiations in the near future are: Central African Republic, Congo Republic, Liberia, and Gabon.

While the underlying intent of these measures and policies is laudable, from a market perspective they are adding a new layer of uncertainty for those seeking to sell wood products to the European Union. The situation is not helped by the sheer complexity of European government timber procurement requirements which vary widely from country to country. The competitiveness of wood products suppliers in the EU market in the future will be at least partly dependent on how well they read the confusing signals now being sent out by European policy makers.

At least seven EU countries have developed environmental timber procurement policies: UK, France, Germany, Belgium, Netherlands, Denmark, and Austria. Moves to adopt such policies have been slower in southern European countries, but Spain, Portugal and Italy have all indicated an intent to work towards development of such policies in the future.

In those countries that have developed policies, it is usual for the requirement to be mandatory for central government agencies. The proportion of national timber procurement estimated to be directly affected by the policy varies by country but is usually in the range 5% to 15%. Local government agencies in most countries are encouraged to adopt the national level policy on a voluntary basis. The much larger private sector market is not directly affected by the policies. However the larger distributors that sell into both private and public sector construction projects often try to apply the same procurement principles to all their wood purchases.

The government policies differ widely in the extent to which they demand that wood must be 'verified legal' or 'verified sustainable'. They also differ in the forms of evidence that they accept to demonstrate 'legality' and 'sustainability'. They may be subject to change, adding to the confusion.

Policies established in Belgium and Germany already set a minimum requirement for timber to be 'sustainable', both showing a strong preference for FSC and PEFC certification, although technically other forms of evidence may be accepted if deemed to be equivalent. Although tropical countries are being encouraged to develop legality licensing procedures, neither policy currently contains any provisions for recognition of FLEGT VPA licenses in public sector procurement.

The UK and Dutch policies establish verified legal as a minimum requirement and accept FLEGT VPA licenses as evidence. In both cases, timber which is 'verified sustainable' is preferred when it is available. Both countries have established their own criteria for assessing appropriate forms of evidence. The UK has gone furthest in applying these criteria, already determining that certification to FSC, PEFC, SFI, or CSA standards is sufficient evidence of sustainability. MTCC certification is currently regarded by UK government as evidence of 'legality' but not sustainability.' The UK is also the only country yet to have made a firm statement with respect to its intentions towards FLEGT VPA licenses. From April 2009, only verified sustainable or FLEGT VPA licensed timber will be accepted. However verified sustainable, where available, will be favored over FLEGT VPA licensed timber. From April 2015, only verified sustainable will be accepted.

The Netherlands has stated it will only accept 'sustainable' timber from 2010. No decision has yet been taken on whether FLEGT VPA licenses will be accepted after that date.

The French procurement policy currently states that timber must be from a 'legal and sustainable source', but unlike the UK and Netherlands, there is no clear hierarchy of evidence separating 'legal' from 'sustainable' timber. The French government recently stated that it intends to strengthen its policy and guidance, increasing the focus on FSC and PEFC certified wood products but also indicating that FLEGT VPA licenses will continue to be accepted in the future.

The situation is further complicated by the gap that exists between the stated intent of central government authorities and actual implementation on the ground. The UK provides the best illustration of this – mainly because the UK government has gone furthest in actually trying to monitor what is happening on the ground. A recent survey by the Central Point of Expertise on Timber (CPET), which supports UK government policy development and implementation, indicates that of 14 government agencies, only two are following government policy to the letter. Most of the rest are already specifying that wood must be certified sustainable and making no provision for legally verified wood. One particularly significant agency, the Olympic Delivery Authority (ODA) which recently launched a bidding process for supply of timber to the 2010 London Olympic developments, is amongst those stating it will only accept fully certified timber. It is expected that around 600,000 m² of hardwood and softwood plywood and other panel products will be needed by the ODA's contractors and their suppliers.

Achieving recognition of national level policies at local authority level is even more challenging. Policies at this level of government tend to be at least as strongly influenced by the campaigns of environmental groups and national media as they are by the policies of national governments. FSC tends to be strongly favored and there is very little understanding at this level of government of the role of FLEGT VPA licenses or phased approaches to certification in the tropics.

All this activity is indicative of the importance now attached by European governments to clearing up supply chains and ensuring that wood used in government contracts does derive from well managed sources. But it also highlights the importance of European governments working towards harmonization of procurement policies and of making clear and unambiguous statements with respect to the forms of evidence that will be accepted.

There are some positive moves in this direction. The European Commission is due to issue a Communication on Green Public Procurement in April/May 2008 which, while covering all products, is expected to provide some specific guidance on development of government timber procurement policies. In addition, the UK, Dutch and Danish governments are co-operating in an effort to find common ground for the further development of procurement policy. However an underlying problem, which is very difficult to address, is that European procurement officials tend always to be more responsive to the needs and demands of national interests (including

ENGOs, domestic industry and trading companies) than they are to the needs of forestry operators overseas that are actually responsible for implementing sustainable forestry practices .

Some of the frustration of seeking to comply to European procurement requirements was reflected recently in an article for Malaysia's *New Straits Times* based on a conversation with Sarawak's Forestry Director, Datuk Len Tarif. In a reference to European government procurement policies, the article suggests that 'because of the constant changes and stringent requirements, Sarawak timber companies are not rushing to meet EU requirements.'

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	320-360
Ayous (wawa)	80cm+ LM-C	220-230
Sapele	80cm+ LM-C	340-370⬇
Iroko	80cm+ LM-C	330-350⬆

UK Sawnwood Prices

FOB plus Commission	Pounds per m^3
Tulipwood FAS 25mm	210-230⬇
Framire FAS 25mm	430-450⬇
DR Meranti Sel/Btr 25mm	480-490⬆
Sipo FAS 25mm	600-640⬇
Sapele FAS 25mm	560-580⬇
Iroko FAS 25mm	550-570
Wawa No.1 C&S 25mm	250-260
Balau/Bangkirai Decking	560-620⬇
White Oak	460-480⬆

UK Plywood and MDF Prices

Plywood Panels 8x4", CIF	US$ per m^3
Brazilian WBP BB/CC 6mm	540-550⬇
Malaysian WBP BB/B 6mm	545-555
China (hardwood face, eucalyptus core) 18mm	420-430
China (hard face, poplar core) 18mm	440-460

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.

ITTO will convene an 'International Expert Meeting on Addressing Climate Change through Sustainable Management of Tropical Forests' from 30 April – 2 May in Yokohama, Japan. The Expert Meeting will clarify and illustrate the role of ITTO in climate change mitigation in adaptation. The meeting will give special attention to integrating REDD and carbon sequestration as an additional criterion within the context of sustainable forest management and to formulating approaches in this respect.
http://www.itto.or.jp/live/PageDisplayHandler?pageId=223&id=3845

All is not well, admits the Vietnam furniture industry. The booming furniture industry may be stymied by its over-reliance on imported wood, lack of coordination among various players, and the weakening of the dollar, businesses have told *Thanh Nien*.
http://www.thanhniennews.com/business/?catid=2&newsid=37009

China is attempting to curb its high-flying property prices mainly using economic measures, rather than administrative ones, said Minister of Housing and Urban-rural Construction Jiang Weixin. China should increase the supply of cheaper and smaller apartments, said Jiang at the China Development Forum 2008.
http://news.xinhuanet.com/english/2008-03/24/content_7849445.htm

The distressing visible consequences of man's unbridled carelessness with the earth's resources have mobilized attention to the state of global ecosystems. Deforestation is one of the biggest concerns—many forests and jungles in Africa, Asia, and Central and South America have been severely depleted. Haiti presents a disparaging case of deforestation, which has been shockingly thorough and ecologically damaging.
http://www.diplomaticourier.org/web_feature_157_Haiti_Environment.html

The leaders of Britain and France will call for banks to be more open about their bad debts as a step toward restoring stability to convulsing global money markets, Prime Minister Gordon Brown's office said. The prime minister's office said the credit crunch and global economic turmoil would top the agenda when Brown and President Nicolas Sarkozy meet for talks in London.
http://www.ibtimes.com/articles/20080324/leaders-push-for-more-bank-disclosure.htm

The New Zealand wood industry currently generates $3.1 bn in exports (or 3.15% of GDP) with India as New Zealand`s fifth-largest export market for wood products, worth NZD65 million in 2007. Leading a trade delegation consisting of large New Zealand based timber companies to India, Jim Anderton, Honorable Minister of Agriculture, Forestry, Biosecurity and Fisheries is currently in the

country to offer sustainable timber resources to the booming Indian housing and construction industry. A seminar showcasing the solutions to this effect was held in New Delhi.
http://www.indiainfoline.com/news/innernews.asp?storyId=62509&lmn=1

Now and then across the centuries, powerful voices have warned that human activity would overwhelm the earth's resources. The Cassandras always proved wrong. Each time, there were new resources to discover, new technologies to propel growth. Today, the old fears are back.
http://online.wsj.com/article/SB120613138379155707.html?mod=googlenews_wsj

The transformation of Japanese real estate into a financial product has helped to draw investments from abroad and underpin higher land prices, but the same forces are poised to deflate the market, according to a published report.
http://www.marketwatch.com/news/story/story.aspx?guid=%7B4654D34A%2D85A0%2D4B57%2D83F0%2DC70CCEC26603%7D&siteid=rss

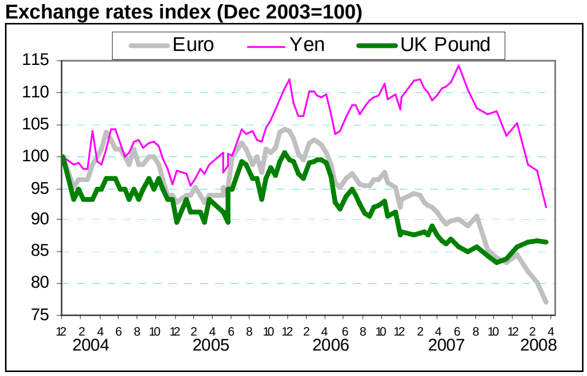
Wood imports to the United Arab Emirates have grown 100 per cent over the past two years and the demand for wood products has resulted in contracts worth more than USD150 million (Dh550.8m) being sealed during the Dubai Woodshow. The growth in the industry has come as more contractors are moving away from traditional concrete and tile and using wood products for flooring, construction work and interiors.
http://www.business24-7.ae/cs/article_show_mainh1_story.aspx?HeadlineID=3644

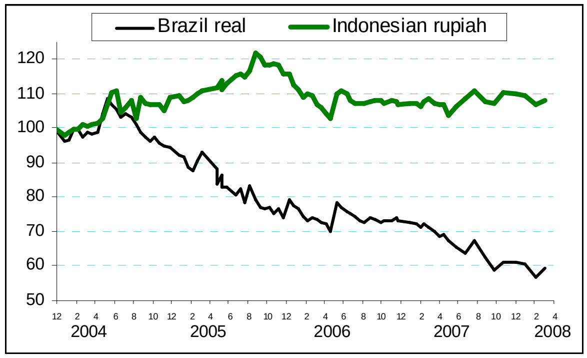
Main US Dollar Exchange Rates

As of 30 Mar 2008

Brazil	Real	1.744	⬆
CFA countries	CFA Franc	415.060	⬇
China	Yuan	7.012	⬇
EU	Euro	0.6328	⬇
Indonesia	Rupiah	9,183.00	⬇
Japan	Yen	99.21	⬇
Malaysia	Ringgit	3.1980	⬆
Peru	New Sol	2.7457	⬇
UK	Pound	0.5015	⬆

Exchange rates index (Dec 2003=100)

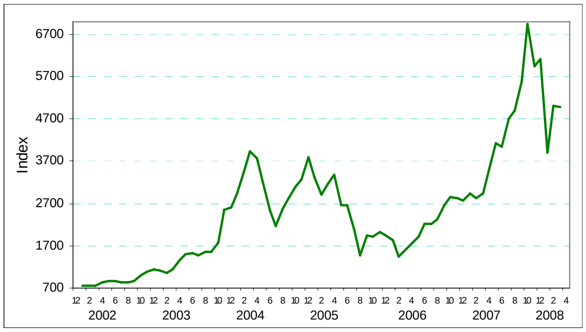




Abbreviations and Equivalences

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

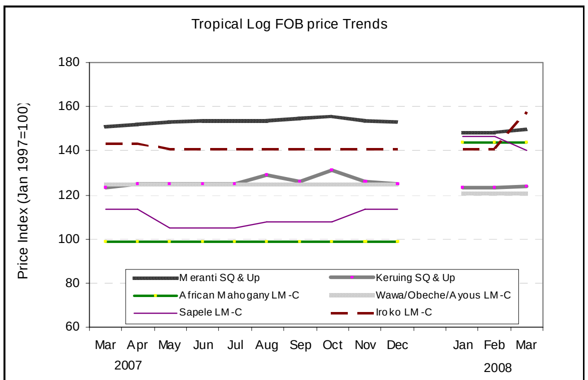
Ocean Freight Index

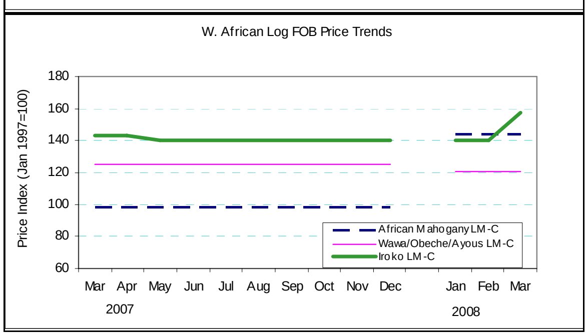


The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes. It is based on a 52,454 mt bulk carrier carrying commodities such as timber.

Appendix. Tropical Timber Price Trends

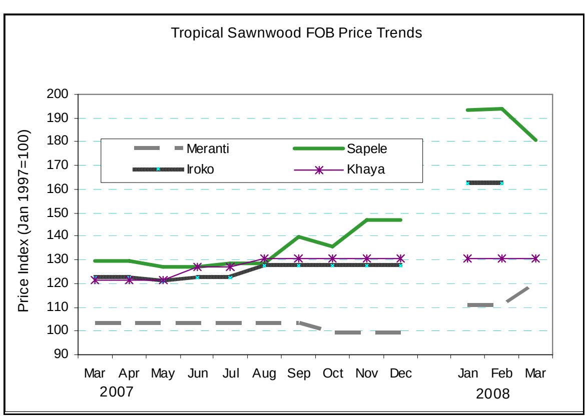
Tropical Log Price Trends

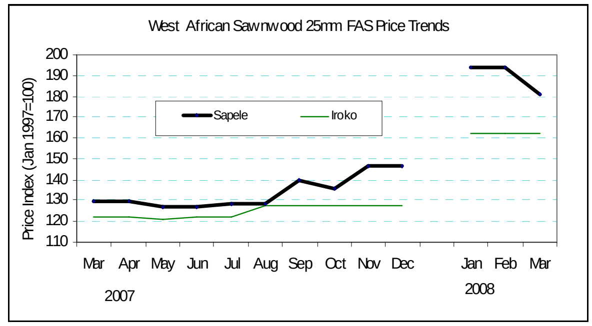




More price trends in Appendix 4, ITTO's Annual Review http://www.itto.or.jp/live/PageDisplayHandler?pageId=199

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