Tropical Timber Market Report since 1990

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Snapshot

Malaysian and Indonesian prices remained strong as a result of the limited supply of logs and the effects of Cyclone Nargis in Myanmar. While Asian buyers were continuing to turn to Malaysia for timber, others in Africa searched for alternative, cheaper markets. Myanmar's tender for timber continued to be suspended as the country struggled to recover from the recent cyclone.

A number of policies and legal arrangements have been modified or introduced in recent weeks. In Ghana, new timber permit invoices were introduced as Ghana and the EU moved closer to finalizing the details of their Voluntary Partnership Agreement. The Plant Committee of CITES also agreed to remove Brazil from its restriction list for mahogany trading, while Peru revised its mahogany export quota. The EU was also considering introducing a green label on imports from the Amazon to ensure the legal origin of imported products.

Regarding supply and demand trends, Guyana increased its regional exports of dressed lumber in recent weeks. However, China's first quarter results revealed an 11.5% drop in the volume of log imports and an 8.7% drop in exported sawnwood. However, most of China's imports and exports by value rose during the period. In Europe, the Netherlands and Belgium's demand for wood products from China, India and Vietnam boosted wood trade in the EU. In general, lower demand from Europe and China dampened prices in West Africa.

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Report from Central/West Africa

Markets quieten amid lower demand

Log prices for an increasing number of species have fallen throughout the first two weeks of May. The volume of trading has declined and there was a general markdown in prices, with only a few favored species holding at unchanged levels. Chinese buying patterns continued to be more selective for certain grades and volumes were lower than the recent monthly uptake. European buying also remained at very low levels and with stocks high on the continent, it is unlikely that demand will show any significant increase before the traditional vacation period begins around the end of June.

Sawn lumber markets also reported lower demand, although prices for most species have so far held firm. Okume lumber prices fell once again after much slower business. Sapele also declined on low demand. The current difficult market conditions are likely to continue through the rest of the second quarter and into the third.

West Africa Log Prices

West Africa logs, FOB	€ per m^3		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	206⬇	175⬇	137⬇
Ayous/Obéché/Wawa	191⬇	191⬇	152⬇
Azobe & Ekki	168	168	122
Belli	183⬇	183⬇	-
Bibolo/Dibétou	152⬇	152⬇	114
Bubinga	533	457	381
Iroko	259⬇	244⬇	228⬇
Okoume (60% CI, 40% CE, 20% CS)	155⬇	-	-
Moabi	320	305	282
Movingui	191⬇	190	137⬇
Niove	129	129	-
Okan	198⬇	198⬇	152⬇
Padouk	267⬇	267⬇	228⬇
Sapele	267⬇	267⬇	228⬇
Sipo/Utile	335	305	267
Tali	168⬇	168⬇	152

West Africa Sawnwood Prices

West Africa sawnwood, FOB		€ per m^3
Ayous	FAS GMS	396
	Fixed sizes	-
Okoumé	FAS GMS	300⬇
	Sel. & Bet. GMS Italy	250⬇
	Sel. & Bet. fixed sizes	300
Sipo	FAS GMS	630
	FAS fixed sizes	-
	FAS scantlings	580
Padouk	FAS GMS	600
	FAS scantlings	630
	Strips	425
Sapele	FAS Spanish sizes	520⬇
	FAS scantlings	540⬇
Iroko	FAS GMS	458
	Scantlings	519
	Strips	304
Khaya	FAS GMS	396
	FAS fixed	427
Moabi	FAS GMS	600
	Scantlings	610
Movingui	FAS GMS	420

Report from Ghana

TIDD introduces new permit invoice

The Timber Industry Development Division (TIDD) of the Ghana Forestry Commission (FC) will be introducing a new standard permit invoice for timber and wood product exporters from 1 June 2008. Mr. Henry Coleman, Contract and Permit Manager of TIDD, made the announcement at a workshop for forwarding agents, shipping companies, the Ghana Ports and Harbors Authority, and local bank officials. Mr. Coleman said the new permit invoice has enough security features to prevent forgery and other malpractices in the timber transaction process.

Mr. Coleman said the existing timber export permits allowed the exporter to develop and complete export permit invoices for vetting and approval by TIDD. He said it was becoming increasingly clear that the practice was being subjected to various abuses by unscrupulous exporters, thereby making the system insecure. Mr. Coleman said that with the new exporters permit invoice, the TIDD and FC will put in place adequate measures to ensure that manufacturers of timber products and exporters are made accountable for their actions. The new permits are expected to request data on yield and inputs and outputs, as a way to bring greater credibility and assurance that timber and wood products are obtained from legal and sustainable sources.

Ghana and EU poised to formalize VPA

In June 2008, the European Union (EU) and Ghana will formalize a Voluntary Partnership Agreement (VPA) to curb illegal logging, promote good governance and ensure legal timber exports from Ghana. Ghana's timber and wood products are mainly directed to the EU, which has been working to ensure that all imported tropical wood is harvested from legal sources. As a result, the EU initiated VPAs as part of its Forest Law Enforcement Governance and Trade initiative (FLEGT).

When the VPA becomes operational, it will provide standards to ensure timber is from legal sources, provide a system of verification and establish institutional arrangements for the issuance of a certificate of legality, which will include a certificate of legal compliance (CLC) and a certificate of legal origin (CLO), according to the Ghana News Agency. The standards for the VPA will largely be drawn from the existing Ghanaian forestry laws and policies and address the source, allocation, harvesting, transportation, processing, trade and payment of legal timber. It will also make Ghanaian forest laws more clear, enforceable and supportive of proper forest management. The VPA would also provide a legality assurance scheme to trace, identify and license timber as originating from legal sources.

Negotiations on the VPA began in December 2005 amidst wide consultations with key stakeholders comprising representatives from government agencies, the timber industry and civil society and are near completion. It is expected that the negotiations will be finalized in June 2008 and will be considered for signing and ratification later in the year. The VPA sets out the commitment and actions by both the EU and Ghana to tackle illegal logging. The outcomes of the VPA are expected to increase timber revenue, provide effective enforcement tools and improve the foundation of sustainable forest management (SFM).

A ministerial briefing session to discuss the five elements of the Ghana-EU VPA – the definition of legal timber, a legality assurance scheme, provisions for timber industry restructuring, requirements for the domestic timber market and VPA impact studies – is expected to lead to the establishment of an official country position on the VPA, which will be submitted to the Ghanaian Cabinet for approval. The VPA has become a consensus-based agreement under which provisions will be made for the replacement of the current paper-based timber trade tracking system in Ghana with an automated system, thereby boosting forest-related taxes and duties for the country.

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	330⬆	385
Edinam (mixed redwood)	400⬆	470
Emeri	425⬇	490
African mahogany (Ivorensis)	580	670
Makore	510	600
Niangon	550⬆	-
Odum	670	750
Sapele	540	600
Wawa 1C & Select	255	280

Ghana sawnwood, domestic		US\$ per m^3
Wawa	25x300x4.2m	245
Emeri	25x300x4.2m	350
Ceiba	25x300x4.2m	204
Dahoma	50x150x4.2m	306
Redwood	50x75x4.2m	360
Ofram	25x225x4.2m	330

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	360⬆	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	0.92⬆
Avodire	1.12	0.80⬆
Chenchen	0.72	0.50
Mahogany	1.50	0.79
Makore	1.40⬆	0.85⬆
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	375
6mm	380	315	335	285
9mm	388	305	290	280
12mm	340	285	300	280
15mm	350	290	300	280
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	7.10⬇	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

Prices maintain strength in aftermath of Cyclone Nargis

Prices of Malaysian timber products remained strong after widespread devastation hit Myanmar as a result of Cyclone Nargis. Myanmar's logistics and shipping system has been crippled as a result of the cyclone and buyers from China and India are increasingly turning to Sarawak to address any shortfall in raw log supply. In contrast, high prices of Sarawakian logs are turning Thai buyers away to Cambodia.

High prices, the shortage of raw materials and the discontinuation of charter vessels in Malaysia are prompting buyers in South Africa to look for more cost effective alternatives. The *Daily Dispatch Online* reported that an estimated 1,300 tons of okume timber from Gabon were imported by the East London Joinery Group in partnership with Durban-based Lumber One Canada. The importing company used to import meranti from Malaysia but critical raw material shortages over the past few years pushed up prices. This prompted the company to look to West Africa for alternatives.

Malaysia Log Prices

Sarawak log, FOB	US$ per m³
Meranti SQ up	303-322↑
Small	279-299↑
Super small	270-277↑
Keruing SQ up	275-286↑
Small	242-274↑
Super small	236-241↑
Kapur SQ up	254-270↑
Selangan Batu SQ up	276-300↑

Pen. Malaysia logs, domestic (SQ) US$ per m³	
DR Meranti	356-399↑
Balau	295-325↑
Merbau	419-443↑
Rubberwood	250-270↑
Keruing	286-300↑

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	433-459↑
Seraya Scantlings (75x125 KD)	710-748↑
Sepetir Boards	335-345↑
Sesendok 25,50mm	448-478↑
Kembang Semangkok	428-450↑

Malaysian Sawnwood, domestic		US$ per m³
Balau (25&50mm,100mm+)		348-368↑
Merbau		560-583↑
Kempas 50mmx(75,100 & 125mm)		297-314↑
Rubberwood	25x75x660mm up	290-321↑
	50-75mm Sq.	313-338↑
	>75mm Sq.	325-357↑

Malaysia Plywood Prices

Malaysia ply MR BB/CC, FOB	US$ per m³
2.7mm	483-511↓
3mm	463-489↑
9mm & up	424-447↑

Meranti ply BB/CC, domestic	US$ per m³
3mm	461-471↑
12-18mm	404-412↑

Other Malaysia Panel Prices

Malaysia, Other Panels, FOB		US$ per m³
Particleboard	Export 12mm & up	241-258↑
	Domestic 12mm & up	231-247↑
MDF	Export 15-19mm	306-329↑
	Domestic 12-18mm	281-300↑

Malaysia Added Value Product Prices

Malaysia, Mouldings, FOB	US$ per m³
Selagan Batu Decking	683-701↑
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	720-740↑
Grade B	637-655↑

Malaysia Furniture and Parts Prices

Malaysia, Rubberwood, FOB		US$ per piece
Semi-finished dining table		
solid laminated top 2.5'x4', extension leaf		61-77↑
As above, Oak Veneer		68-82↑
Windsor Chair		59-61↑
Colonial Chair		55-63↑
Queen Anne Chair (soft seat)	without arm	54-66↑
	with arm	56-67
Chair Seat 27x430x500mm		42-48↑

Rubberwood Tabletop	US$ per m³
22x760x1220mm sanded & edge profiled	
Top Grade	635-645↑
Standard	603-620↑

Report from Indonesia

Changes in subsidies and interest rates delay price movements

According to *The Guardian*, Indonesian central bank deputy governor Hartadi Sarwono signalled a further interest rate hike would be made to the current 8.25% rate. He said it would be difficult to keep inflation below 9% this year and that a 100 to 150 basis point hike would not impede Indonesia's growth. One reason for rising interest rates is the skyrocketing prices of food and energy, which pushed annual inflation to 8.96% in April.

The government also planned to scrap electricity subsidies for middle and upper-income households to ease pressure on the state budget, said *The Jakarta Post*. While the measure has yet to be passed by the House of Representatives, it is expected to be approved and implemented in July 2008.

Prices of building materials including timber products and furniture came to a standstill as real estate developers wrestled with the implications of the proposal to end certain energy subsidies. Housing development has been booming in Indonesia, but the latest development in energy subsidy reduction may slow the entire industry, especially prime real estate development.

Unilever pledges to use palm oil from sustainable sources

The British-Dutch conglomerate Unilever has pledged to use sustainably produced palm oil in its products, reported *The Telegraph*. Unilever had recently been criticized by Greenpeace over its use of palm oil, which it claimed was destroying parts of the rainforest and orangutan habitats. The move was hailed by Prince Charles as 'corporate social responsibility in action' at his May Day Summit on Climate Change. Unilever company chief executive Patrick Cescau said that by 2015 the company would procure 100% of its palm oil from certified sustainable sources. Greenpeace welcomed the announcement and encouraged other companies to stop rainforest destruction and to join Unilever's Roundtable on Sustainable Palm Oil, which was established to help build industry consensus on criteria for sustainable palm oil cultivation.

Indonesia Log Prices (domestic)

Indonesia logs, domestic prices	US$ per m^3
Plywood logs	
Face Logs	237-277
Core logs	184-214
Sawlogs (Meranti)	234-273
Falcata logs	185-199
Rubberwood	217-241
Pine	209-232
Mahoni (plantation mahogany)	607-654

Indonesia Sawnwood Prices

Indonesia, construction material, domestic		US$ per m^3
Kampar (Ex-mill)	AD 3x12-15x400cm	250-258
	KD	330-345
	AD 3x20x400cm	351-372
	KD	375-385
Keruing (Ex-mill)	AD 3x12-15x400cm	285-294
	AD 2x20x400cm	273-282
	AD 3x30x400cm	278-287

Indonesia Plywood Prices

Indonesia ply MR BB/CC, FOB	US$ per m^3
2.7mm	478-508⬆
3mm	420-479⬆
6mm	398-421⬆

MR Plywood (Jakarta), domestic	US$ per m^3
9mm	332-345
12mm	308-329
15mm	306-335

Other Indonesia Panel Prices

Indonesia, Other Panels, FOB		US$ per m^3
Particleboard	Export 9-18mm	240-251⬆
	Domestic 9mm	204-221
	12-15mm	193-205
	18mm	190-194
MDF	Export 12-18mm	315-328⬆
	Domestic 12-18mm	255-275

Indonesia Added Value Product Prices

Indonesia, Mouldings, FOB	US$ per m^3
Laminated Boards Falcata wood	386-405⬆
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	677-701⬆
Grade B	605-645⬆

Report from Myanmar

Myanmar struggles to recover from Cyclone Nargis

Timber trading in Myanmar has come to a standstill after 2 May, as the country struggles to recover from the aftermath of Cyclone Nargis. In Yangon, many sunken vessels remain in the harbor and shipping is expected to be impacted for a number of weeks. The *BBC* reported that aid had been able to reach less than a third at risk and estimated that over 32,000 people had lost their lives as a result of the storm.

At the same time, the Associated Press reported that the U.S. government slapped further sanctions on Myanmar companies, including the Myanmar Timber Enterprise. President Bush announced that a new executive order was issued to allow the US to freeze assets of state-owned businesses that would supply funding to Myanmar's military junta. The order, issued by the US Treasury Department's Office of Foreign Assets control said it would freeze any assets found in the US belonging to the Myanmar Gem Enterprise, the Myanmar Pearl Enterprise and the Myanmar Timber Enterprise.

Mangrove destruction contributed to devastation in Myanmar

The *BBC* reported that the loss of mangroves in Myanmar had left coastal areas exposed to the force of Cyclone Nargis. The ASEAN Secretary-General Surin Pitsuwan said the combination of an increased population in coastal areas and the loss of mangroves due to coastal developments had exacerbated the devastation caused by the cyclone. Studies conducted after the Asian tsunami in 2004 concluded that communities living near healthy mangrove forests had fared better than those where mangroves had been destroyed.

Myanmar Log Prices (natural forests)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)		
Veneer Quality	Mar	Apr	6 mo. Avg
2nd Quality	5,489 (6 tons)	5,508 (4 tons)	5,448
3rd Quality	5,360 (14 tons)	4,566 (12 tons)	5,047
4th Quality	4,523 (42 tons)	3,669 (47 tons)	4,247
Sawing Quality	Mar	Apr	
Grade 1 (SG-1)	2,654 (123 tons)	2,747 (342 tons)	2,678
Grade 2 (SG-2)	2,080 (846 tons)	2,031 (479 tons)	2,163
Grade 3 (SG-3)	1,658 (18 tons)	1,624 (43 tons)	1,650
Grade 4 (SG-4)	2,014 (231 tons)	1,708 (381 tons)	1,966
Grade 5 (SG-5) Assorted	1,872 (857 tons)	1,598 (574 tons)	1,713
Grade 6 (SG-6) Domestic	1,364 (337 tons)	1,296 (383 tons)	1,345
Grade 7 (ER-1)	989 (154 tons)	816 (287 tons)	990
Grade 8 (ER-2)	NIL	NIL	1,072

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	--
Gurjan (keruing)	190 (14 tons)
Tamalan	2500 (67 tons)
Taungthayet	--

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

Report from Brazil

Weak US dollar harms furniture exports

Folha de Londrina reported that the continuing depreciation of the US Dollar (USD) over the Brazilian Real (BRL) has harmed Brazilian furniture exports. In the competitive global market, imports have increased more than foreign sales. Last year, the imported volume increased nearly 45% compared to 2006, while exports grew 2.7%.

The world furniture trade is about USD100 billion yearly, with Brazil representing less than 1%. In 2007, exports reached USD994 million, against USD967 million in 2006 and imports increased 44.8% during the same period, equivalent to USD294 million in 2007, against USD203 million in 2006. According to the Brazilian Furniture Association (ABIMOVEL), in the past five years exports increased 12.8% per year on average, while imports increased 15.4% per year.

The main cause of this change is credited to exchange rate devaluation that sharpened over the last two years; imported products substantially increased as they became cheaper to Brazilian buyers. Moreover, analysts indicate that China's aggressive export policy is responsible for its strong performance in the world market. Brazil competes directly with Italy and China. ABIMOVEL considers competition from China or even European countries as unfair.

The labor cost, legal labor benefits and Brazilian logistics make the domestically-made products more expensive and less competitive. Furthermore, bureaucracy hinders exports, according to ABIMOVEL. In addition, there are no long-term financing policies in Brazil as practiced in Europe, which encourage investment in new products and technologies. For 2008, the furniture segment forecasts expansion in the domestic and international markets, following the trend of the previous years.

Currently, the Brazilian economy has stabilized, bank loans have longer terms, there is credit available and the civil construction is growing; all these factors increase the demand for some forest products and furniture. The domestic furniture industry has developed and utilized more technology, including the use of wood from forest plantations (estimated at 90% of the furniture production). Brazilian furniture has higher quality than that produced a decade ago. According to ABIMOVEL, the challenge for Brazil is to raise awareness among consumers about furniture.

IBAMA net BRL60 million in fines over two month period

The *Agência Establo* and *Celulose Online* reported that the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA) imposed 338 fines and collected over BRL60 million during the first two months of its 'Arco de Fogo Operation' (see TTM 13:4-7 and 9). The inspectors involved in the operation had checked over 166 properties, including timber companies and private farms and seized 37.4 thousand m³ of illegal logs. According to IBAMA, 42 companies had their activities suspended, since they were operating without environmental licenses and were storing or trading logs without proving they were from legal sources. Twenty-six vehicles and 31 chainsaws were seized and inspectors destroyed over 1,600 illegally-operating charcoal ovens.

Meanwhile, Brazilian senators presented a proposal to suspend the IBAMA operations. Parliamentarians wanted to increase pressure to end the operation in three states. The coordinator of the 'Arco de Fogo Operation' considered the government proposal contradictory, since the same legislators agreed to the implementation of IBAMA operations. IBAMA indicated that the senators would be ignoring the State's mandate to comply with the inspection activities. Furthermore, IBAMA argued that the inspection operation did not involve any kind of political influence, and that the 'Arco do Fogo' operation was part of the federal government's national plan to combat deforestation in the Amazon involving the participation of 12 ministries.

Brazil gets CITES green light

IBAMA and *Envolverde* reported that the 17th meeting of the Plant Committee (PC) of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) decided to allow Brazil, along with Mexico and Guatemala, to trade mahogany (*Swietenia macrophylla*). IBAMA said Brazil's removal from the CITES restriction list is due to changes in the country's mahogany zoning. According to IBAMA, illegal logging was widespread until 2003 due to lack of control and non-compliance with forest regulations restricting its logging. However, Brazil was subsequently recognized internationally for practicing good forest management for mahogany.

IBAMA also reported the importance of maintaining ongoing efforts of sustainable management to ensure adequate logging zoning and trade in endangered timber species in order to set an example for other countries. Mahogany trading is prohibited for range states until proof is provided that the traded goods adhere to guidelines for sustainable logging.

Brazil would like to consider extending its practices on mahogany to Brazilwood (*Caesalpinia echinata*), which was included in the CITES list last year as well as rose cedar *(Cedrela odorata*), which might be included in Appendix II of CITES. According to IBAMA, the ecology of cedar should be better studied following the pressure of international trade in the species, which was targeted in the market after restrictions were imposed on mahogany.

EU considers green label to halt illegal imports of Amazon timber

According to *O Estado de São Paulo*, the European Union (EU) intends to tighten its timber import laws by creating a mandatory label valid in the 27 member-countries that proves the legal origin of imported timber products. Illegal logging in the Amazon varies between 50% and 80%. According to the Amazon Institute of People and the Environment (Imazon), 36% of timber in the Amazon is exported. The main market for this timber is Europe, which receives about 47% of Amazonian timber, according to the Ministry of Development. EU data on the timber industry indicates that timber smuggling causes an annual loss of USD15 billion in uncollected taxes to exporter countries.

The main idea behind the label is for the timber importer to present chain of custody information from the country of origin to the manufacturer of the final product. The system aims to track down the timber's origin and reward importers and exporters that comply with natural resources protection and management laws. Today, forest certification is voluntary and control is not always clear to environmental authorities. According to FSC Brazil, which applies a 'green label' for good environmental practices, it is hoped the new EU label will encourage companies to work legally. The percentage of certified forests has grown, but is still small in Brazil.

Monitoring will not be an easy task. Europeans are considering sending missions to exporting countries to set control systems. There is a conviction that exporters will always manage to break the rules until importers clearly show that they will no longer tolerate illegal practices.

The European Commission proposal, which will be presented by late May, is likely to take several months before being adopted, since all 27 EU member-countries must review the proposal. Brussels counts on the support of France, which will hold the EU presidency from July 2008. France stated that it would support the proposal, especially after the pressure from environmental organizations.

Amazon minister resigns

The *BBC* reported on Brazilian Environment Minister Marina Silva's decision to resign from her post. Citing her decision was 'personal and irrevocable', Silva said she had experienced difficulties with the government's environmental agenda. She had also been portrayed in media reports as being unhappy with the recent appointment of another minister to implement a government strategy for the Amazon. While some in the agriculture sector saw her as an impediment to economic development in Brazil, environmental groups said her resignation was a 'setback' for Brazil's rainforest.

Brazil Log Prices (domestic)

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	147
Jatoba	104
Guariuba	70
Mescla (white virola)	77

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	590
	Mandioqueira	234
Pine (AD)		200

Brazil sawnwood, domestic (Green)		US$ per m^3
Northern Mills (ex-mill)	Ipé	691
	Jatoba	527
Southern Mills (ex-mill)	Eucalyptus (AD)	202
	Pine (KD) 1st grade	267

Brazil Veneer Prices

Veneer, FOB (Belem/Paranagua Ports)	US$ per m^3
White Virola Face 2.5mm	295
Pine Veneer (C/D)	210

Rotary cut Veneer, domestic	US$ per m^3	
(ex-mill Northern Mill)	Face	Core
White Virola	266	222

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)	307
15mm C/CC (WBP)	276
18mm C/CC (WBP)	278

Plywood, domestic (ex-mill Southern mill)		US$ per m^3
Grade MR (B/BB)	White Virola 4mm	911
	White Virola 15mm	666

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	594
Particleboard 15mm	374

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	609
	Ipê	1697

Report from Peru

Peru sets up Ministry of Environment

On 13 May 2008, the details of the legislative directive forming Peru's Ministry of Environment were announced. The directive indicates the Ministry has the primary objective of: conserving the environment; ensuring the sustainable, responsible, rational and ethical use of natural resources and a sustainable environment that contributes to the essential social, economic and cultural development of human beings; and securing the right of present and future generations to enjoy a stable environment in which to develop their lives. Under the directive, the National Meteorological and Hydrology Service of Peru and the Geophysical Institute of Peru will become services of the Environment Ministry.

Additionally, the Organization of Evaluation and Inspection for the Environment will also be formed. Special attention will also be given to special protected areas within states, as part of the National System for State Protected Natural Areas (SINANPE). The National Institute for National Resources (INRENA) and the National Commission of the Environment (CONAM) will be incorporated into the Ministry of Environment and SINANPE. A fund for protected areas will be created as a result of the directive, and a governing body will be established to provide advice on the protected areas scheme.

Central Reserve Bank expects GDP growth to reach 10.3%

During the first trimester of 2008, the Central Reserve Bank (BCR) anticipated growth in gross domestic product (GDP) and domestic demand of 10.3% and 12%, respectively. According to estimates, the farming sector is anticipated to grow 3.3% because of higher production of sugar cane, yellow corn, asparagus and coffee. A recovery in the mining and hydrocarbon sector is also likely and the production of gold is expected to hold. The manufacturing and construction sectors are likely to grow 8.5% and 13.2%, respectively, as well. From these trends, it is expected that GDP growth will be close to 8% in 2008. A few days ago, the International Monetary fund (IMF) raised its estimates of Peru's growth from 6% to 7% in 2008, the same as Argentina.

Minister of Agriculture heads to US to discuss FTA

The Head of the Ministry of Agriculture, Ismael Benavides, traveled to the US to coordinate and discuss implementation arrangements for the US-Peru Free Trade Agreement (FTA). He also evaluated conditions for the export of perishable products to the US market and activities related to the International Year of the Potato. On the FTA, the Minister will consult with various institutions responsible for conducting activities under the agreement, including the InterAmerican Development Bank (IADB) and the US Department of Agriculture (USDA). During the trip, regulations and work plans could take shape, as could mechanisms for implementing agrarian themes under the FTA.

Peru modifies mahogany export quota

INRENA has authorized a maximum harvesting quota for mahogany of 715 trees in 2008. The revised quota was established to ensure mahogany exports are from supervised concessions and concessionaires have harvesting permits. This quantity represents 2% of existing mahogany trees in Peru, based on the last census carried out by the Universidad Nacional Agraria La Molina. This modification of the export quota for mahogany was endorsed as a result of the Jefatural Resolution 097-2008, published in the official newspaper *El Peruano*. The regulation states that mahogany products exported from natural forests will not be authorized when they are derived from the following: public auction; local forests; agricultural lands; lands under annual operative plans with less than five trees; and those from units which do not implement CITES recommendations.

Illegal logging penalties may mirror drug smuggling penalties

As part of regulations prescribed for the implementation of the FTA with the US, Peru is considering raising penalties for illegal logging. Measures similar to prison sentences for drug smuggling are being considered, said the Minister of Foreign Trade and Commerce, Mercedes Araoz, in her presentation before the Multiparty Commission of the Congress. Mercedez Araoz recalled that several important activities were being conducted with the US, including the establishment of an anti-corruption plan, the setting of annual export quotas for mahogany, appropriate management of forest concessions and heavy penalties for law offenders. In addition, OSINFOR, the body in charge of supervising forest concessions, will become more independent and have a control capability to offer third parties a surveillance service with modern systems. The Minister explained that resources would be needed to carry out these measures, estimating that it would cost about USD20 million to implement the above activities.

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		936-982↓
Mexican market		950-984↓
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	334-383
Grade 2, Mexican market	300-324
Cumaru 4" thick, 6'-11' length KD	
Central American market	780-808↑
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	939-969↓
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	333-364
Grade 2, Mexican market	305-318
Grade 3, Mexican market	183-198
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	250-263

Peru sawnwood, domestic	US$ per m^3
Mahogany	1295-1331
Virola	93-105
Spanish Cedar	451-468
Marupa (simarouba)	130-136

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		424-432
Cedar fissilis, 2 faces sanded 4x8x5.5mm		755-765
Lupuna, treated, 2 faces sanded, 5.2x4x8mm		369-383
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		1448-1500↑
Cumaru KD, S4S	Swedish market	650-695
	Asian market	920-945
Cumaru decking, AD, S4S E4S, US market		939-958↑
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

Companies ask government for production support

Private companies asked the government for its support in the production sector at a 16 April meeting of the National Conference of Businessmen and Entrepreneurs, organized by the Confederation of Private Business of Bolivia (CEPB) in La Paz. The president of the CEPB, Gabriel Dabdoub, said that Bolivia was in danger because the national economy grew at a modest rate when it should be experiencing significant growth. He said current government policies and level of conflicts in the sector hampered progress of the private sector and would lead to collective failure.

The president of the Forest Chamber of Bolivia (CPB), Pablo Antelo, asked the government to provide a greater role for departmental officials regarding the administration of forests. Other suggestions from the Conference included creating a fiscal surplus and generating funds to offer an appropriate environment for national and international investments and encourage international business.

Bolivia Sawnwood Prices

Sawnwood 1-3"x3x5"x7-19', FOB Arica Port		$ Avg un. val. per m^3
Mahogany	(US market)	1650-1695⬆
Spanish Cedar	(US market)	800-960⬆
Oak	(US and EU market)	506-688⬇

Bolivia Added Value Product Prices

Doors 13/4"x36"x96", FOB Arica Port		Avg $ per piece
US market	Mara macho/Tornillo (FSC)	100-300⬇
	Yesquero	90-280⬇
	Ochoó	120-495

Parquet Flooring 3-5"x4-6"x5-13', FOB Arica Port		$ Avg un. val. per m^3
Mani	(FSC) (US market)	500
Caviuna	(FSC) (US market)	500-600
Cumaru	(FSC) (US, EU and Asia mkt)	500-1000
3/4"x3-5"x1-7'		
Jatoba	(US, EU and Mexico market)	700-1355
Ipe	(EU and Asia market)	335-1553
Jequitaba	(EU market)	900-1355

Report from Mexico

CONAFOR launches efforts on forest bioenergy

The National Forest Agency (CONAFOR) has just begun work to implement the National Program of Bioenergy. The program is designed to tap forest resources that produce renewable energy such as biodiesel, ethanol, firewood, biogas, agricultural and forest residues. In conjunction with the ProTree program, certain species that produce biofuels are being planted, such as Jatropha. Forest land owners in Chiapas, Oaxaca, Campeche and Quintana Roo have already asked for assistance to establish plantations of Jatropha as part of the national program.

Report from Guyana

Guyana exports stage strong recovery

Guyana's exports of plywood have shown significant improvement from the low volumes recorded earlier in the year. Export volumes for the first two weeks of May 2008 were 93% greater than the combined totals for February and March 2008. Despite these increases, prices remain stable.

Recent trends have shown that exports of dressed lumber, particularly to the Latin America and Caribbean region, have been progressively increasing. Dressed lumber has recorded the highest volume of exports in 2008. The main markets for dressed lumber in the region are Barbados, Trinidad and Tobago, Grenada and Jamaica.

Volume of log exports slips

Meanwhile, log export volumes have fallen marginally by 2% but have improved by 3% in value for the 1-15 May period. This was a result of higher average price received for exported logs, which climbed by 13% per m³. Doors and spindles have also recorded higher volumes of exports by 45% and 69%, respectively, compared to the previous fortnight.

Guyana Log Prices

Logs, FOB Georgetown	SQ - $ Avg unit value per m^3		
	Std	Fair	Small
Greenheart	-	-	-
Purpleheart	160-190⬇	160-185⬆	150-180⬇
Mora	-	-	-

*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 m^3	
EU and US markets		Undressed	Dressed
Greenheart	Prime	-	-
	Select/Standard	430-678⬇	402-945⬆
Purpleheart	Prime	-	-
	Select/Standard	636-850⬆	488-657⬆
Greenheart scantlings		-	-

Guyana Plywood Prices

Plywood, FOB Georgetown Port			$ Avg unit val. per m^3
Baromalli	BB/CC	5.5mm	-
		12mm	375-440⬆
	Utility	5.5mm	-
		12mm	355-400⬆

Report from Japan

Tokyo Wholesale Market reports poor results in April

Japan Lumber Journal reported on the recent meeting of the Lumber Price Investigation Committee (part of the Tokyo Wholesalers' Association), where it was indicated that movement of wood products was weak in March. Although there was hope that the situation would turnaround in April, there was no sign that this was the case and it was expected that it would take more time for the market to recover. A similar situation held for plywood prices.

For lumber, it was reported that wholesalers were having a difficult time selling Southsea lumber as a result of high priced inventories. However, some costs have eased since the exchange rate has given the Japanese yen an advantage over the Malaysian ringgit and Indonesian rupiah.

Plywood manufacturers have also noted they will curtail production in April and May, due to poor demand in the market. It is believed that plywood is unlikely to surge in the market, and price hikes for plywood are likely to keep buyers at bay for the near term. The Ministry of Agriculture, Forestry, Fisheries has also announced that demand for plywood is expected to be 180,000 m³ for the second and third quarters of 2008.

ITTO holds climate change and SFM meeting

ITTO held an international meeting on SFM and climate change in Yokohama, Japan from 30 April to 2 May 2008. More than 150 participants from governments, the public sector and industry representatives attended the meeting. Key messages from the meeting included: reducing deforestation and encouraging forest restoration and SFM were important to mitigating climate change; climate change poses a threat to tropical forest and forest dependent people; bioenergy production from forestry and the substitution of fossil fuel intensive products from wood products could help mitigate climate change; and ITTO can play an important role in climate change mitigation and adaptation.

The Coordinator of the Trade Advisory Group, Mr. Barney Chan, made a statement at the meeting, noting that discussions on Reducing Emissions from Deforestation and Degradation (REDD) and carbon sequestration should not detract from action to reduce emissions of carbon from the use of fossil fuels. He suggested that clarity is needed to determine who owns carbon and who will benefit from the REDD scheme. He also queried how the timber industry would benefit from payments for REDD and called for REDD to incorporate the use of timber and other non-timber forest products as they represent real storage of carbon. Chan also called for greater work on Life Cycle Analysis to show the limited environmental impacts of timber use as an environmental benefit. He noted that there were only two years left in which to work on REDD mechanisms and called for a collective solution to the problem.

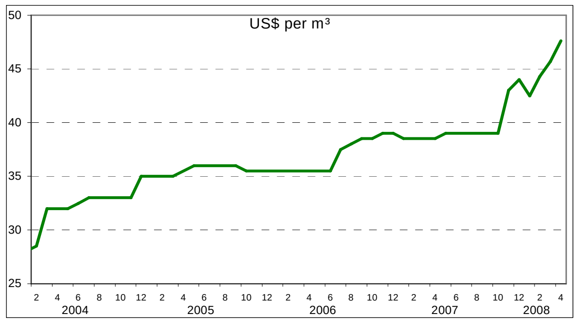
Log and Sawnwood Prices in Japan

Logs for Ply Manufacture, CIF	Yen per Koku
Meranti (Hill, Sarawak)	(Koku=0.278 m³)
Medium Mixed	8,200
Standard Mixed	8,300
Small Log (SM60%, SSM40%)	7,200
Taun, Calophyllum, others (PNG)	7,400
Mixed light hardwood, G3/4 grade (PNG)	-
Okoumé (Gabon)	11,000
Keruing MQ & up (Sarawak)	10,200
Kapur MQ & up (Sarawak)	9,800
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	53,000

Wholesale Prices (Tokyo)

Indonesian & Malaysian Plywood	Size (mm)	Apr (¥ per sheet)	May (¥ per sheet)
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	940 ↑	943 ↓
12mm for foundation (F 4star, special)	910 X 1820	1030 ↑	1010 ↓
12mm concrete-form ply (JAS)	900 X 1800	940 ↑	930 ↓
12m coated concrete-form ply (JAS)	900 X 1800	1110 ↑	1090 ↓
11.5mm flooring board	945 X 1840	1300	1270 ↓
3.6mm baseboard for overlays (OVL)	1230 X 2440	860 ↓	850 ↓
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 National Forestry Certification Center to open soon

Woodmarkets.com has released news that the China National Forestry Certification Center is expected to open in 2008 and will provide national certification to the China forest and wood production industry. The center will promote a national scheme called China Forestry Certification, which will set a forest management standard and a chain of custody standard. The certification standards were drafted by the Chinese Academy of Forestry (CAF) and draws from other international systems such as the Forest Stewardship Council (FSC) and the Pan-European Forest Certification and others. Mr. Xu, the Director of the Research and Promotion Center of Forest Certification in the CAF said that the costs of the Chinese certification system are lower than FSC's, but he recognized the difficulty the system would face since it was not yet recognized in international markets. The SFA is working on a scheme to promote the national certification standards in the international markets.

First quarter results show slowdown in imports

China customs recently released data on its imports and exports during the first quarter of 2008.

1.1 Imports

Logs

According to the latest statistics issued by Chinese customs, 8,514,700 m³ of logs were imported in China during the first quarter of this year, valued at about USD1.4 billion, down 11.53 % in volume and up 8.15 % in value from the same period in 2007. Of the total log imports, softwood imports were 5.25 million m³, valued at USD631.4 million, accounting for 61.7% and 45.1% respectively. Hardwood imports were 3.26 million m³ and valued at USD768.6 million, amounting to 38.3% and 54.9%, respectively. During the same period, tropical log imports accounted for 1.04 million m³, making up 12.17% of total imports.

Russia remained the largest supplier of logs to China. A total of 5.88 million m³ of logs were imported from Russia, which accounted for 69% of the total imports. Countries supplying over 10,000 m³ of logs are shown in Table 1.

Table 1 Countries supplying over 10 000 m³ of logs to China in the first quarter of 2008

Country	Import volume (1000m³)	Proportion （%）	Import value (USD1000)	Proportion （%）
Total	8 514.7	100.0	1 399 984.1	100.0
Russian Federation	5 878.0	69.0	744 598.1	53.2
PNG	631.9	7.4	122 662.3	8.8
Gabon	278.8	3.3	109 232.5	7.8
Malaysia	274.5	3.2	56 704.9	4.1
Solomon Is.	269.6	3.2	47 549.6	3.4
New Zealand	258.3	3.0	32 141.8	2.3
Myanmar	146.2	1.7	48 497.6	3.5
Australia	118.2	1.4	13 625.5	1.0
Equatorial Guinea	110.3	1.3	32 839.7	2.3

The following table shows the regions (customs) which imported over 10,000 m³ of logs at first quarter of 2008.

Table 2 Customs imported logs in the first quarter of 2008

Region (customs)	Import volume (1000m³)	Proportion （%）	Import value (USD1000)	Proportion （%）
Country total	8 514.7	100.0	1 399 984.1	100.0
Manzhouli	2 431.8	29.6	298 649.0	21.3
Harbin	2 109.0	24.8	279 206.8	19.9
Nanjing	1 953.9	22.9	426 276.8	30.4
Huhhot	633.3	7.4	80 442.7	5.7
Guangdong	339.1	4.0	83 886.6	6.0
Shanghai	320.2	3.8	86 416.7	6.2
Qingdao	169.6	2.0	21 537.6	1.5

Sawnwood

A total of 1.53 million m³ of sawnwood were imported in the first quarter of 2008, valued at USD428.35 million, up 8.4% and 11.5%, respectively, over the same period in 2007. Softwood sawnwood imports were 0.72 million m³ and valued at USD139.24 million, making up 47.2% and 32.55% of the total respectively. Hardwood sawnwood imports were 0.81 million m³, valued at USD289.11 million, accounting for 52.8% and 67.5% respectively. The major suppliers of sawnwood to China are shown in Table 3.

Table 3 Main supply countries of sawnwood to China in the first quarter of 2008

Country	Import volume (1000m³)	Proportion （%）	Import value (USD1000)	Proportion （%）
Total	1 510.3*	100	425 661.2	100.0
Russian Federation	436.8	28.9	82 309.4	19.3
US	221.4	14.7	76 277.8	17.9
Canada	187.9	12.4	33 878.5	8.0
Thailand	186.5	12.3	52 554.0	12.3
Subtotal	1 032.6	68.3	245 019.7	57.6

Note: Sleepers are not included

Table 4 Major regions (customs) to import sawnwood in the first quarter of 2008

Region (customs)	Import volume (1000m³)	Proportion （%）	Import value (USD1000)	Proportion （%）
Country total	1 510.3	100.0	425 661.2	100.0
Guangdong	463.3	30.7	129 382.1	30.4
Shanghai	333.3	22.1	120 745.5	28.4
Manzhouli	256.7	17.0	46 141.0	10.8
Subtotal	1 053.3	69.8	296 268.6	69.6

Wood-based-panels

Plywood: A total of 77,700 m³ of plywood were imported and valued at USD44.48 million, up 1.1% and 12.5%, respectively, over the last year. Indonesia and Malaysia were still the main suppliers. The import volume and value from Indonesia were 40,500 m³ and USD22.41 million, accounting for 52.1% and 50.4% of the total, respectively. The import volume and value from Malaysia was 24,900 m³ and USD11.56 million, accounting for 32% and 26% of the total, respectively.

Wood pulp: A total of 2.44 million tons of wood pulp were imported, valued at USD1,733.18 million, up 22.2% and 40.3% from last year respectively. The major suppliers of wood pulp were shown in Table 5.

Table 5 Major suppliers of wood pulp to China

Country	Volume(1 000 t)	Proportion （%）
Canada	647.6	26.6
Brazil	336.5	13.8
Chile	294.3	12.1
US	281.3	11.6
Russian Federation	270.2	11.1
Indonesia	263.1	10.8
Subtotal	2 093.0	86.0

Waste paper: A total of 5.92 million tons of waste paper were imported, valued at USD1,309.56 million, down 0.7% and up 38.1% from last year, respectively. The imports of waste paper were mainly from the US, EU, Japan and Hong Kong SAR (Table 6).

Table 6 Major suppliers of waste paper to China in the first quarter of 2008

Country or Region	Volume (1000 t)	Proportion （%）	Country or Region	Volume (1000 t)	Proportion （%）
US	2 646.7	44.7	Australia	213.7	3.6
UK	685.2	11.6	Belgium	195.8	3.3
Japan	668.7	11.3	Germany	159.8	2.7
The Netherlands	445.3	7.5	Italy	145.6	2.5
Hong Kong SAR	276.2	4.7	Subtotal	5 437.0	91.9

Paper, board and paper product: A total of 883,800 tons of paper, board and paper products were imported, valued at USD1,000.91 million. The imports mainly came from USA, Japan and Taiwan SAR (Table 7).

Table 7. Major suppliers of paper, board and paper products

Country or Region	Volume (1000 t)	Proportion （%）	Country or Region	Volume (1000 t)	Proportion （%）
USA	148.8	16.8	Indonesia	70.3	8.0
Taiwan SAR	128.8	14.6	Sweden	58.5	6.6
Japan	97.1	11.0	Russia	47.5	5.4
Korea	83.3	9.4	Subtotal	634.3	71.8

Wooden furniture: A total of 849,800 pieces of wooden furniture were imported, valued at USD68.94 million, up 139.78% and 107.5% from last year respectively.

1.2 Exports

Sawnwood

A total of 162,800 m³ of sawnwood were exported in the first quarter of 2008, down 7.6% in volume, and valued at USD89 million, up 0.2% from the same period of 2007. The importing countries of China's sawnwood were Japan (74,900 m³), Korea (19,800 m³) and USA (15,900 m³), accounting for 46%, 12.2% and 9.8% of the total, respectively.

Plywood

A total of 1.62 million m³ of plywood was exported at first quarter of 2008, down 14.9%, and valued at USD744 million, a 4.5% increase from 2007. Plywood was exported to over one hundred countries, major importing countries were the US (331,700 m³), Japan (130,000 m³) and UAE (109,100 m³), making up 20.5%, 8.0% and 6.75% of the total respectively; Qingdao, Nanjing and Shanghai were the main export ports which were closed to productive areas (Table 7 above).

Table 8. Major customs to export plywood in the first quarter of 2008

Customs	Volume (1000 m^3)	Proportion （%）	Value (USD1000)	Proportion （%）
Total	1 620.3	100.0	744 019	100.0
Qingdao	600.2	37.0	213 617	28.7
Nanjing	597.9	36.9	206 298	27.7
Shanghai	174.9	10.8	148 677	20.0
Guangdong	76.8	4.7	33 220	4.5
Dalian	67.2	4.1	90 289	12.1
Tianjin	41.9	2.6	19 084	2.6

Wooden furniture

A total of 55.17 million pieces of wooden furniture were exported, valued at USD2,347.49 million, down 8.7% and up 6.1% from last year respectively. The major imported countries and regions are shown in Table 8.

Table 9. Major countries and regions to import furniture from China in the first quarter of 2008

Country or Region	Value (USD 1 000)	Proportion (%)
Total	2 347 493.6	100.0
US	1 075 079	45.8
UK	212 960	9.1
Japan	197 534	8.4
Canada	93 714	4.0
Korea	79 738	3.4
Hong Kong SAR	63 468	2.7

In terms of mode of trade, processing with imported materials and processing with materials supplied by clients amounted to USD827.28 million or 35.2% of the total exports.

For paper, board and paper products, a total of 1.68 million tons of paper and board were exported, up 24.3%, and valued at USD1,730.21 million, a 22% jump from 2007. Exports of fiberboard decreased considerably at first quarter of 2008. A total of 496,700 tons of fiberboard was exported, valued at USD 255.88 million, down 15.7% and up 4.1% from last year respectively. However, the export of particle increased significantly.

Guangzhou City Imported Timber Market

Logs	Yuan per m^3
Radiata 6m, 30cm diam.	1300
Lauan	1900-2400⬇
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	9500-10500
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.	1320⬆
White Pine	6m, 24-28cm diam.	1280⬆
Korean Pine	4m, 30cm diam.	1550⬆
	6m, 30cm diam.	1600⬆

Hebei Shijiangzhuang Wholesale Market

Logs		Yuan per m^3
Korean Pine 4m, 38cm+ diam		1650⬇
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 Chinese plywood fails to bounce back despite removal of EC anti-dumping threat

There are some reports that interest in Chinese hardwood plywood, which now leads the UK market for this commodity, revived a little after EC formally announced it would not impose anti-dumping duties on Chinese tropical redwood-faced plywood. However, during the period of uncertainty over the future status of Chinese plywood in the EU market, a significant number of UK buyers are believed to have switched to alternative suppliers, particularly in Malaysia. It is not certain how willing these buyers will be to return to Chinese product particularly as the price advantage that Chinese plywood has long held over Malaysian and Brazilian alternatives has narrowed slightly. This reflects strengthening of the yuan against the dollar and rising production costs in China which have been only partly offset by a recent decrease in freight rates between China and the EU. And following high-profile environmental campaigns targeting Chinese plywood (particularly faced with bintangor from PNG), UK buyers also tend to be more comfortable with the environmental credentials of Malaysian plywood over uncertified Chinese plywood. Overall, the expectation is that UK imports of Chinese plywood may already have peaked.

At present, UK stocks of most forms of plywood are widely reported to be sufficient to meet current levels of limited demand. Prices in the UK are tending to fall short of replacement costs. Under such conditions, interest in the forward market is inevitably limited. Expectations are that this situation will not change at least until late summer.

Elsewhere in Europe, the German trade journal *EUWID* reports that demand for Chinese poplar plywood improved in recent weeks. Demand for filmed poplar plywood increased on the back of improvement in construction activity, increasing demand for shuttering. Demand for Chinese bintangor faced plywood in continental Europe has remained stable at levels lower than last year. As in the UK, continental buyers that switched away from this product during the period of uncertainty over possible anti-dumping measures have not returned in force now that the uncertainty has been lifted. European demand for Indonesian plywood, most of which is now centered on continental Europe rather than the UK, has remained slow in recent weeks. Although there have been efforts by Indonesian exporters to push prices up, the market has not been receptive and prices are generally regarded to be stable at around Indo96 +25% for 4x8ft BB/CC grade.

EUWID also reports that in an effort to exploit the strength of the euro against the dollar and boost returns, more and more Chinese plywood exporters are trying to invoice in euros, a practice that has inevitably met with strong opposition from importers.

Dutch and Belgian importers boost market share across the EU

A recent supplement in the UK *TTJ* on Belgian and Netherlands suppliers highlights how companies in the two countries are adapting to increasing uncertainty in global wood supply and the trend towards just-in-time ordering through establishment of large concentration yards for supply of companies throughout the European continent.

TTJ notes that new voracious and still rising demand for wood from Asia - notably China, India and Vietnam - has fundamentally altered trading conditions in the EU. The impact on EU hardwood products manufacturers has been raising raw material costs and commoditization of the market, inhibiting affordable supply against specification.

Because of their central location in Europe and ready access to transport routes, Belgian and Dutch importers have been major beneficiaries of these trends. They have responded to the changing market conditions by establishing direct contact with large mills in major supply countries, building large warehouses, establishing hi-tech stock control and customer management systems, developing processing capacity to supply kiln dried and dimension, cut-to-size timber, and providing a range of other added-value services. One company representative noted that with their special grading, drying and handling services, they are able to service a wide range of customers and end-use markets with applications ranging from solid-doors, mouldings and flooring, to stair-cases and tables, and also exclusive joinery products such as the interiors of luxury yachts. Another interviewed company indicated they could supply anywhere in Europe within 48 hours.

Due to their scale, these companies are also well-placed both to encourage suppliers to achieve forest certification and to benefit from economies of scale in FSC and PEFC chain of custody. As a result, these companies can now combine high volume with accurate supply to specification, both in terms of timber quality and environmental credentials. Linked with their commitment to certification and desire to provide a wider range of further processed products, many of these companies are also now playing an important role to generate interest in and demand for lesser known tropical species.

So successful have these companies been, that many are now expanding warehousing and expanding their supply base. For example, one Dutch company noted that it is now developing a client base in the Far East (mainly for European oak) where many of the European furniture manufacturers it supplied in the past have migrated.

Europe gives market boost to certified Malaysian wood products

The market credentials of the Malaysian Timber Certification Scheme (MTCS - formally MTCC), which has long struggled to achieve universal acceptance in the demanding European market, recently received a significant boost. The scheme scored 88% in a gap analysis carried out by the University of Hamburg and GTZ as part of a joint project between the City of Hamburg (CoH) and MTCC. As a result, the CoH agreed to recognize the MTCS until it receives PEFC endorsement. The decision by the CoH overturns a previous policy of accepting FSC only. Two conditions imposed by the CoH in their decision have already been met. These conditions were that MTCS be submitted to PEFC for endorsement and that the MTCS ‘MC&I 2002’ certification standard (which is broadly based on the FSC criteria but not recognized by FSC) must be ready.

MTCS now awaits two further decisions that would have a major bearing on marketability. The decision on PEFC endorsement is expected within the next 6 to 12 months. In addition the UK government’s Central Point of Expertise on Timber (CPET) will be announcing their opinion on whether MTCC provides satisfactory evidence that timber is ‘legal and sustainable’ as part of a major review of certification systems due to be completed this month. A positive result in the latter would open the door to MTCS certified wood products being used in lucrative London Olympic contracts.

European companies adjust wood strategies as Russian log costs increase

In a press release from Wood Resources International, it was announced that Russian domestic sawnlog and pulpwood prices fell 20% in the first quarter of 2008 as taxes on softwood logs increased 20 to 25% of log value. Since Russian taxes and thereby the cost of logs are expected to increase further, forest companies in Europe, the Nordic countries and the Baltic states are revising their near and long-term strategies. Softwood log imports to Europe reached their peak in 2005 (10 million m^3), with Finland maintaining the highest import status in Europe and likely to be the most affected by the Russian tax increases.

The Netherlands Sawnwood Prices

FOB (Rotterdam)	USD per m^3
Sapele KD	1179
Iroko KD	1158
Sipo KD	1314
DRM Bukit KD	1186
DRM Seraya KD	1194
DRM Meranti KD Seraya MTCC cert.	1236
Merbau KD	1215
Sapupira (non FSC) KD	943
Sapupira (FSC) KD	1441
Anti-slip decking AD C&F Rotterdam	
Selangan batu	1130⬆

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	330-380
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	430-440⬆
China (hard face, poplar core) 18mm	450-470⬆

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.

Asia's rainforests are being rapidly destroyed, a trend accelerated by surging timber demand in booming China and India, and record food, energy and commodity prices. The loss of these biodiversity hot spots, much of it driven by the illegal timber trade and the growth of oil palm, biofuel and rubber plantations, is worsening global warming, species loss and poverty, forest experts warn.
http://afp.google.com/article/ALeqM5h72gB_2XhOnj9oCJpuhMULEpCcoQ

The Commonwealth Scientific and Industrial Research Organization (CSIRO) is providing technical expertise in support of what US science magazine, *Discover*, has described as one of 'the six most important experiments in the world' - the Planted Forests Project on the island of Borneo. 'This Malaysian project is visionary,' says the leader of the CSIRO team, David Boden. The Sarawak State Government has allocated nearly half a million hectares. One third of the land will be set aside for conservation of Sarawak's rich biodiversity, one third for use by the traditional ethnic communities, and one third for the establishment of a sustainable and economically viable plantation forestry industry,' Boden said.
http://www.sciencecentric.com/news/08050318.htm

Currency is one of the biggest issues facing the forest, paper and packaging industry around the world, in particular Canada and Europe. But the news is not all bad for the global industry. According to findings released by PricewaterhouseCoopers (PwC) at its 21st annual Global Forest and Paper Industry Conference in Vancouver, the southern hemisphere and other emerging markets (Central America, South America and non-Japan Asia) are prospering, in particular due their use of new technologies, fertile soil and low wood costs.
http://www.financials.com/info/story.cfm?storynum=3236315

Energy produced from sugarcane exceeded hydroelectric power production in Brazil in 2007, energy officials said. This is the first time in Brazilian history that bioenergy production has surpassed that of hydroelectric power, said Mauricio Tolmasquim, president of the government's Energy Research Enterprise.
http://english.eviewweek.com/Bioenergy-production-surpasses-hydroelectric-power-in-Brazil.shtml

Many people enjoy using tropical hardwoods as garden furniture and parquet floors, but few consumers make the link with global warming. But the link is there, because some products are made from timber from areas like the Amazon and Southeast Asia that contain vast quantities of trees that absorb carbon dioxide, the main greenhouse gas, but where the overall number of trees is diminishing under pressure from unscrupulous loggers. In recent years, many importers and retailers have started using labels on furnishings like deck chairs and other hardwood products

to indicate whether forest companies that felled the timber had abided by sustainable principles. But even for green-minded consumers, prices can make environmentally correct choices difficult.
http://www.iht.com/articles/2008/04/29/business/greencol30.php

Six years ago the area around Samboja in Borneo was like much of the world's tropical rainforest: denuded. The trees had been cut for timber, the land burnt, and in place of what should be some of the richest biodiversity on the planet were thousands of acres of grass. But from this ruined landscape a fresh forest has been grown, teeming with insects, birds and animals, and cooled by the return of moist clouds and rain. It is a feat that has been hailed by scientists and offers hope for disappearing and ruined rainforests around the world.
http://www.guardian.co.uk/environment/2008/may/04/conservation.wildlife?gusrc=rss&feed=networkfront

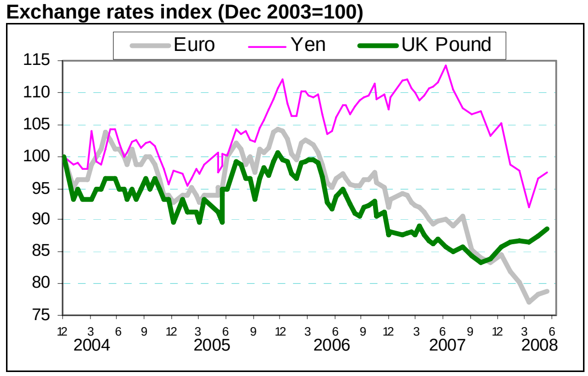
There is no end in sight to the drought afflicting the Murray-Darling Basin and the big dry could become a permanent feature of eastern Australia, experts warn. The latest Murray System Drought Update contains nothing but bad news for farmers and communities struggling to cope. Even grimmer news is that it could become worse next year.
http://news.smh.com.au/murraydarling-drought-may-be-permanent/20080509-2cjh.html

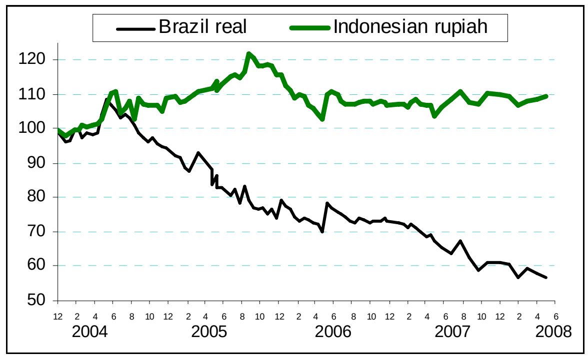
Main US Dollar Exchange Rates

As of 15 May 2008

Brazil	Real	1.6681	⬇
CFA countries	CFA Franc	424.273	⬆
China	Yuan	7.0026	⬆
EU	Euro	0.6468	⬆
Indonesia	Rupiah	9,294.00	⬆
Japan	Yen	105.10	⬆
Malaysia	Ringgit	3.2658	⬆
Peru	New Sol	2.7678	⬇
UK	Pound	0.5141	⬆

Exchange rates index (Dec 2003=100)

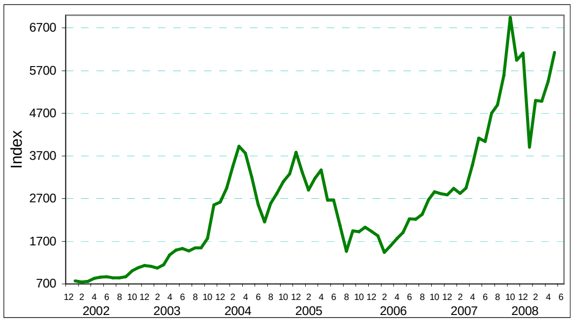




Abbreviations and Equivalences

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

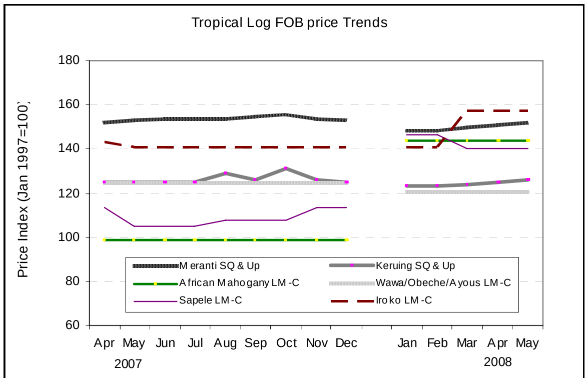
Ocean Freight Index

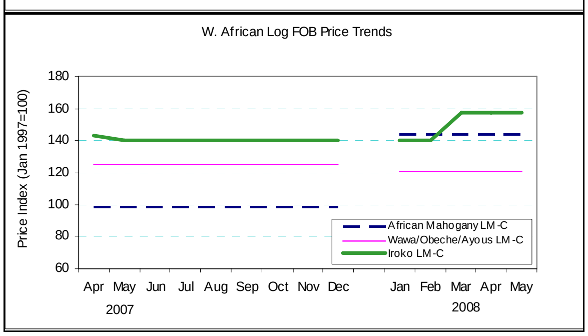


The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes. It is based on a 52,454 mt bulk carrier carrying commodities such as timber.

Appendix. Tropical Timber Price Trends

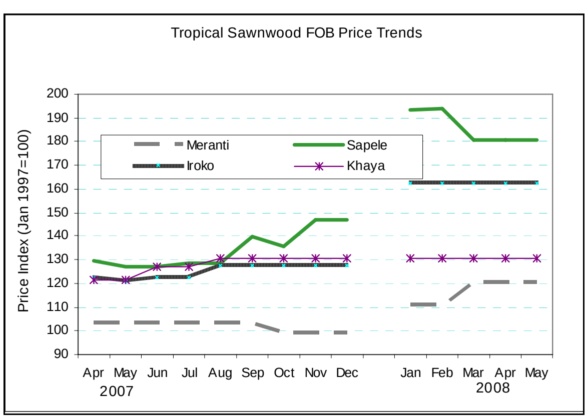
Tropical Log Price Trends

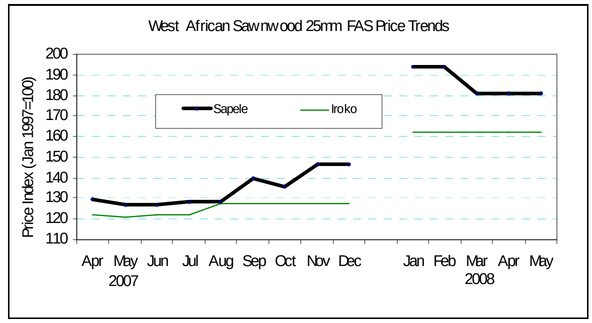




More price trends in Appendix 4, ITTO's Annual Review http://www.itto.or.jp/live/PageDisplayHandler?pageId=199

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