Tropical Timber Market Report since 1990

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Snapshot

Reports from our correspondents in Malaysia and Indonesia indicate market instability due to indecision by the federal government in both countries. Escalating food and fuel prices are threatening to cause building costs to spin out of control. Both countries are facing the high possibility of slipping into a recession.

Buying conditions were difficult in West Africa and Latin America, with West African producers continuing to curtail production and reduce their workforce, while producers in Brazil continued to shift products to domestic markets. Demand for plywood imports and South Sea logs also waned in Japan and log imports through Manzhouli Port in China dropped as a result of rising Russian duties on logs.

Despite weaker demand from Europe and the US, demand from Mexico and China heightened export results for some Peruvian wood products. Guyana's intra-regional trade in the Caribbean also helped boost export results over the last two weeks. Sub-regional trade benefited Ghana in the first quarter of 2008, with overland exports rising 6.28% in value when compared to the same period in 2007.

New forest and wood-related investments and laws were finalized in the last few weeks. Japan's Seven and i Holdings contributed JPY100 million to ITTO for sustainable forest management activities in the tropics, while the IFC and Morgan Stanley invested nearly USD100 million in a Chinese flooring company to promote sustainable and legal sourcing of wood. Peru also gazetted a new law that provides new requirements for sustainable forest management in the country.

Headlines

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Report from Central/West Africa

Difficult market conditions linger for West African producers

The slowdown in new business has continued. The European market has been very depressed, and while there was some activity for Asian destinations even this was at a much lower level than volumes that producers would have considered normal only a few months ago. Producers were matching this slowdown with reductions in output through temporary closures of concessions and a reduction in workforce. There were concerns that the effects on finance and banking arrangements may cause problems for previously negotiated agreements.

Okoume has been particularly hard hit. There has been business for new, fresh logs, but there was a considerable stock of older logs that would have had to be sold at low prices, with the risk this could have also depressed the overall okoume log market. Some producers were reported to have ceased logging okoume and were concentrating on the more marketable red species, while others were logging only for their sawmills and veneer mills.

As noted previously, market conditions in all areas have been very difficult and there was no sign of any upturn. Although the asking prices for many log and lumber species were reportedly relatively stable, there were some changes, a few moving upward on demand for Asia and short supply while the majority either moved down or remained unchanged. There was a tendency to hide the fierce negotiations on price which were taking place, with sapele very hard hit and no baseline price. Buying for Europe was very quiet. Internal trade between European countries was reported as being more than usually competitive with some transactions at below cost. Possibly stockists were prepared to clear existing stock at below cost price as they could replace stock with imports at the present lower price levels.

West Africa Log Prices

West Africa logs, FOB	€ per m^3		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	221⬆	191⬆	137
Ayous/Obéché/Wawa	206⬆	206⬆	168⬆
Azobe & Ekki	168	168	122
Belli	168⬇	168⬇	-
Bibolo/Dibétou	168⬆	168⬆	114
Bubinga	533	457	381
Iroko	289⬆	274⬆	259⬆
Okoume (60% CI, 40% CE, 20% CS)	135	-	-
Moabi	305⬇	289⬇	267⬇
Movingui	191	191	137
Niove	129	129	-
Okan	198	198	152
Padouk	259⬇	259⬇	229
Sapele	259⬇	259⬇	221⬇
Sipo/Utile	335	305	267
Tali	191⬆	191⬆	152
Okoume (40% CI, 40% CE, 20% CS), FAS- China	142	-	-

West Africa Sawnwood Prices

West Africa sawnwood, FOB		€ per m^3
Ayous	FAS GMS	335
	Fixed sizes	-
Okoumé	FAS GMS	300
	Sel. & Bet. GMS Italy	250
	Sel. & Bet. fixed sizes	-
Sipo	FAS GMS	610
	FAS fixed sizes	-
	FAS scantlings	630
Padouk	FAS GMS	585
	FAS scantlings	610
	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

Lumber tops first quarter timber contracts

The Contract Section of the Timber Industry Development Division (TIDD) processed and approved a total contract volume of 156,938 m³ during the first quarter of 2008. The section also processed the approval of 54,866 pieces of furniture parts during the same period. Compared to the last quarter of 2007, the contracts approved represented increases of 13% and 28.48% respectively. The significant percentage increase in furniture parts could be attributed to the anticipated high demand of the product in Europe during summer 2008. For instance, garden furniture parts accounted for about 80% of contracts approved for Scanstyle Mim Company Ltd during the first quarter of 2008.

The volume of lumber rose sharply to 68,212 m³, representing an increase of 31.52% as compared to the volume for the previous quarter. Lumber accounted for 43.46% of the total contract volume approved during the period. Teak lumber was 7.60% of the total lumber volume, representing 5,187 m³.

The total plywood volume was 47,401 m³ for the period, increasing 26.72% when compared to the previous quarter. There were decreases in the volume of contracts processed for sliced veneer, boules and poles/billets/logs. These products dropped 5.83%, 65.90% and 29.19% and reached volumes of 9,253 m³, 282 m³ and 19,789 m³ respectively.

Three area contract offices in Kumasi, Accra and Sunyani processed and approved 29.92%, 4.64% and 11.73% respectively, which together accounted for 46.29% of the total contract volumes approved. The Takoradi office accounted for the remaining 53.71%.

Export permits register marginal gains in 2008

During the first quarter of 2008, a total of 2,167 export permits were issued to cover the shipment of various timber and wood products through the ports of Takoradi and Tema and overland to neighboring countries. Total export permits for the quarter registered a marginal increase of 1.07% when compared to that in October to December 2007.

Lumber, both kiln-dried and air-dried, continued to register the highest number of export permit applications, representing 43.65% of the total number of export permits issued during the period under review. By implication, the demand for this product was higher than for tertiary wood products like furniture parts, mouldings, floorings, dowels, broomsticks and profile boards.

In Takoradi, a permit was issued for the shipment of eleven (11) pieces of polished coconut carved shower stands, which were shipped to Amsterdam in the Netherlands. Three permits were also issued to the Machined Wood Company Ltd for the shipment of okoume mouldings totaling 97.668 m³ and valued at EUR61,531 to Italy. These mouldings were made from okoume sawn timber, which were imported from Gabon.

ECOWAS sub-regional market boosts overland exports

Ghana's overland plywood and lumber exports for the first quarter of 2008 were 28,664 m³ and worth nearly EUR8 million. Eighteen companies altogether exported plywood and/or lumber by road to Burkina Faso, Nigeria, Niger, Mali, Benin and Togo. These figures, compared to the last quarter figures of 28,929 m³ and EUR7,526,005, showed a marginal fall of 0.92% in volume although there had been a gain of 6.28% in the value of permits issued. This increase in the value of overland exports was a reflection of the rising importance of the ECOWAS sub-regional market for imports of plywood and lumber.

Ghana Log Prices

Ghana logs, domestic	US$ per m³	
	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 m³	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	855	-
Asanfina	480	560
Ceiba	205	260
Dahoma	330	390
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	285

Ghana sawnwood, domestic		US$ per m³
Wawa	25x300x4.2m	245
Emeri	25x300x4.2m	350
Ceiba	25x300x4.2m	204
Dahoma	50x150x4.2m	333↑
Redwood	50x75x4.2m	278↑
Ofram	25x225x4.2m	330

Ghana Veneer Prices

Rotary Veneer, FOB	€ per m³	
	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 m³
Ceiba	245
Chenchen, Ogea & Essa	295
Ofram	305

Sliced Veneer, FOB	€ per m²	
	Face	Backing
Afrormosia	1.80	1.00
Asanfina	2.00	0.92
Avodire	1.12	0.85↑
Chenchen	0.75↑	0.50
Mahogany	1.50	0.79
Makore	1.40	0.85
Odum	1.54	1.10

Ghana Plywood Prices

Plywood, FOB	€ per m³			
B/BB, Thickness	Redwoods		Light Woods	
	WBP	MR	WBP	MR
4mm	560	465	500	375
6mm	380	315	335	285
9mm	388	305	290	270↓
12mm	340	285	300	280
15mm	350	290	300	265↓
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	7.10	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

Malaysia's trade with China grows 25.1% by value in 2007

Based on 2007 statistics from China's Customs Agency, China is one of Malaysia's top ten trading partners, reported *The Daily Express*. Ahmed Aziz, a member of the Board of Directors of the Malaysia External Trade Development Corporation (MATRADE), commented that Malaysia's total trade with China reached USD46.4 billion, a rise of 25.1% from 2006 levels. Malaysia's exports rose 21.89%, reaching USD28.4 billion last year. According to Aziz, Malaysia's exports USD500-600 million worth of timber products to China annually.

Malaysian property development industry grappling with rising costs

The Star reported that the Malaysian property development industry is getting nervous as oil prices continue to soar. Rising prices of building materials, inflationary trends in the cost of living, global economic uncertainties, rigid policies for developers and a softening market are also concerning the industry. Property developers are also facing eroding profit markets, higher construction costs, intense competition and fear that rising inflation is affecting buyers' sentiment. Many contractors are demanding an upward revision of their contact prices and threatening to walk if their demands are not met.

Malaysia Log Prices

Sarawak log, FOB	US$ per m^3
Meranti SQ up	296-318↑
Small	276-295↑
Super small	274-272↑
Keruing SQ up	272-282↑
Small	241-273↑
Super small	234-239↑
Kapur SQ up	250-268↑
Selangan Batu SQ up	272-294
Pen. Malaysia logs, domestic (SQ) US$ per m^3	
DR Meranti	356-399↑
Balau	296-326↑
Merbau	416-438↑
Rubberwood	254-273↑
Keruing	286-302↑

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

Malaysia Sawnwood Prices

Malaysia Sawnwood, FOB		US$ per m^3
White Meranti A & up		432-457
Seraya Scantlings (75x125 KD)		706-746↑
Sepetir Boards		336-346↑
Sesendok 25,50mm		447-477
Kembang Semangkok		428-449
Malaysian Sawnwood, domestic		US$ per m^3
Balau (25&50mm,100mm+)		349-369↑
Merbau		559-582
Kempas 50mmx(75,100 & 125mm)		298-315↑
Rubberwood	25x75x660mm up	292-322↑
	50-75mm Sq.	313-338
	>75mm Sq.	325-357

Malaysia Plywood Prices

Malaysia ply MR BB/CC, FOB	US$ per m^3
2.7mm	482-510
3mm	462-488
9mm & up	423-446
Meranti ply BB/CC, domestic	US$ per m^3
3mm	460-470
12-18mm	403-411

Other Malaysia Panel Prices

Malaysia, Other Panels, FOB		US$ per m^3
Particleboard	Export 12mm & up	242-259↑
	Domestic 12mm & up	233-247↑
MDF	Export 15-19mm	306-329
	Domestic 12-18mm	281-300

Malaysia Added Value Product Prices

Malaysia, Mouldings, FOB	US$ per m^3
Selagan Batu Decking	681-699
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	717-737
Grade B	635-653

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	55-66↑
	with arm	56-67
Chair Seat 27x430x500mm		43-49↑
Rubberwood Tabletop		US$ per m^3
22x760x1220mm sanded & edge profiled		
Top Grade		635-645
Standard		603-620

Report from Indonesia

Asmindo and Senada encourage use of verification stamps for market access

The Jakarta Post reported that Asmindo (the Indonesian Furniture producers Association) and Senada (a US Agency for International Development project) held a meeting in which participants discussed how wooden furniture producers verified under third-party sustainable forest or legal logging licenses are guaranteed better access to international markets. Using the verification stamp of sustainable forest management (SFM), producers can assure buyers that their product was made from a sustainably managed forest. The Verification of Legal Origin (VLO) and Chain or Custody (CoC) stamps prove the legality of the wood supply.

Senada's project director, Steve Smith, said that verification was a stepping stone to tracking legal timber and that the market would eventually require all furniture to be produced from sustainably managed timber sources. Seneda was also working with certification bodies and consultants to provide assistance for the VLO and FSC certification processes for at least 40 furniture companies in Indonesia.

Asmindo chairman Ambar Tjahyono said more buyers required these verification stamps, especially since the US and EU have been developing new bilateral and multilateral measures that would prevent imports from unsustainable and illegal sources. Asmindo estimated that wooden furniture exports rose 10% in 2007, reaching USD897 million when compared to USD816 million in 2006.

Indonesia Log Prices (domestic)

Indonesia logs, domestic prices	US$ per m^3
Plywood logs	
Face Logs	237-277
Core logs	185-215↑
Sawlogs (Meranti)	234-273
Falcata logs	186-201↑
Rubberwood	217-241
Pine	209-232
Mahoni (plantation mahogany)	604-650

Indonesia Sawnwood Prices

Indonesia, construction material, domestic		US$ per m^3
Kampar (Ex-mill)	AD 3x12-15x400cm	251-259↑
	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	240-250
	Domestic 9mm	204-221
	12-15mm	195-207⬆
	18mm	193-196⬆
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	384-404
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	673-698
Grade B	603-643

Report from Myanmar

Replanting mangroves viewed as long-term effort

Vice Chairman of Friends of the Rainforests in Myanmar, Dr. Kyaw Tint, said it would take nearly fifteen years to replant the mangroves destroyed by Cyclone Nargis, reported news sources in Myanmar. The Forest Department and NGOs concerned with the development of the environment will work together to formulate plans to plant the mangroves. However, he said that more of a focus should be placed on rehabilitation efforts at present and replanting should be done only after living conditions of the people in cyclone affected areas have been stabilized. He added that the presence of mangroves will help mitigate future natural catastrophes. In replanting the mangrove forests, he said, priority should be given to fast growing species.

Myanmar Log Prices (natural forests)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)		
Veneer Quality	Apr	May	6 mo. Avg
2nd Quality	5,508 (4 tons)	4,882 (4 tons)	5,354
3rd Quality	4,566 (12 tons)	4,374 (11 tons)	4,958
4th Quality	3,669 (47 tons)	3,752 (40 tons)	4,239
Sawing Quality	Apr	May	
Grade 1 (SG-1)	2,747 (342 tons)	2,603 (287 tons)	2,682
Grade 2 (SG-2)	2,031 (479 tons)	2,055 (500 tons)	2,122
Grade 3 (SG-3)	1,624 (43 tons)	1,565 (79 tons)	1,677
Grade 4 (SG-4)	1,708 (381 tons)	1,828 (421 tons)	1,913
Grade 5 (SG-5) Assorted	1,598 (574 tons)	1,477 (399 tons)	1,672
Grade 6 (SG-6) Domestic	1,296 (383 tons)	1,120 (369 tons)	1,301
Grade 7 (ER-1)	816 (287 tons)	638 (384 tons)	922
Grade 8 (ER-2)	NIL	NIL	926

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

Maximum limit of forest conversion in the Amazon may rise

The coordinator of the Sustainable Amazon Program (PAS) of the Brazilian government has indicated the possibility of increasing the maximum limit of forest conversion to other uses in rural properties in the Amazon region to above 20%, reported *Folha Online and Ambiente Brasil*. The adjustment does not depend on changes to the Forest Code, which is being discussed in the Congress. It refers to a provision that allows the reduction of the legal reserve from 80% to 50% for the purpose of forest restoration under two conditions: (i) indication of ecological-economic zoning, and (ii) the endorsement of the National Council for the Environment (CONAMA), and the Ministries of Environment and Agriculture.

There are already state laws for zoning in the Amazonian states of Acre and Rondônia. However, many municipalities fail to follow legal guidelines that set aside 80% of a property for protection. According to the Environment Ministry (MMA), only three municipalities (out of the 36 municipalities that deforested the Amazon the most) follow the 80% forest protection rule. On average, the target areas of deforestation control operations have lost 50% of their forests. In Brasil Novo, a municipality in state of Pará where most deforestation takes place, there are only 17% of forests left.

The Minister of the Environment supported the creation of a 'belt' in the transition area between savannah and the rainforest, where the population would develop economically feasible and environmentally friendly production activities. He also emphasized that the rainforest is not an agricultural frontier, despite official information pointing out that 40% of the national production of soybeans and meat come from legal areas of the Amazon. In contrast to deforestation measures adopted by the government, the PAS coordinator emphasized that the governmental actions would reach small producers and the settlement of agrarian reform as well. So far, there is no deadline set to announce the results of the PAS.

Arco de Fogo operation to target large scale operators

Reports from the Ministry of Environment and *Ambiente Brasil* indicate that inspection operations to combat deforestation in the Amazon will be intensified under the Arco de Fogo Operation (see TTM 13:4-7 and 9). The Minister of the Environment met the director of the Federal Police to define a schedule of the third phase of the operation. Besides the Federal Police and IBAMA, the operation will be supported by the Civil Police and the Army, especially to help with logistics, transportation and storage of illegally seized goods. In the new phase of the operation, roads, junctions of major roads, and watercourses will be the focus of the inspection, in addition to timber processing-mills and charcoal-based steel mills. The priority will be on large-scale operations.

Furthermore, the Minister announced that he will negotiate cooperation agreements between the Ministry of the Environment (MMA) and the states of Rondônia and Mato

Grosso, similar to the model developed with state of Pará last March. Under the agreements, the state authorities support the transportation and auction of illegally seized timber. Sale of these seized products will help to pay the costs of police activities in the region. For instance, sales of only 10% of the total timber recently seized in the municipality of Tailandia in state of Pará were equivalent to the total cost of Arco de Fogo operations since February 2008.

In the first meeting with the newly appointed Minister of the Environment, the federal police discussed the results of the Arco de Fogo Operation carried out so far in the Amazon. Since March 2008, the Federal Police and IBAMA closed 359 forest properties, a total of 63,000 ha; seized 79,300 m³ of logs and 26,700 m³ of illegally processed timber; and imposed BRL 361 million in fines.

Wood products exports fall in May by 17.6%

In May 2008, the value of exports of general wood products (except pulp and paper) fell 17.6% compared to the same period in 2007, from USD369.8 million to USD304.6 million. The charts below show the volume and value of exports for May 2008 compared to the same month a year earlier:

Brazil's Exports by Value in May 2007 and 2008 (USD mil)

		2007	2008	% change
MAY	Solid wood*	369.8	304.6	(17.6)
	Tropical plywood	22	14.2	(35.5)
	Pine plywood	40.6	32.7	(19.5)
	Tropical sawnwood	54	42.2	(21.9)
	Pine sawnwood	24	21.8	(9.2)
	Wood furniture	65.8	65	(1.2)

*Figures for solid wood exclude pulp and paper exports

Brazil's Exports by Volume in April 2007 and 2008 (000 m³)

		2007	2008	% change
MAY	Tropical plywood	44.19	23.31	(47.3)
	Pine plywood	139.19	89.59	(35.6)
	Tropical sawnwood	129.89	80.80	(37.8)
	Pine sawnwood	125.59	101.68	(19)

Alta Floresta producers shift to domestic market

According to *Só Notícias*, exports from Alta Floresta companies decreased in the first five months of 2008. Total exports worth USD6.2 million were 25% lower than observed in the same period of 2007, when they were valued at USD8.4 million. The value of exports fell since their highest level in January 2008, when exports totaled USD1.6 million. In May, however, exports were only worth USD757,000.

Trade with the US alone decreased 36%, dropping from USD4.2 million in January to May 2007 to USD2.7 million during the same period in 2008. Exports to Spain were worth USD1.5 million during the 2008 period.

The main reason for the dramatic changes in exports was the weak US dollar, which has been fluctuating between USD1=BRL 1.61 and USD1=BRL1.63 in June. In May, it reached its lowest in the past nine years, with an average of USD1=BRL1.64. Thus, exports of forest products in the region have become less profitable and the domestic market has become more attractive for Alta Floresta producers, mainly due to the expansion of the civil construction market.

Total forest products trade of the state Mato Grosso in May 2008 was BRL141 million, out of which BRL24.7 million (17%) were sold to other states, BRL83.5 million (59%) exported and BRL33.2 million (23%) sold within the state. In April, wood products sales reached BRL139 million, out of which BRL30.8 million (22%) went to other states in Brazil, BRL79.8 (57%) to the international market and BRL28.4 million (20%) to sales within the state.

Paraná State heightens attention to domestic markets

With a decrease in exports to the US over the past 2 years, the wood industry of the state of Paraná has increased its focus on the domestic market, taking advantage of the boost from the civil construction market in Brazil. Paraná, the largest national producer of pine plywood, has expanded its sales to markets such as Europe, the Middle East and Africa.

According to the Brazilian Association for Mechanically Processed Timber (ABIMCI), Europe ranks first among the largest importers of pine plywood from Brazil. In the first two months of 2008, out of 313,000 m³ of pine plywood exported, Europe purchased 246,000 m³ (79%) while the US purchased 29,000 m³ (9%). Africa and the Middle East together imported 13,000 m³.

The slow pace of civil construction in the US, considered the lowest in the last ten years, and the depreciation of US dollar have affected exports of pine plywood, doors and frames used in civil construction. Brazil exported 1.2 million m³ of pine plywood to the US in 2005, but exported only 347,000 m³ in 2007. Companies have started to diversify their products and invest in the production of added-value products.

In the last two years, many companies in the wood industry had to reduce production, lower costs and cut personnel due to decreased demand from the US and unfavorable exchange rates. Some Brazilian producers are now shifting exports from the US to Europe, Mexico, Asia and Africa. Ninety percent of plywood production (4,000m³/month) is currently oriented to European markets alone. Companies are also trying to invest in supplying the domestic market, but admit that the potential of the domestic market is limited, since Brazil does not have a tradition of building wood framed houses.

Brazil Log Prices (domestic)

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	152↑
Jatoba	108↑
Guariuba	73↑
Mescla (white virola)	80↑

Brazil Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB		US$ per m^3
Jatoba Green (dressed)		845↑
Cambara KD		465
Asian Market (green)	Guariuba	265
	Angelim pedra	594↑
	Mandioqueira	234
Pine (AD)		200

Brazil sawnwood, domestic (Green)		US$ per m^3
Northern Mills (ex-mill)	Ipé	713↑
	Jatoba	548↑
Southern Mills (ex-mill)	Eucalyptus (AD)	210↑
	Pine (KD) 1st grade	276↑

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	274↑	229↑

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	938↑
	White Virola 15mm	685↑

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	610↑
Particleboard 15mm	385↑

Brazil Added Value Products

FOB Belem/Paranagua Ports		US$ per m^3
Edge Glued Pine Panel		
Korean market (1st Grade)		640↓
US Market		513↑
Decking Boards	Cambara	609
	Ipê	1680↓

Report from Peru

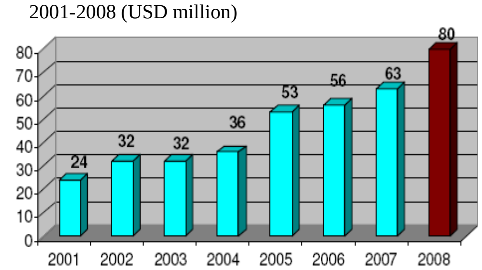
New forestry law in Peru modifies country's SFM guidelines

A new forestry law was gazetted in Peru at the end of June, which details new requirements for forest management in the country. The provisions of the new law include: all CITES-listed timber species must be field verified prior to logging; all log and timber transportation means (such as skidders and trucks) must have a GPS tracking system; logging bans on species can be called for in areas outside of forest concessions with approved management plans; criteria and indicators are required to track sustainable forest management progress in concessions; and palm oil, palm heart, bamboo, and other plantations previously categorized as agro-industrial are now categorized as forest plantations. The total implementation cost of the new law has not yet been announced.

First quarter exports jump 34.2%

Peruvian wood sector exports from January to April 2008 were USD80.44 million (FOB) up from USD62.64 million in 2007, an increase of 34.2%. This was due to increased demand from Mexican and Chinese markets. Exports in April 2008 grew USD7.07 million compared with exports for the same month in 2007, since cost savings were achieved by shipping exports to Mexican markets via boat.

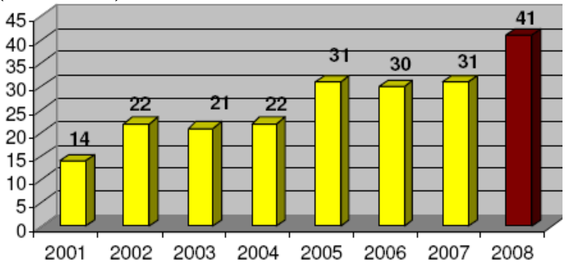
Chart 1: Peruvian wood sector exports from January – April, 2001-2008 (USD million)



The fastest growing export products in the first quarter were building products (123%), sawnwood (34%) and wood plaques and plywood (32.1%). Products that have decreased include furniture and furniture parts (–13.8%), since the US market was the destination of more than 80% of Peru's production. Products that have shown a high increase in exports were wood parts, with cumaru as the most popular type.

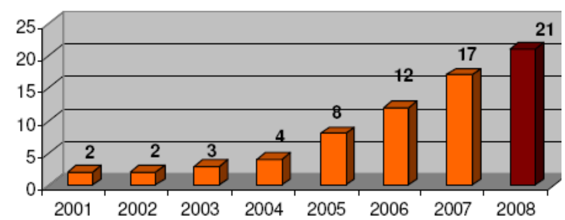
Sawnwood was still the principal export business, representing 50.9% of exports from the sector. Exports in the January to April 2008 period were USD41.01 million while for the same period in 2007, exports were USD30.55 million. Sawnwood exports in April 2008 increased USD6.57 million compared to the same month in 2007. Sawnwood exports in this period rose due to an increase in exports of species such as cumala, cedar, tornillo, congona and odorless estoraque.

Chart 2: Peru's sawnwood exports from January to April, 2001-2008 (USD millions)



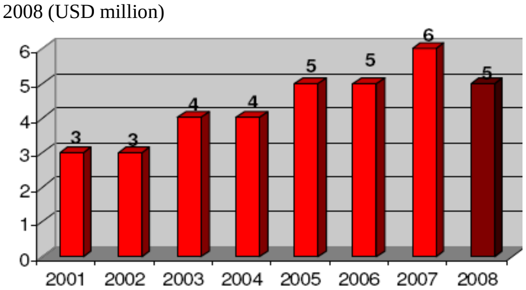
Semi–manufactured products represented 25.9% of wood sector exports. Exports during the January to April 2008 period were valued at USD20.02 million and exports for the same period during 2007 were USD17.02 million, a year-on-year increase of 22.6%. Exports of semi–manufactured products in April 2008 grew USD95.16 million from the value of products during the same period in 2007. The increase in this sub-sector was due to the progressive rise in exports of wood pieces and decking, for which China was the main market.

Chart 3: Peru's semi-manufactured exports from January to April, 2001-2008 (USD millions)



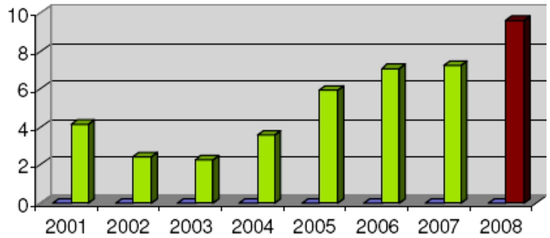
Exports of furniture and furniture parts were worth USD 4.81 million for the January to April 2008 period. Exports for the same period in 2007 were USD5.57 million, resulting in a 13.8% drop in exports for 2008. Exports in April 2008 decreased USD438,350 from the same month in 2007. The drop was due to the fall of imports to the US, the main destination for Peru's furniture.

Chart 4: Peru's furniture and parts exports from January to April, 2001-2008 (USD million)



Exports of wood plaques and plywood exports for the January to April 2008 period were USD9.62 million, up 32.1% from the same period in 2007. By value, however, exports of wood plaques and plywood in April 2008 fell USD345,940 from the same period in 2007. Mexico was the main export market for wood plaques and plywood, although the sector was boosted by growing demand from the Venezuelan and Central American markets.

Chart 5: Peru's wood plaques and plywood exports during January to April, 2001-2008 (USD million)



Peru's three main export destinations for the January to April 2008 period were Mexico, the US and China. In the first quarter of 2008, Mexico remained the main export destination, growing almost 100% compared to last year. Mexico represented 40.1% of exports. Exports to the US decreased 14.9% while exports to China, the third destination market, increased 30.1%. Nevertheless, there are new market destinations such as Venezuela, Canada and France that may overtake the current top three destinations.

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	934-972
Mexican market	943-974
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	330-378⬇
Grade 2, Mexican market	298-322⬇
Cumaru 4" thick, 6'-11' length KD	
Central American market	791-820⬆
Asian market	729-772⬆
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	550-585
Dominican Republic	565-575
Marupa (simarouba) 1", 6-11 length Asian market	395-420⬆

Peru Sawnwood, FOB Iquitos	US$ per m^3
Spanish Cedar AD Select Mexican market	935-954
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	332-358
Grade 2, Mexican market	302-314
Grade 3, Mexican market	181-194⬇
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	250-263

Peru sawnwood, domestic	US$ per m^3
Mahogany	1295-1331
Virola	85-99
Spanish Cedar	443-454
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	672-715⬆
	Asian market	933-961⬆
Cumaru decking, AD, S4S E4S, US market		962-1102⬆
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

First quarter exports from La Paz and Santa Cruz drop 26%

Exports of forest products from La Paz and Santa Cruz during the period January to March 2008 slipped 26% compared to the same period in 2007. By value, exports fell from USD28.59 million in 2007 to USD21.10 million, breaking a positive trend that has occurred since 2002. Among the reasons for the decrease are the 'El Nino' and 'La Nina' effects, the shortage of diesel fuel, the falling value of the US dollar, the US mortgage crisis and the legal complexities facing forest operators.

Processed wood, including furniture and furniture parts, plates and sheets, chairs, chestnut without husks and canned palm hearts constituted 63.91% of total forest products. The remaining 36.09% were from semi-processed products such as sawnwood, boards and poles. Exports of wooden products were 91.73% and worth a total USD19.36 million. Non-wood products were USD1.75 million or 8.27%, with the main product being chestnut without husks. Exports of non-wooden products fell 29% when compared to 2007.

Among the 31 exported products, there were eleven fewer than in 2007. Sawnwood was the most important export product, with a value of USD7.57 million, followed by doors worth USD2.47 million, plates USD1.68 million, other furniture products USD1.45 million, parquet USD1.19 million and chairs USD1.1 million. By volume, the main exported species were oak, almond trees, tajibo, quina quina, morado and curupau. The US was the largest recipient of Bolivia's wood products by value, receiving USD8.01 million of products, followed by China with USD1.86 million. A total of 38 countries purchased Bolivian forest products, six more than in 2007 and 19 engaged in contracts worth USD100,000.

Bolivia Sawnwood Prices

Sawnwood 1-3"x3x5"x7-19', FOB Arica Port		\$ Avg un. val. per m^3
Mahogany	(US market)	1740-1765⬆
Spanish Cedar	(US market)	868-929⬆
Oak	(US and EU market)	617-695⬆

Bolivia Added Value Product Prices

Doors 13/4"x36"x96", FOB Arica Port		Avg \$ per piece
US market	Mara macho/Tornillo (FSC)	101-296⬇
	Yesquero	120-440⬆
	Ochoó	-

Parquet Flooring 3-5"x4-6"x5-13', FOB Arica Port		\$ Avg un. val. per m^3
Mani	(FSC) (US market)	-
Caviuna	(FSC) (US market)	500-600
Cumaru	(FSC) (US, EU and Asia mkt)	800-1000⬆
3/4"x3-5"x1-7'		
Jatoba	(US, EU and Mexico market)	1737⬆
Ipe	(EU and Asia market)	700-1900⬆
Jequitaba	(EU market)	-

Report from Mexico

Mexico joins efforts to fight desertification

Many areas of Mexico are affected or are susceptible to some level of land degradation. The main factor of land degradation is deforestation and changing land-use. In order to stimulate efforts to avoid or prevent desertification, Mexico joined the World-wide Day to Fight Desertification on 17 June 2008, a date selected by the UN Commission on Sustainable Development. Mexico has been working to mitigate the adverse impacts of loss in land productivity, undernourishment, impoverishment of the population and forced migration. At the domestic level, Mexico works though its ProArbol programme to promote forest conservation and restoration of degraded areas and has established a National System against Desertification and Degradation of Natural Resources.

Report from Guyana

Intra-regional trade to the Caribbean boosts export results

Guyana’s exports of mouldings for the fortnight have improved over the previous month’s total, mainly due to the large export volumes of purpleheart mouldings to Barbados. Export volumes of value-added products (e.g. doors) to the Latin America/Caribbean region have seen robust increases of 61.9% when compared to the same period of 2007. Further comparison between the same period of 2007 and 2008 revealed that Barbados remained the main destination for value-added products, while Grenada and Trinidad & Tobago increased their consumption by over 30%.

The average price for greenheart logs continues to climb, reaching a 9.5% increase over the recent highs of USD126 per m³ to USD138 per m³ on average, with a maximum of USD180 per m³. The average price for mora and purpleheart logs increased by 16% and 7.6% respectively over previous months. Export volumes of logs have yet to improve.

Guyana to hosts ITTO C&I Workshop

Guyana hosted an ITTO workshop on revised Criteria and Indicators (C&I) for the management of tropical forests in Georgetown, Guyana during 23-26 June 2008. The workshop hosted representatives from the forest sector in Guyana including several key community groups, private operators, governmental and non-governmental agencies, conservation groups, donor bodies and education and training institutions. The workshop addressed several key areas including Guyana’s progress toward reporting and implementing ITTO C&Is, training and capacity building in understanding and reporting on C&Is as well as areas such as forest certification, legality and reduced impact logging.

The structure of the workshop covered both classroom sessions and field activities to give participants practical input on the practical application of ITTO C&Is. The workshop was jointly coordinated by the ITTO and the Guyana Forestry Commission and facilitated by an international consultant. Readers will be updated on the results of the workshop in coming reports in the forthcoming ITTO *Tropical Timber Market Reports* and the ITTO *Tropical Forest Update*.

Guyana Log Prices

Logs, FOB Georgetown	SQ - $ Avg unit value per m³		
	Std	Fair	Small
Greenheart	140-180↑	130	120↓
Purpleheart	180	170↑	160↑
Mora	130	120	110

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

Guyana Sawnwood Prices

Sawnwood, FOB Georgetown		$ Avg unit val. per m³	
EU and US markets		Undressed	Dressed
Greenheart	Prime	-	-
	Select/Standard	454-647↑	450-721↓
Purpleheart	Prime	-	-
	Select/Standard	-	572-1,100↑
Mora	Select	-	-

Guyana Plywood Prices

Plywood, FOB Georgetown Port			$ Avg unit val. per m³
Baromalli	BB/CC	5.5mm	-
		12mm	437-455
	Utility	5.5mm	-
		12mm	434↓

Report from Japan

Seven and i Holdings contributes JPY 100 million to ITTO

Japan Corporate News Network reported on Seven and i Holdings Co.’s recent contribution to the ITTO, which will help support initiatives to protect the world’s rainforests and curb illegal logging. The Japanese retail company will contribute about 100 million yen (about USD1 million) to protect nearly 8,000 hectares of forests in Asia, Africa and Latin America. While the initiative directly supports alternatives to slash and burn agriculture in rainforests, it will also enable the company to cut carbon dioxide emissions by about 1.2 million tons, or half the company’s annual carbon dioxide emissions.

First quarter results show log and lumber imports declining in Japan

The *Japan Lumber Reports* (*JLR*) reported on log and lumber imports for the first quarter of 2008, noting that log import volumes from Russia, North America and South Asian countries all declined. Russia had the most notable drop of 66% from the same period in 2007, which resulted from the spike in log export tariffs imposed by the Russian government. Chinese products were also struggling due to the strong appreciation of the yuan. The chart below shows the main items and sources of logs, lumber and plywood and their respective changes from the 2007-2008 period.

Table 1: Japan’s First Quarter Wood Products Imports in 2008 (000 m³)

Item	Source	Volume	08/07 Comparison (%)
Logs	Southsea	195.9	67.7
	Africa	753	26.7
	N. America	530.8	69.1
	Russia	470.4	34.1
	NZ	197.5	88.2
	Europe	5.2	247.8
Lumber	Southsea	83.5	68.0
	N. America	668.5	101.4
	Russia	138.2	45.9
	NZ	32.5	104.4
	Chile	99.9	91.0
	Europe	352.4	44.2
Plywood		807.0	70.9
Structural Laminated Lumber		71.8	37.7

Source: Japan Lumber Reports

Demand for South Sea logs still weak in Japan

Log production in the South Sea region has recovered, said *JLR*. Nevertheless, it was noted that priority for log sales would be given to domestic suppliers in South Sea producer countries before filling contracts for export. Demand for plywood continues to be weak in Japan although prices are generally firm.

Despite the boost in supply, the *Japan Lumber Journal* reported that there was still a 'weakness in demand from end-users' in Japan for South Sea logs. Prices for Sarawak logs, PNG and Solomon logs remained unchanged for the third consecutive month. Lumber manufacturers also saw a decline in South Sea log quality, due to the growing production of small diameter logs that result in difficulties for product sizing. Transport of logs via sea freight is still a problem, as only three to four ships are operating from Sabah.

Plywood imports and housing starts rise in April 2008

Japan Lumber Reports provided data that showed rises in both plywood imports and housing starts in April 2008. The volume of plywood imports in April 2008 (Figure 1) rose 14.8% since March 2008, although it showed a year-on-year decrease of 16%. For housing starts (Figure 2), figures for April 2008 showed a 16.6% rise from March 2008 levels, but an 8.7% drop from April 2007 levels.

The *Japan Lumber Journal* also noted that housing starts for June are expected to be 'relatively low' since it is the rainy season in Japan. Domestic plywood manufacturers continue long-term production curtailment and the total plywood import supply from the January to April 2008 period was about 26% lower than during the same period in 2007. In early June, manufacturers were increasingly using materials manufactured from domestic logs and searching for possible substitutes for South Sea logs such as Douglas fir and radiata pine logs.

Figure 1: Japan Plywood Imports 2005-2008 (000 m³)

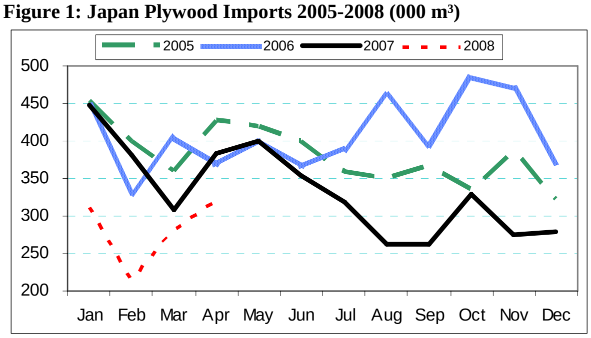
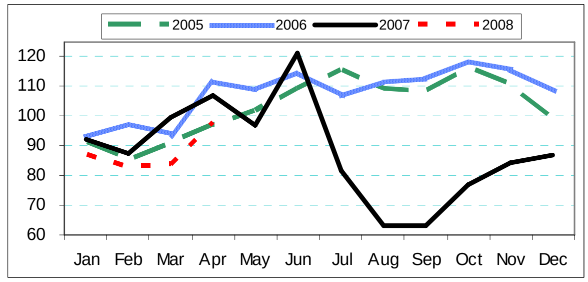


Figure 2: Japanese housing starts, 2005-2008



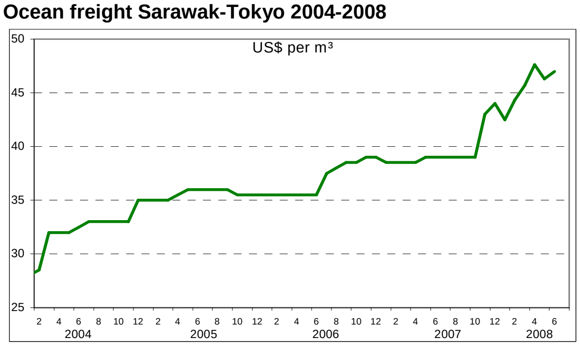
Log and Sawnwood Prices in Japan

Logs for Ply Manufacture, CIF	Yen per Koku
Meranti (Hill, Sarawak)	(Koku=0.278 m³)
Medium Mixed	8,000
Standard Mixed	8,100
Small Log (SM60%, SSM40%)	7,000
Taun, Calophyllum, others (PNG)	7,200
Mixed light hardwood, G3/4 grade (PNG)	-
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)	May (¥ per sheet)	June
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	943 ⬇	943
12mm for foundation (F 4star, special)	910 X 1820	1010 ⬇	1010
12mm concrete-form ply (JAS)	900 X 1800	930 ⬇	930
12m coated concrete-form ply (JAS)	900 X 1800	1090 ⬇	1090
11.5mm flooring board	945 X 1840	1270 ⬇	1270
3.6mm baseboard for overlays (OVL)	1230 X 2440	850 ⬇	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

Initial benefits of tax policy observed

The Ministry of Finance and the State Taxation Administration jointly issued *The Notice on Collection and Refund of Value-added Tax on Products Made of Timber Residues and Inferior Fuelwood* in 2006. Under the notice, taxpayers who produce timber products from three kinds of residues and inferior fuelwood could benefit from a value-added tax preferential policy as of 1 January 2006 to 31 December 2008. The policy will expire at the end of 2008.

A recent investigative report from the China Forest Products Industry Association indicated that China's wood-based panel, furniture, flooring and related machine and electric manufacturing industries have developed steadily since the implementation of the value-added tax preferential policy. Wood-based panel enterprises have benefited from this policy and upstream and downstream enterprises have grown strongly. According to statistics, the use of wood-based panels made of timber residues and inferior fuelwood annually can reduce logging by 45 million units of forests. More than 6,000 enterprises in the wood-based panel industry have asked for continued eligibility to participate in the value-added tax preferential policy.

Timber residues include logging residues such as branches, tips, barks, leaves, roots, canes and shrubs, bucking ends and residues during timber processing such as slab, wood and bamboo ends, sawndust, defect veneer, wood core, shavings and wood blocks. Inferior fuelwood includes secondary processed logs (whose quality is lower than the lowest grade of softwood and hardwood logs but has the value to be processed), small diameter timber such as small log strips, pine pole, wood pole and short logs (lengths less than 2 meters or diameter less than 8 cm).

IFC and Morgan Stanley invests in flooring manufacturing

The World Bank Group's International Finance Corporation (IFC) and Morgan Stanley have jointly invested USD100 million in Nature, one of the largest flooring manufacturers in China, to help the company develop sustainable wood sourcing and promote sustainable development of the flooring industry. IFC is providing Nature with long-term financing and offering strategic views to help China's wood companies grow in a sustainable way.

The USD20 million in equity investment and USD30 million of long-term loans will help Nature implement its growth strategy over the next three years. The financing will enable the company to develop plantation forests in the Jiangxi Province and establish a steady supply of certified wood. These strategic moves will help position the company as a leading player in the sector and bring economic benefits to local communities.

Nature plans to increase the amount of certified wood it uses and has committed to sourcing targets that will help eliminate unknown sources of wood from its operations by the end of 2009. Its target is to use 100% verified supply of legal wood by the end of 2011.The China Forest Trade Network, the national body of the World Wildlife Fund's Global Forest and Trade Network, will regularly assess the company's progress on these targets.

Log imports through Manzhouli Port fall 32%

Log imports through Manzhouli Port fell 32% during January to May 2008, mainly as a result of the rise in Russia's export tariff on logs. Russia hiked its log export tariffs from 6.5% to 20% in July 2007 for the first time and to 25% on 1 April 2008.

The major log species imported into Manzhouli Port are Korean pine and Scots pine, which together account for 80% of log imports through the port. Larch log imports make up the remaining 20%. Import enterprises in the Inner Mongolia Autonomous Region were the primary source of logs with log imports from Russia during January to May amounting to 3.63 million m^3, making up 96% of log imports through Manzhouli Port. The rest (4%) were imported by enterprises in Heilongjiang and Shandong Provinces.

Value of sawnwood imports jump 58% through Suifenhe Port

During January to May 2008, sawnwood imports through Suifenhe Port rose dramatically and reached valued at USD693.47 million, a year-on-year increase of 59% and 58% respectively. The rise was seen mainly because Russia cancelled export tariffs on sawnwood. As of 14 June 2007, the Russian government declared zero export tariffs on birch and poplar sawnwood with a thickness more than 6 millimeters. The Russian government also declared zero export tariff on softwood sawnwood.

Guangzhou City Imported Timber Market

Logs	Yuan per m^3
Radiata 6m, 30cm diam.	1300
Lauan	1900-2400
Kapur	1900-2450⬇
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"	14700-15100⬇
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)	9200-9500⬇
KD (2",grade A)	7500-9000⬇

Shandong De Zhou Timber market

Logs		Yuan per m^3
Larch	6m, 24-28cm diam.	1300↓
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	1450↓
	4m,10cm thick	1450↓

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 buying for lumber very subdued

European forward buying of African hardwood sawn lumber, particularly the major commercial redwoods such as sapele and sipo, remains very subdued and has been slowing further now with the onset of the summer holiday season. There are reports that some buyers are using even minor shipment delays as an excuse for canceling orders. The market for some whitewood species such as ayous and koto is a little better, while the European ban on the import of Myanmar teak imposed in March 2008 has generated some new interest in iroko for the boat building industry.

Overall FOB price levels are stable for most species, although there are some reports of weakness in prices for sipo and also for framire due to slow demand in the UK and Ireland, the principal markets. Given current sluggish buying, there are few reports of problems in forward supply. The only issues mentioned being lack of supply of good quality wawa sawn lumber from Ghana and of dimension products in certain species such as makore, which is now in demand in parts of Eastern Europe.

While FOB prices are stable, prices for onward sales to European distributors and manufacturers of species which are heavily stocked on the European continent, notably sapele, remain under pressure.

European importers in no rush to buy Asian lumber despite rise in CIF prices

According to the German trade journal *EUWID*, South East Asian shippers have been pushing up CIF prices on offer in European markets for a wide range of products over recent months. These trends reflect relatively low availability in the Far East, rising freight rates and fuel costs, as well as reasonable demand from other export markets. Price rises are being resisted by many European importers as they are concerned about the difficulties of passing on the price increases to customers in the current uncertain market environment.

Prices for standard bangkirai decking products from Indonesia are now at around USD1250 per m^3 CIF North Sea port, up around USD100 compared to two months ago. There has been limited purchasing at the higher price levels as some importers have moved to fill gaps that have opened up in stock during the spring and early summer season. However, *EUWID* suggests that overall stock levels of bangkirai decking products in the European market are quite high compared to current levels of demand with significant surpluses of older stock still hanging around warehouses.

Indonesian shippers are also trying to push up prices for meranti laminated scantlings with minimum raw density of 450 kg m^3 on offer to European importers. These now range from RM$6.50 to RM$7 compared to a range of RM$6.20 to RM$6.50 two months ago. Malaysian shippers have also been pushing up prices for meranti sawn lumber. Delivery times for these products are extending. However, as with decking products, underlying consumption in the EU has been slow, so importers are in no rush to enter the forward market.

Myanmar teak alternative

The UK *TTJ* journal reports that the recent European ban on Myanmar teak imports is providing opportunities for some new entrants into the EU market. UK Timber Importer C. Leary and Co. is to exclusively market Equatorial Teak from Sudan as an alternative. The African product is produced by the Equatorial Teak Company and is aimed at the marine decking industry. According to Simon Kloos, Managing Director of C. Leary, boat builders in the EU 'are experiencing an unprecedented level of uncertainty cause by EU sanctions banning the direct import of Burma teak'. Responding to rising concern about environmental issues, the Sudan teak will be certified with Verified Progress certification leading to FSC certification.

Germany's tropical wood imports plummet

An indication of the scale in the downturn in Germany's tropical hardwood market this year is provided by the first quarter 2008 trade data just published by GD Holz, the German timber trade association (see below). Imports of tropical logs fell by a massive 57% during the first quarter of 2008 compared to the same period last year. Declining log imports were recorded from all the major tropical hardwood supply countries. Imports of tropical hardwood sawn lumber fared a little better, but still fell by over 20%.

Table 1: German imports of tropical logs from January to March, 2007-2008 (m³)

	Jan-Mar 2007 m³	Jan-Mar 2008 m³	Change 2008-07 %
Tropical logs			
Total	**42308**	**18341**	**-57**
Gabon	15596	9312	-40
Cameroon	12468	4181	-66
Equatoral Guinea	5546	1159	-79
Myanmar	1807	876	-52
Congo, Rep.	2818	566	-80
Tropical sawn lumber			
Total	**43276**	**34285**	**-21**
Malaysia	8996	7792	-13
Cameroon	5757	6669	16
Ghana	6758	6245	-8
Indonesia	5898	3989	-32
Ivory Coast	2688	3234	20
Brazil	2035	1246	-39
Netherlands	2646	335	-87
Gabon	1375	328	-76
Singapore	1564	525	-66
Tropical planed, sanded and finger-jointed sawn			
Total	**21175**	**7589**	**-64**
Indonesia	11304	4036	-64
Brazil	5444	1124	-79
Ghana	1217	625	-49
Malaysia	1045	453	-57
Veneer from tropical countries*			
Total	**9724**	**10013**	**3**
Ivory Coast	7354	7956	8
Ghana	1236	907	-27
Plywood from tropical countries*			
Total	**168289**	**55824**	**-67**
China	49398	42499	-14
Indonesia	11131	10941	-2
Brazil	96736	1225	-99
Ivory Coast	7938	508	-94
Malaysia	839	516	-38
Gabon	774	90	-88
Ghana	1287	45	-97
Glulam from tropical countries*			
Total	**13262**	**6319**	**-52**
Indonesia	7523	3604	-52
Malaysia	2352	833	-65
China	2472	681	-72

** may contain non-tropical timber, particularly from China and Brazil*
Source: GD Holz, Berlin

The biggest declines were recorded from Indonesia and Gabon. There was also a dramatic decrease in Germany's tropical sawn lumber imports trans-shipped through the Netherlands during the review period. However, Germany's direct imports of tropical sawn lumber from Cameroon and Côte d'Ivoire were up during the review period. Germany's imports of planed and sanded tropical sawnwood declined by a massive 64% during the review period, with a huge drop in imports from Indonesia and Brazil. Germany's imports of plywood from tropical countries declined by 67% with imports from Brazil falling to near zero. The decline in plywood imports from China and Indonesia was much more modest. Glulam imports also fell by over 50% during the review period.

European Community provide more details of illegal logging legislative proposal

Speaking at the Chatham House Illegal Logging Update meeting in early June, John Bazill of the European Commission (Directorate General Environment) provided an overview of the current state of EU deliberations on possible legislation designed to prevent imports of illegal wood. Bazill noted that three legislative options had been considered by the EC through a process of public consultation and a formal impact assessment. These options included: a requirement for border controls requiring mandatory legality licensing of all wood imports; an obligation placed on EU importers to prove that wood is legal when challenged; and a law modeled on the US Lacey Act that would allow prosecution of EU importers if it can be shown that wood derives from illegal sources.

Bazill noted that 'all discussed options have serious drawbacks'. Key objections to the options of universal legality licensing and an obligation on wood importers to prove that wood is legal are the massive amount of red tape that would be required and a belief that such a law would be disproportionate to the scale of the problem. Objections to a Lacey-style Act in the EU included the difficulty of establishing a chain of evidence to bring any prosecutions and the unwillingness of EU courts to take decisions based on the laws of a foreign country.

As a result, the EC is now considering another option of directly imposing a requirement for due diligence on wood trading companies in the EU. The details of the proposed legislation are still being worked out but Bazill provided a broad outline. The aim would not be for the regulatory authorities to capture or monitor individual shipments to ensure they are legal, but to ensure that EU trading companies have effective management systems to reduce the risk of trade in illegal wood. The legislation would build on existing private sector initiatives (although not mentioned directly, obvious examples are initiatives like the WWF Global Forest and Trade Network, Tropical Forest Trust, and national trade association procurement policies like the Timber Trade Federation Responsible Purchasing Policy). The product scope of the proposed legislation is expected to be wider than the Forest Law Enforcement Governance and Trade Voluntary Partnership Agreement (FLEGT VPA) process (which only covers logs, sawn, plywood and veneers) extending to further processed products. There would be scope for companies to use risk assessment as part of the due diligence process. There would be formal recognition for FLEGT VPA licenses in the legislation. For product for which these are available, EU companies would need to take no further action to demonstrate due diligence.

Bazill emphasized that 'no final decision has been taken' on this legislation. The EC Communication on additional legislative options, originally scheduled for April 2008, has been delayed and is now not expected until mid-July 2008. Bazill also emphasized that the Communication itself will only amount to an EC proposal which must then be considered by both the European Parliament and the European Council. During this lengthy process, there are likely to be major amendments to the proposal, or it might even be rejected outright. On the other hand, Bazill suggested that the process of formal public consultation on this issue was now ended and that all EC Directorate Generals are in broad agreement on the approach to be adopted. Bazill also emphasized that the principle of 'comitology' is likely to apply in this instance, whereby the primary legislation that is eventually passed would set out a broad administrative framework, while the details of implementation would be worked out through further negotiation at national level and based on practical experience on the ground.

The Netherlands Sawnwood Prices

FOB (Rotterdam)	USD per m^3
Sapele KD	1167⬇
Iroko KD	1189⬇
Sipo KD	1328⬇
DRM Bukit KD	1186
DRM Seraya KD	1186
DRM Meranti KD Seraya MTCC cert.	1201
Merbau KD	1229
Sapupira (non FSC) KD	904
Sapupira (FSC) KD	1412
Anti-slip decking AD C&F Rotterdam	
Selangan batu	1254⬇

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
Framire FAS 25mm	460-470
Sipo FAS 25mm	630-640
Sapele FAS 25mm	605-625⬆
Iroko FAS 25mm	625-645⬆
Wawa No.1 C&S 25mm	255-265⬆
CIF plus Commission	
Tulipwood FAS 25mm	230-240
Meranti Tembaga Sel/Btr (KD 2"boards)	490-500
Balau/Bangkirai Decking	610-630⬆
White Oak	500-520

UK Plywood and MDF Prices

Plywood Panels 8x4", CIF	US$ per m^3
Brazilian WBP BB/CC 6mm	-
Malaysian WBP BB/B 6mm	545-555
China (hardwood face, eucalyptus core) 18mm	430-440
China (hard face, poplar core) 18mm	400-420

Internet News

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

The Brumby Government's new timber strategy must guarantee access to a secure volume of wood through long-term legislation, according to Victoria's forestry industry. The benchmark is still the Government's sustainable yield of 576,000 m³ of sawlogs per year, set out in its Our Forest Our Future policy, says the Victorian Association of Forest Industries.
http://business.theage.com.au/timber-industry-calls-for-sustainable-access-20080622-2v11.html

A coalition of 99 companies is asking political leaders to set targets for cutting greenhouse gas emissions and to establish a global carbon market. Their blueprint for tackling climate change is being handed to Japanese Prime Minister Yasuo Fukuda ahead of July's G8 summit in Japan.
http://news.bbc.co.uk/2/hi/science/nature/7464517.stm

A high-level United Nations official on biodiversity called on the Filipino youth to ride 'the green wave' and take part in global efforts to protect all life on earth as the world counts down to 2010, the International Year of Biodiversity.
http://newsinfo.inquirer.net/inquirerheadlines/nation/view/20080621-143928/UN-urges-RP-youth-Plant-a-tree-every-year

Katsina State, Nigeria, has had a long history of forest reserves since 1916. Within a decade, a number of reserves were established in many areas, with varying sizes. The reserves were meant to protect the endangered tree species, provide pasture, improve the climate, beautify the environment to provide avenue for recreation and tourism and control hunting or serve as fuel plantation.
http://allafrica.com/stories/200806180374.html

President Luiz Inacio Lula da Silva decreed a new 3.8 million acre (1.5 million hectare) Indian reservation in the heart of the Amazon rain forest's logging frontier. The Bau reservation in Para state had been sought by the Kayapo Indians in their ancestral territory since 1994. But resistance from settlers and loggers slowed its official creation.
http://www.globalexchange.org/countries/brazil/5749.html

A team of scientists may have solved the riddle of why plants that work with bacteria to convert atmospheric nitrogen gas into an essential biological nutrient (ammonia) tend to prevail in the world's tropical regions rather than higher latitudes.
http://www.csiro.au/news/NitrogenFix.html

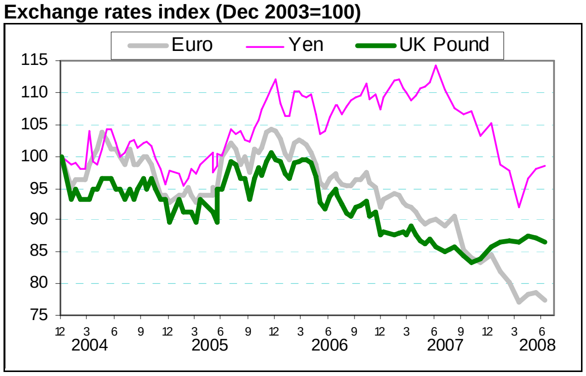
The Working Group on Development and Environment in the Americas, founded in 2004, brings together economic researchers from several countries in the Americas who have carried out empirical studies of the social and environmental impacts of economic liberalization. The Working Group's second policy report provides a comprehensive review of the impacts of foreign investment liberalization in Latin America. The report shows that foreign investment has fallen far short of stimulating broad-based economic growth and environmental protection in the region.
http://ase.tufts.edu/gdae/WorkingGroup_FDI.htm

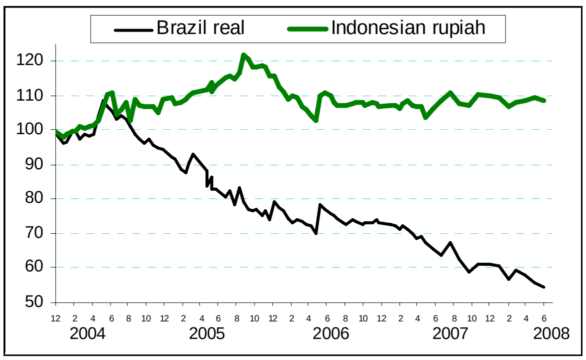
Main US Dollar Exchange Rates

As of 13 June 2008

Brazil	Real	1.6026	⬇
CFA countries	CFA Franc	416.664	⬇
China	Yuan	6.8544	⬇
EU	Euro	0.6352	⬇
Indonesia	Rupiah	9,217.00	⬇
Japan	Yen	106.18	⬇
Malaysia	Ringgit	3.268	⬇
Peru	New Sol	2.9612	⬆
UK	Pound	0.5020	⬇

Exchange rates index (Dec 2003=100)

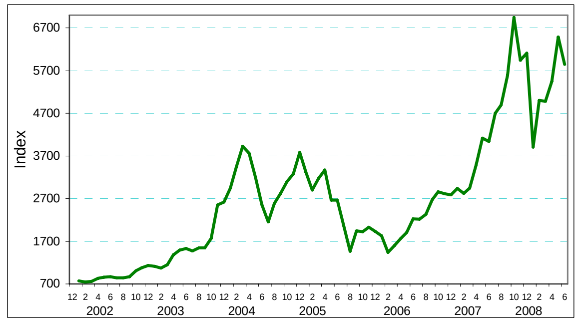




Abbreviations and Equivalences

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

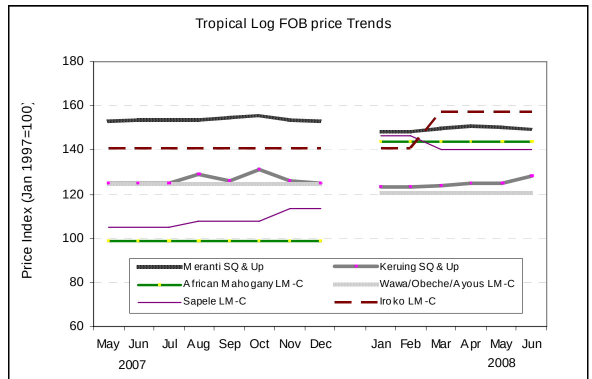
Ocean Freight Index

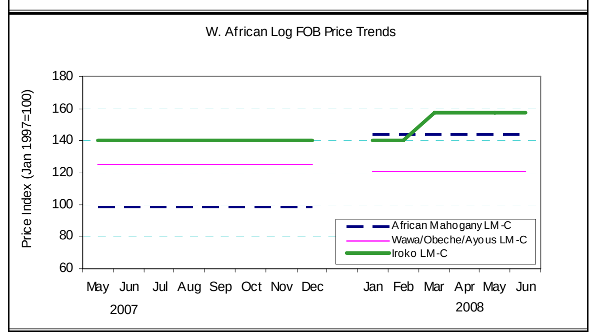


The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes. It is based on a 52,454 mt bulk carrier carrying commodities such as timber.

Appendix. Tropical Timber Price Trends

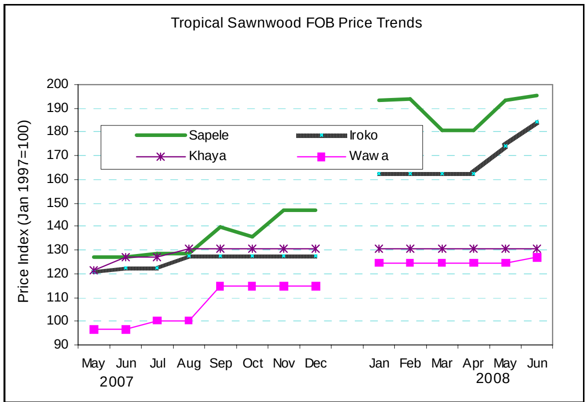
Tropical Log Price Trends

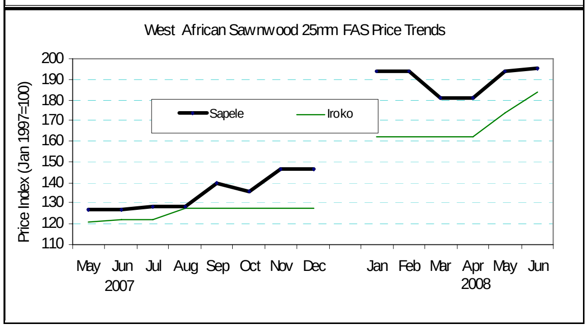




More price trends in Appendix 4, ITTO's Annual Review http://www.itto.or.jp/live/PageDisplayHandler?pageId=199

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