# Tropical Timber Market Report since 1990

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## Snapshot

Tropical timber markets were quiet due to ongoing global economic uncertainties. While some positive results were reported, including Ghana's 7% increase in export contracts during the second quarter and Guyana's rise in plywood exports in the third quarter, the majority of countries were facing difficulties in the timber market. Market expectations for the timber market in West Africa, Malaysia, Indonesia, Brazil, Japan and Europe were low, with most expecting slower growth in the fourth quarter and into 2009. Due to uncertainty in the markets, Myanmar also froze prices on timber until 31 March 2009.

Some countries shifted their attention to new initiatives to increase forest investment in the face of the financial crisis. Peru entered into a USD25 million debt-for-nature agreement with the US. Brazil sought to attract USD21 billion for the Amazon Fund by 2021.

ITTO also held its 44th session of the International Tropical Timber Council in Yokohama, Japan. Donors pledged nearly USD8.6 million at the session, with USD3.5 million in Norwegian funds dedicated to new activities to reduce emissions from deforestation and degradation. The ITTO Trade Advisory Group (TAG) also urged members to promote the use of tropical timber, despite the current global economic slowdown. Other ITTO initiatives will be conducted in the beginning of 2009 and the Organization is seeking proposals for a number of activities, including those on environmental services and timber tracking.

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## Headlines

## Report from Central/West Africa

**Prices unchanged due to slow trading**

There are no price changes to report during the first two weeks of November. Trade has been very slow but basically was in balance because production and stock levels have been kept very low. The rainy season in Gabon and Cameroon has been hampering logging and as a consequence sawmill production was limited. China has continued to buy, and while India has been less active, trade was still being conducted. Prices for the favored species have not moved, and Vietnam has proved to be a more active buyer over the past few months for the lower rated species. A few sales have been made to North Africa but prices have been very high. Experts suggest that some buyers may have been able to negotiate a slightly lower price, while at the same time some producers may be able to apply a price premium for higher quality or special size specifications. These price differences were unlikely to be more than a very few dollars up or down and were not affecting the general stability of prices as producers have stopped cutting any species for which there is no interest from buyers.

In general, European importers have been reducing stocks to a bare minimum. In the UK, companies in secondary and tertiary processing such as windows and doors have experienced marked slowdown in demand, and some small and medium-sized businesses have been forced to close or have reduced staff and production. One larger company (Palgrave Brown) has gone into administration and forecasts for 2009 for European housing and construction business are not positive for West African exporters.

**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) (China only) | 132 | - | - |
| Moabi | 259 | 259 | 206 |
| Movingui | 191 | 191 | 137 |
| Niove | 129 | 129 | - |
| Okan | 162 | 162 | 135 |
| Padouk | 259 | 259 | 229 |
| Sapele | 251 | 251 | 191 |
| Sipo/Utile | 305 | 305 | 228 |
| Tali | 152 | 152 | 114 |

**West Africa Sawnwood Prices**

| West Africa sawnwood, FOB | | € per m$^3$ |
|---|---|---|
| Ayous | FAS GMS | 335 |
| | Fixed sizes | 396 |
| Okoumé | FAS GMS | 300 |
| | Sel. & Bet. GMS Italy | 250 |
| | Sel. & Bet. fixed sizes | - |
| Sipo | FAS GMS | 585 |
| | FAS fixed sizes | - |
| | FAS scantlings | 585 |
| Padouk | FAS GMS | 585 |
| | FAS scantlings | 585 |
| | Strips | 425 |
| Sapele | FAS Spanish sizes | 520 |
| | FAS scantlings | 520 |
| Iroko | FAS GMS | 458 |
| | Scantlings | 519 |
| | Strips | 304 |
| Khaya | FAS GMS | 396 |
| | FAS fixed | 427 |
| Moabi | FAS GMS | 580 |
| | Scantlings | 580 |
| Movingui | FAS GMS | 420 |

## Report from Ghana

**TIDD export permits rise 7% in second quarter**

The Timber Industry Development Division (TIDD) of the Forestry Commission (FC) of Ghana vetted, processed and issued 2,319 permits to exporters during the second quarter of 2008 to ship various timber and wood products through the Takoradi and Tema ports. This figure, which includes overland exports to neighboring countries, showed a 7% rise when compared to first quarter 2008 figures. A total of 1,022 export permits were issued for kiln-dried and air-dried lumber registered the highest number of export applications during the period. This represented 44% of the total export permits issued. This was followed by plywood (16.6%), mouldings (10.6%) and sliced veneer (9.2%), with eleven other products registering the remaining 19.5%.

Three hundred and thirty-two (332) export permits were granted to 21 companies to export lumber, plywood and blockboard by road to Burkina Faso, Nigeria, Niger, Senegal, Benin and Togo. Exporting companies receiving permits included Ghana Primewood Products Ltd (GAP), John Bitar & Company Ltd (JCM), Naja David Veneer & Plywood Company Ltd (NDVP) and Samartex Timber & Plywood Company Ltd (SAX). The total volume and value of permits issued for overland exports during the second quarter of 2008 were 34,218 m³ and EUR8.5 million respectively, showing increases of 19.4% and 7.4% when compared to the previous quarter.

Edinam and wawa were the most exported air-dried levied species in lumber form. Edinam represented 50.9% of the total volume and value of exports during the second quarter. Wawa represented 40.7% by volume and 24.8% by value in the same period. During the period under review, six export permits were issued in Takoradi to Best Glow Wood Ltd. for the shipment of rubberwood lumber to Malaysia. This involved a volume of 714 m³ at a total value of EUR58,638. One export permit was also issued in Tema to the Kugyampy Company Ltd. for the shipment of powdered mahogany barks to China ostensibly for medicinal purposes. This shipment was five tons valued at EUR2,380.

### Ghana Log Prices

| Ghana logs, domestic | US$ per m$^3$ | |
|---|---|---|
| | Up to 80cm | 80cm+ |
| Wawa | 100-115 | 120-145 |
| Odum Grade A | 160-170 | 175-185 |
| Ceiba | 90-100 | 105-120 |
| Chenchen | 60-90 | 95-112 |
| 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 | 490 | 560 |
| Ceiba | 200 | 255 |
| Dahoma | 330 | 390 |
| Edinam (mixed redwood) | 400 | 470 |
| Emeri | 425 | 485 |
| African mahogany (Ivorensis) | 585 | 670 |
| Makore | 510 | 600 |
| Niangon | 550 | - |
| Odum | 660 | 750 |
| Sapele | 540 | 600 |
| Wawa 1C & Select | 260 | 285 |

| Ghana sawnwood, domestic | | US$ per m$^3$ |
|---|---|---|
| Wawa | 25x300x4.2m | 255 |
| Emeri | 25x300x4.2m | 350 |
| Ceiba | 25x300x4.2m | 204 |
| Dahoma | 50x150x4.2m | 318 |
| Redwood | 50x75x4.2m | 274 |
| Ofram | 25x225x4.2m | 330 |

### Ghana Veneer Prices

| Rotary Veneer, FOB | € per m$^3$ | |
|---|---|---|
| | CORE (1-1.9mm) | FACE (<2mm) |
| Bombax | 315 | 350 |
| Kyere, Ofram, Ogea & Otie | 325 | 360 |
| Chenchen | 315 | 360 |
| Ceiba | 360 | 305 |
| Mahogany | 415 | 450 |

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 | 1.00 |
| Avodire | 1.12 | 0.80 |
| Chenchen | 0.97 | 0.55 |
| Mahogany | 1.40 | 0.79 |
| Makore | 1.70 | 0.90 |
| Odum | 1.66 | 1.00 |

### Ghana Plywood Prices

| Plywood, FOB | € per m$^3$ | | | |
|---|---|---|---|---|
| B/BB, Thickness | Redwoods | | Light Woods | |
| | WBP | MR | WBP | MR |
| 4mm | 560 | 475 | 500 | 380 |
| 6mm | 340 | 325 | 335 | 285 |
| 9mm | 380 | 300 | 290 | 270 |
| 12mm | 300 | 300 | 280 | 250 |
| 15mm | 310 | 280 | 300 | 270 |
| 18mm | 300 | 280 | 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 | 7.80 | 10.18 | 11.00 |
| Hyedua | 13.67 | 13.93 | 17.82 |
| Afrormosia | 13.72 | 18.22 | 17.82 |

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

## Report from Malaysia

**Malaysia expects timber exports to slow in 2008**

Malaysia's Deputy Plantation Industries and Commodities Minister, Senator A. Kohilan Pillay, recently indicated that Malaysia may see declines of timber and timber products in 2008 due to the global economic slowdown. *Bernama* reported on the minister's statement, which said that the Malaysian industry's outlook would depend on demand from major importers such as Japan, Europe and the US. He recalled previous statements, which indicated that Malaysia would need to expand into Middle East markets to boost exports of timber and timber products and offset drops in exports to traditional markets. He noted that in 2007, total exports of timber and timber products amounted to RM22.65 billion. Wooden furniture accounted for 29.3% of the total value of exports while plywood earned 27.7% of total revenue. During the period January to August 2008, exports of timber and timber products amounted to RM14.9 billion, noted Kohilan. He indicated that the timber sector was 5% of Malaysia's GDP and provided over 300,000 jobs nationally. At the same time, Kohilan noted that Malaysia was considering reducing its dependence on foreign labor from about 2.16 million persons to about 1.53 million in 2015.

### Malaysia Log Prices

| Sarawak log, FOB | US$ per m$^3$ |
|---|---|
| Meranti SQ up | 280-300⬇ |
| Small | 269-281⬇ |
| Super small | 268-272⬇ |
| Keruing SQ up | 260-268⬇ |
| Small | 239-268⬇ |
| Super small | 232-236⬇ |
| Kapur SQ up | 238-256⬇ |
| Selangan Batu SQ up | 259-285⬇ |
| **Pen. Malaysia logs, domestic (SQ)** | **US$ per m$^3$** |
| DR Meranti | 351-392⬇ |
| Balau | 297-335⬇ |
| Merbau | 400-427⬇ |
| Rubberwood | 262-281 |
| Keruing | 289-303 |

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 | 428-451⬇ |
| Seraya Scantlings (75x125 KD) | 680-727⬇ |
| Sepetir Boards | 337-348 |
| Sesendok 25,50mm | 440-469⬇ |
| Kembang Semangkok | 422-442⬇ |

| Malaysian Sawnwood, domestic | | US$ per m$^3$ |
|---|---|---|
| Balau (25&50mm,100mm+) | | 350-370 |
| Merbau | | 544-568⬇ |
| Kempas 50mmx(75,100 & 125mm) | | 300-315 |
| Rubberwood | 25x75x660mm up | 291-325 |
| | 50-75mm Sq. | 319-343 |
| | >75mm Sq. | 331-362 |

**Malaysia Plywood Prices**

| Malaysia ply MR BB/CC, FOB | US$ per $m^3$ |
|---|---|
| 2.7mm | 476-503⬇ |
| 3mm | 456-481⬇ |
| 9mm & up | 419-442⬇ |

| Meranti ply BB/CC, domestic | US$ per $m^3$ |
|---|---|
| 3mm | 454-464⬇ |
| 12-18mm | 401-409 |

**Other Malaysia Panel Prices**

| Malaysia, Other Panels, FOB | | US$ per $m^3$ |
|---|---|---|
| *Particleboard* | Export 12mm & up | 248-265 |
| | Domestic 12mm & up | 240-254 |
| *MDF* | Export 15-19mm | 309-332 |
| | Domestic 12-18mm | 290-310 |

**Malaysia Added Value Product Prices**

| Malaysia, Mouldings, FOB | US$ per $m^3$ |
|---|---|
| Selagan Batu Decking | 664-682⬇ |
| Red Meranti Mouldings 11x68/92mm x 7ft up | |
| Grade A | 704-725⬇ |
| Grade B | 624-646⬇ |

**Malaysia Furniture and Parts Prices**

| Malaysia, Rubberwood, FOB | | US$ per piece |
|---|---|---|
| Semi-finished dining table | | |
| solid laminated top 2.5'x4', extension leaf | | 62-78 |
| As above, Oak Veneer | | 69-83 |
| Windsor Chair | | 61-63 |
| Colonial Chair | | 59-64 |
| Queen Anne Chair (soft seat) | without arm | 59-67 |
| | with arm | 59-68 |
| Chair Seat 27x430x500mm | | 47-52 |
| Rubberwood Tabletop | | US$ per $m^3$ |
| 22x760x1220mm sanded & edge profiled | | |
| Top Grade | | 633-643 |
| Standard | | 602-619 |

## Report from Indonesia

### Prince Charles urges government to stay committed to forest preservation

*Antara News* reported on Prince Charles' recent visit to Indonesia, where he called on the government to maintain its commitment to preserving its forests. During his tour of the Indonesian Rain Forest Ecosystem Restoration Park in Bungku village, the Prince asked accompanying Indonesian Forestry Minister MS Kaban to support PT Restorasi Ekosystem Indonesia's (REKI) initiative to develop the park. Relatedly, Jambi Governor Nurdin has already asked the Forestry Minister to issue a license for REKI's ecosystem forest restoration project. Minister Kaban has responded to the requests and said he has issued a licence for the management of Jambi's forest restoration areas of up to 101,000 hectares.

### Bank Indonesia expects lower growth in fourth quarter

Bank Indonesia (BI) Deputy Governor Hartadi A. Sarwono said that fourth quarter growth would be around 5.9%, lower than the 6.4% reported for in the third quarter, indicated *The Jakarta Post*. Saying that the global economic crisis was beginning to have an impact on the Indonesian economy, Hartadi noted that he expected overall growth in 2008 to be between 6.1 and 6.2%, one tenth lower than growth in 2007. Nevertheless, he said that the Indonesian economy would find 'a new equilibrium' in the wake of the US recession and expected the full impact of slowing exports and imports to be felt in 2009. He also indicated that when the Indonesian rupiah adjusts to the effects of the global economic slowdown, BI would be developing appropriate policy responses to have an 'orderly adjustment'.

**Indonesia Log Prices (domestic)**

| Indonesia logs, domestic prices | US$ per $m^3$ |
|---|---|
| Plywood logs | |
| Face Logs | 235-275 |
| Core logs | 196-223 |
| Sawlogs (Meranti) | 232-270 |
| Falcata logs | 196-212 |
| Rubberwood | 218-242 |
| Pine | 210-233 |
| Mahoni (plantation mahogany) | 576-620⬇ |

**Indonesia Sawnwood Prices**

| Indonesia, construction material, domestic | | US$ per $m^3$ |
|---|---|---|
| Kampar (Ex-mill) | AD 3x12-15x400cm | 244-251⬇ |
| | KD | 321-336⬇ |
| | AD 3x20x400cm | 338-351⬇ |
| | KD | 362-372⬇ |
| Keruing (Ex-mill) | AD 3x12-15x400cm | 282-291⬇ |
| | AD 2x20x400cm | 270-280⬇ |
| | AD 3x30x400cm | 275-284⬇ |

**Indonesia Plywood Prices**

| Indonesia ply MR BB/CC, FOB | US$ per $m^3$ |
|---|---|
| 2.7mm | 467-495⬇ |
| 3mm | 410-467⬇ |
| 6mm | 389-415⬇ |

| MR Plywood (Jakarta), domestic | US$ per $m^3$ |
|---|---|
| 9mm | 323-337 |
| 12mm | 300-320 |
| 15mm | 297-326 |

**Other Indonesia Panel Prices**

| Indonesia, Other Panels, FOB | | US$ per $m^3$ |
|---|---|---|
| *Particleboard* | Export 9-18mm | 242-252 |
| | Domestic 9mm | 206-223 |
| | 12-15mm | 201-213 |
| | 18mm | 199-203 |
| *MDF* | Export 12-18mm | 308-321 |
| | Domestic 12-18mm | 256-276 |

**Indonesia Added Value Product Prices**

| Indonesia, Mouldings, FOB | US$ per $m^3$ |
|---|---|
| Laminated Boards Falcata wood | 380-400 |
| Red Meranti Mouldings 11x68/92mm x 7ft up | |
| Grade A | 665-690 |
| Grade B | 597-639 |

## Report from Myanmar

### MTE announces price freeze on timber

The Myanmar Timber Enterprise (MTE) has announced that the current list price, which has been in effect since August 2008, will apply until 31 March 2009. The announcement, made on 10 November 2008, also suggests that the MTE may adjust the allowable felling and supply to ease buyers' current problems. Buyers are expecting to see some quantity adjustments in the coming tenders. Major importers, particularly India, China, Thailand and Pakistan, have been facing difficulties with supply and prices. It is expected that buyers and sellers will have to make some concessions to address the current market situation.

Reports from Myanmar indicate that the current economic crisis has been causing some uncertainty among timber dealers. India, which is a major consumer of teak, was said to have fallen behind in purchases and shipments. Indian buyers noted exchange rate problems and credit facilities as some of the factors the factors affecting their purchases and shipments. As it has been reported, the negative economic effects of the credit crunch are being felt in India as well.

The tender prices fell during the past few months. Earnings from tender sales are less than 16% of MTE's total annual exports. More than 80% of revenue for MTE has been from direct sales (with fixed prices) during the past three years.

Some analysts feel that selling higher quantities of teak to meet annual revenue targets could backfire on both buyers and sellers. Prior to the price freeze, some dealers had argued that a sharp reduction in prices could have affected buyers with heavy stock. Similar recommendations were made in the past and often proved wrong, as teak from natural forests is only a negligible fraction of the world's timber trade. As such, demand always seems to be good. Analysts were usually not able to consider all the variables involved in predicting the effect of lowering prices on demand.

November is the end of the felling season and the start of the trucking season in Myanmar. Timber has started to come down to Yangon depots in trucks and barges. As a result, analysts suggest it is not practical to reduce supply at this point in time, in order to recoup expenses.

**Myanmar Log Prices (natural forests)**

| Teak Logs, FOB | € Avg per Hoppus Ton (traded volume) | |
|---|---|---|
| *Veneer Quality* | Sep | Oct |
| 2nd Quality | 5,458 (6 tons) | 5,468 (6 tons) |
| 3rd Quality | 4,587 (9 tons) | 4,442 (14 tons) |
| 4th Quality | 3,428 (44 tons) | 3,494 (41 tons) |
| *Sawing Quality* | Sep | Oct |
| Grade 1 (SG-1) | 2,574 (191 tons) | 2,456 (152 tons) |
| Grade 2 (SG-2) | 1.950 (531 tons) | 1.800 (478 tons) |
| Grade 3 (SG-3) | 1,671 (31 tons) | - |
| Grade 4 (SG-4) | 1,817 (487 tons) | 1,621 (330 tons) |
| Grade 5 (SG-5) Assorted | 1,651 (661 tons) | 1,644 (469 tons) |
| Grade 6 (SG-6) Domestic | 1,273 (365 tons) | 1,233 (331 tons) |
| Grade 7 (ER-1) | 1,108 (190 tons) | 1,069 (220 tons) |
| Grade 8 (ER-2) | - | - |

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 (export) | 431 (210 tons) |
| Gurjan (keruing-exp) | 238 (70 tons) |
| Tamalan | -- |
| Taungthayet | -- |

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

## Report from Brazil

**Amazon Fund aims to raise USD21 billion by 2021**

Despite the global economic crisis, countries and private companies continue to make donations to the Amazon Fund, noted *Portal Cultura*. The expectation is that by 2021, Brazil would raise about USD21 billion for projects to combat deforestation in the Amazon. In addition to funds already donated by Norway, Japan, South Korea and Sweden have shown interest in making donations to the Fund.

At the first meeting of an oversight committee for the Amazon Fund, guidelines and priorities for the fund were presented. Participants decided that projects meeting more than one objective of the Fund would have priority. The committee is composed of nine representatives from the federal and state governments and six members of civil society, to be appointed by the Brazilian Development Bank (BNDES). The donors of the Amazon Fund are not entitled to be members of the committee in order to ensure Brazil's sovereignty over the management and protection of the Amazon.

Projects to be supported by the Amazon Fund are expected to include the following topics: management of public forests and protected areas; environmental control, monitoring and surveillance; sustainable forest management; ecologic-economic zoning; land use and land regulation; conservation of biodiversity and sustainable biodiversity use; restoration of deforested areas; and payment for environmental services. These projects must be linked with the strategies of the Action Plan for Prevention and Control of Deforestation in the Amazon and with the goals of the Sustainable Amazon Plan.

The Brazilian Minister of the Environment welcomes payment for environmental services as an alternative means to address sustainable development. According to the Minister, there are aspects that cannot be resolved by the police or IBAMA. Therefore, alternatives to sustainable development are needed. The objective of the Amazon Fund is to finance sustainable forest-based activities in order to curb illegal activities.

**Brazilian timber industry on alert**

*Interact Comunicaçao Empresarial* reported that the lack of credit for exports, the fluctuation of the US dollar and instability of international markets has placed the Brazilian forest sector on alert. The sector represents 3.4% of the Gross Domestic Product and generates more than 8.6 million jobs. Exporters are hesitant to close deals due to a strong daily fluctuation of the Brazilian real. According to reports from Brazil, foreign buyers have demanded discounts on price to compensate the expected variation in the exchange rate.

The mechanically-processed timber products industry has faced difficulties since 2005, when rising costs caused exports to fall and competitors such as China emerged in the international market. This had a negative effect on Brazil's market, including a drop in job creation.

Parana, a traditional exporting state of pine plywood, recorded a 4.73% drop in exports in July 2008 when compared to the same period of 2007, according to the Federation of Industries of the State of Parana (FIEP). With domestic housing construction having grown in the past two years, analysts suggest that companies producing wood finishing for civil construction have and in the future will likely see significant sales in the Brazilian market. In addition, the global economic crisis is not expected to affect low-income housing construction, as it relies on special governmental credit lines.

**Brazilian furniture sector shares concerns about global economic crisis**

*Agência Sebrae de Notícias/Abimóvel* reported on the concerns of the Brazilian furniture sector about the effects of the global economic crisis. In recent weeks, prices of raw materials for furniture production have been increasing and other prices of products essential to the sector, such as paints and varnishes, have been rising or were expected to rise in the coming weeks.

The global economic slowdown is a concern for the furniture sector because of the uncertainty for Brazilian furniture producers and the impact of the crisis on the production chain, which affects 16,500 companies.

Most of the sector is composed of micro and small-sized companies. The sector generates 232,000 direct and 460,000 indirect jobs in Brazil. In recent years, furniture producers have made efforts to work with certified wood from management plans authorized by the Brazilian Institute for the Environment and Renewable Natural Resources (IBAMA) and other environmental agencies.

The forecast of the Brazilian Association of Furniture Companies (ABIMOVEL) for 2008 suggests a 10% increase in sales to the domestic market. Analysts expect an increase of 5% in exports this year. The main importer of Brazilian furniture is the US, responsible for more than half of furniture exports. In 2008, sales to the US have so far decreased around 30%.

The majority of furniture production is oriented to the domestic market, but in the past four months, sales have been slowing down. Sales in the first quarter of 2008 were favorable in the domestic market, but in the second quarter they began to drop, both for high-cost and popular furniture.

**Brazil Log Prices (domestic)**

| Brazilian logs, mill yard, domestic | US\$ per m$^3$ |
|---|---|
| Ipê | 136 |
| Jatoba | 97 |
| Guariuba | 65 |
| Mescla (white virola) | 71 |

**Brazil Sawnwood Prices**

| Sawnwood, Belem/Paranagua Ports, FOB | | US\$ per m$^3$ |
|---|---|---|
| Jatoba Green (dressed) | | 826 |
| Cambara KD | | 472 |
| Asian Market (green) | Guariuba | 266 |
| | Angelim pedra | 594 |
| | Mandioqueira | 235 |
| Pine (AD) | | 200 |

| Brazil sawnwood, domestic (Green) | | US\$ per m$^3$ |
|---|---|---|
| *Northern Mills* (ex-mill) | Ipé | 639 |
| | Jatoba | 490 |
| *Southern Mills* (ex-mill) | Eucalyptus (AD) | 185 |
| | Pine (KD) 1st grade | 244 |

**Brazil Veneer Prices**

| Veneer, FOB (Belem/Paranagua Ports) | US\$ per m$^3$ |
|---|---|
| White Virola Face 2.5mm | 297 |
| Pine Veneer (C/D) | 210 |

| Rotary cut Veneer, domestic | US\$ per m$^3$ | |
|---|---|---|
| (ex-mill Northern Mill) | Face | Core |
| White Virola | 243 | 203 |

**Brazil Plywood Prices**

| Plywood, FOB | US\$ per m$^3$ |
|---|---|
| White Virola (US Market) | |
| 5.2mm OV2 (MR) | 469 |
| 15mm BB/CC (MR) | 405 |
| White Virola (Caribbean market) | |
| 4mm BB/CC (MR) | 512 |
| 12mm BB/CC (MR) | 411 |

| Pine Plywood EU market, FOB | US\$ per m$^3$ |
|---|---|
| 9mm C/CC (WBP) | 300 |
| 15mm C/CC (WBP) | 267 |
| 18mm C/CC (WBP) | 265 |

| Plywood, domestic (ex-mill Southern mill) | | US\$ per m$^3$ |
|---|---|---|
| Grade MR (B/BB) | White Virola 4mm | 829⬇ |
| | White Virola 15mm | 606 |

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 | 539 |
| Particleboard 15mm | 341 |

**Brazil Added Value Products**

| FOB Belem/Paranagua Ports | | US\$ per m$^3$ |
|---|---|---|
| Edge Glued Pine Panel | | |
| Korean market (1st Grade) | | 640 |
| US Market | | 495 |
| Decking Boards | Cambara | 609 |
| | Ipê | 1680 |

## Report from Peru

**Peru exchanges over USD25 million in debt for forest protection**

The US Department of the Treasury has recently announced an over USD25 million debt-for-nature swap with the Government of Peru under the Tropical Forest Conservation Act. The initiative builds on previous debt-for-nature agreements with Peru and aims to dedicate the new funds to finance projects for the conservation, protection and restoration of Peru’s forests over a seven year period. The new agreement is the fourteenth such agreement under the Tropical Forest Conservation Act, which is expected to raise a total amount of USD188 million to protect tropical forests.

## Peru and Brazil dispute over Amazon logging

Various news reports have detailed recent disputes between Brazil and Peru over uprooted Indian tribes that have been forced to migrate as a result of logging in the Amazon Forest. *Reuters* noted the inter-tribal conflicts may drag both Brazil and Peru into disputes over their responsibilities in the events. Two human rights organizations working in the area, Survival International and the Indigenous Committee for the Protection of Uncontacted Tribes those in Initial Contact in Amazonia, the Chaco and Eastern Paraguay (CIPIACI), have said the Peruvian authorities have not been addressing the issue, especially in the Ucayali region. Peru has denied the claims over its responsibility in the conflicts. Nevertheless, deforestation in Peru is recognized as a problem, even though deforestation continues both in Brazil and Peru.

## National Wood Convention draws Mexican businesses

The Fourth National Wood Convention, jointly organized by ADEX and the Regional Government of Loreto and supported by the ITTO, was held at end September 2008 and drew over 300 participants from businesses, governments, traders and academic experts. Mexican businesses took a keen interest in the event, with the Mexican Import and Export Association of Forest Products (IMEXFOR) signing a Memorandum of Understanding with the Exporters' Association of Peru (ADEX) and the Regional Government of Loreto to strengthen cooperation between the two countries. The National Wood Convention also hosted 5 other side events about forest management and development and the international wood market.

### Peru Sawnwood Prices

| Peru Sawnwood, FOB Callao Port | | US$ per m³ |
|---|---|---|
| Mahogany S&B KD 16%, 1-2" random lengths (US market) | | 1823-1866 |
| Spanish Cedar KD select | | |
| North American market | | 934-965 |
| Mexican market | | 943-970 |
| Pumaquiro 25-50mm AD | Mexican market | 490-525 |

*Cheaper and small-dimension sawnwood for this market.

| Peru Sawnwood, FOB Callao Port (cont.) | US$ per m³ |
|---|---|
| Virola 1-2" thick, length 6'-8' KD | |
| Grade 1, Mexican market | 322-370 |
| Grade 2, Mexican market | 284-312 |
| Cumaru 4" thick, 6'-11' length KD | |
| Central American market | 809-836 |
| Asian market | 770-789 |
| 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 m³ |
|---|---|
| Spanish Cedar AD Select Mexican market | 934-951 |
| Virola 1-2" thick, length 6'-13' KD | |
| Grade 1, Mexican market | 320-347 |
| Grade 2, Mexican market | 285-300 |
| Grade 3, Mexican market | 161-176 |
| Marupa (simarouba) 1", 6-13 length KD | |
| Grade 1, Mexican market | 241-256 |

| Peru sawnwood, domestic | US$ per m³ |
|---|---|
| Mahogany | 1239-1266⬇ |
| Virola | 71-88⬇ |
| Spanish Cedar | 423-439⬇ |
| Marupa (simarouba) | 122-130⬇ |

### Peru Veneer Prices

| Veneer FOB | US$ per m³ |
|---|---|
| Lupuna 3/Btr 2.5mm | 220-228 |
| Lupuna 2/Btr 4.2mm | 220-250 |
| Lupuna 3/Btr 1.5mm | 245-255 |

### Peru Plywood Prices

| Peru plywood, FOB (Mexican Market) | | US$ per m³ |
|---|---|---|
| Copaiba, 2 faces sanded, B/C, 15x4x8mm | | 357-380⬇ |
| Virola, 2 faces sanded, B/C, 5.2x4x8mm | | 414-424⬇ |
| Cedar fissilis, 2 faces sanded 4x8x5.5mm | | 748-758⬇ |
| Lupuna, treated, 2 faces sanded, 5.2x4x8mm | | 362-378⬇ |
| Lupuna plywood | B/C 15x4x8mm | 350-358 |
| | B/C 9x4x8mm | 345-350 |
| | B/C 12x4x8mm | 350-360 |
| | B/C 8x4x15mm | 420-430 |
| | C/C 4x8x4mm | 380-388 |
| Lupuna plywood B/C 8x4x4mm Central Am. | | 385-395 |

| Lupuna Plywood BB/CC, domestic | US$ per m³ |
|---|---|
| (Iquitos mills) | |
| 122 x 244 x 4mm | 426 |
| 122 x 244 x 6mm | 397 |
| 122 x 244 x 8mm | 403 |
| 122 x 244 x 12mm | 398 |
| (Pucallpa mills) | |
| 122 x 244 x 4mm | 450 |
| 122 x 244 x 6mm | 439 |
| 122 x 244 x 8mm | 427 |
| 122 x 244 x 12mm | 419 |

### Other Peru Panel Prices

| Peru, Domestic Particleboard | US$ per m³ |
|---|---|
| 1.83m x 2.44m x 4mm | 277 |
| 1.83m x 2.44m x 6mm | 230 |
| 1.83m x 2.44m x 12mm | 198 |

### Peru Added Value Product Prices

| Peru, strips for parquet | | US$ per m³ |
|---|---|---|
| Cabreuva/estoraque KD12% S4S, Asian market | | 1451-1508 |
| Cumaru KD, S4S | Swedish market | 674-722 |
| | Asian market | 1046-1080 |
| Cumaru decking, AD, S4S E4S, US market | | 988-1109 |
| Pumaquiro KD # 1, C&B, Mexican market | | 492-534 |
| Quinilla KD, S4S 2x10x62cm, Asian market | | 592-628 |
| | 2x13x75cm, Asian market | 712-736 |

## Report from Bolivia

### Bolivia Sawnwood Prices

| Sawnwood 1-3"x3x5"x7-19', FOB Arica Port | | $ Avg un. val. per m³ |
|---|---|---|
| Mahogany | (US market) | 1200-1800 |
| Spanish Cedar | (US market) | 764-998 |
| Oak | (US and EU market) | 594-709 |

### Bolivia Added Value Product Prices

| Doors 13/4"x36"x96", FOB Arica Port | | Avg $ per piece |
|---|---|---|
| US market | Mara macho/Tornillo (FSC) | 100-299 |
| | Yesquero | 70-340 |
| | Ochoó | 100-300 |

| Parquet Flooring 3-5"x4-6"x5-13', FOB Arica Port | | $ Avg un. val. per m³ |
|---|---|---|
| Mani | (FSC) (US market) | 675-675 |
| Caviuna | (FSC) (US market) | 700-1000 |
| Cumaru | (FSC) (US, EU and Asia mkt) | 600-1000 |
| 3/4"x3-5"x1-7' | | |
| Jatoba | (US, EU and Mexico market) | 1050-1900 |
| Ipe | (EU and Asia market) | 900-1800 |
| Jequitaba | (EU market) | - |

## Report from Mexico

### Forest certification on the rise in Mexico

In Mexico, the Federal Government through the National Forest Agency (CONAFOR) grants economic supports to pay for certification. The ProTree 2008 program, for example, includes a specific subcategory of support for Forest Certification. The objective of certification is to ensure that forests are managed according to a series of principles for environmental conservation, social justice and economic viability, when considering standards of international recognition.

Durango has a large amount of certified forest in Mexico, under the Rainforest Alliance Mexico's SmartWood program. Enrique Vega Fernandez of Rainforest Alliance recently explained the processes of certification and chain of custody. He noted that the processes involved, from evaluation to certification, could take about three months on average (up to 6 months in extreme cases) and depends on the following: size of the operation; traveling distance to the area; complexity; and existence of serious conflicts. He explained that the certificate granted for forest management or chain of custody remains active for five years, but annual audits are conducted to determine adherence to management standards. Where remedial actions are not taken to address deficiencies in forest management, a suspension or cancellation of the certificate is possible. In Mexico, the Foundation for Forest Life A.C. (Fundación Vida para el Bosque A.C.) has carried out initiatives for forest certification programs and Rainforest Alliance Mexico, Alliance for Forests A.C. are the two associations accredited by the Forest Stewardship Council to conduct evaluations.

## Report from Guyana

### Plywood exports recover in third quarter

Export volumes of plywood in the third quarter of 2008 have recovered from the first two quarters, showing progressively greater export volumes. Plywood accounted for as much as 41% of all wood exported. As of end September 2008, plywood exports by volume were 9% greater than that of the previous quarter and 14% over the first quarter's total. The leading market for this product continues to be the US, consuming 54.4% of all plywood exported from January to September 2008. Consumption of Guyana's plywood in this market increased in the third quarter by 31.4% and 16.4% over its first and second quarter consumption, respectively.

Other improvements exports were recorded for logs, with third quarter volumes accounting for 34% of all log exports, ending September 2008. This was attributable to the much larger increase in demand for Guyana's logs from India. Log exports to India in the third quarter accounted for 53.8% of total export volume for the three quarters. Total export of logs are, however, still lower than 2007 by both value and volume.

Moreover, loans and cash advances to businesses in the forest sector have shown marked increases in January to August 2008 when compared to same period of 2007. A robust 14.8% increase in investment recorded in the sector reflects a continued interest in Guyana's timber products both locally and internationally. The increase in loans and advances by commercial banks to the sector were reported in documents from the Central Bank of Guyana.

### Chainsaw milling project addresses community forest work

In May 2008, Guyana commenced work on a project that focuses on chainsaw milling in Guyana and Ghana to address this area at the local community level. This work is being undertaken as part of a project financed by the European Union and implemented by Tropenbos International (TBI). The Ghana Forestry Commission and the Forestry Research Institute of Ghana are the local partners on the ground in Ghana and Iwokrama International Centre for Rainforest Conservation and the Forestry Training Centre Inc. (FTCI) are the implementing partners in Guyana.

The project's activities include an overview of chainsaw milling practices through research at national level, dialogue at the local, regional and international levels and capacity building for sustainable forest management at the community level. On a wider scale, the project will contribute to the: reduction of poverty and promotion of livelihoods in forest dependent communities; reduction of the illegal logging; and the conservation and sustainable management of tropical forests.

To date, there has been much progress in project activities, including the completion of draft reports on three research themes on chainsaw logging. These are: an assessment of the impacts of chainsaw milling in Guyana; the institutional policy and legal framework and drivers of chainsaw milling in Guyana; and a diagnosis of chainsaw milling in Guyana.

At this early stage, there have been several exchanges between Guyana and Ghana on the substance of the project, with a workshop hosted in Ghana in May–June 2008, to address, among other areas, techniques of implementing the landscape approach and multi-stakeholder dialogues. Another meeting recently hosted in Guyana in November 2008, which was attended by Representatives of Tropenbos International, Ghana's Forestry Commission and various participants from Guyana. It is hoped that this project will result in the creation of a higher level of understanding and stakeholder dialogue in the area of chainsaw milling in Guyana.

### GFC holds Forestry Open Day

On 27 October 2008, the Guyana Forestry Commission held an open day tour of the Forestry Training Center Inc's (FTCI) location at Manaka on the Essequibo River. The tour was designed for special invitees, including the Minister of Agriculture with responsibility for forestry, Mr. Robert Persaud, the media and other key stakeholders, to gain a first hand look at what is being done to develop sustainable forest management through Reduced Impact Logging (RIL) practices and other schemes.

Forestry Training Centre Inc. personnel gave a practical demonstration of RIL at work, while outlining some aspects of other training modules, including the operation of forestry equipment and skid trail planning.

The session was successful in the sharing of experiences with key stakeholders of the forest sector, the aspects of training offered by the Center. Many persons have taken advantage of these sessions, which has led FTCI to expand training facilities to the regional level.

**Guyana Log Prices**

| Logs, FOB Georgetown | SQ - $ Avg unit value per $m^3$ | | |
|---|---|---|---|
| | Std | Fair | Small |
| Greenheart | 140-165↓ | 140-160↓ | 135-150 |
| Purpleheart | 215-260↓ | 200-255↑ | 190-245↑ |
| Mora | 100-140↓ | 100-140↓ | - |

*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 | 551-625 | 572-615↑ |
| | Select/Standard | 475-806↑ | 550-1166↑ |
| Purpleheart | Prime | 649 | - |
| | Select/Standard | 550-615↓ | 615-657↓ |
| Mora | Select | 424-450↓ | 600-848↑ |

**Guyana Plywood Prices**

| Plywood, FOB Georgetown Port | | | $ Avg unit val. per $m^3$ |
|---|---|---|---|
| Baromalli | BB/CC | 5.5mm | - |
| | | 12mm | - |
| | Utility | 5.5mm | - |
| | | 12mm | 460↑ |

## Report from Japan

### ITTO 44th Council session attracts new funding for tropical forests

Member countries of the ITTC committed USD8.6 million during the 44th session of the Council, which was held in Yokohama, Japan, from 3-8 November 2008. About USD8.6 million was committed at the session, with USD3.5 million allocated to a new program on reducing deforestation and forest degradation in the tropics, with funds given by Norway. This brings the total amount of funding pledged for the Organization's projects, programs and activities in 2008 to USD11.7 million.

Council members also adopted a decision to establish several thematic programs for the organization on a pilot basis. These programs are on forest law enforcement, governance and trade; community forest management and enterprises; trade and market transparency; industry development and efficiency; and reducing deforestation and forest degradation and enhancing environmental services in tropical forests. Additionally, members expressed concern over delays in the ratification of the new International Tropical Timber Agreement of 2006, which was due to enter into force in 2008, although many members of the Council noted they were well advanced in the ratification process. Members agreed that the next session of the Council would be held in Yokohama, Japan in November 2009.

### ITTO Trade Advisory Group calls attention to procurement and legality issues

During the 44th session of the International Tropical Timber Council, the Trade Advisory Group (TAG) made a statement that drew attention to the need for members to assist the trade, given the difficult market conditions facing the timber industry. Barney Chan, the TAG Coordinator, said Council members should promote the use of timber to grow the market and ITTO should help members understand the concept of legality. In particular, he said ITTO should work with producers to work to harmonize legality standards, including those related to the EU Forest Law Enforcement Governance and Trade Voluntary Partnership Agreement process, the Japanese Goho-wood system and the US Lacey Act.

### Plywood imports still inactive during October

*Japan Lumber Journal* reported that prices held firm and the balance of demand did not change for plywood in October, despite recent news that a major lumber manufacturer had shut its doors. Low prices were not being accepted for imported plywood, leaving no opportunity for plywood imports to grow. Manufacturers of domestic softwood plywood were trying to recover prices, but businesses have been suspended following the trends in September. As the plywood market remained sluggish during the end of October, and traders have been less confident about the market's prospects. *JLJ* also noted that the price gap between contracted and domestic prices was expected to further widen.

### Russian log imports decline by up to 40%

Participants at the Japan Lumber Importers' Association (JLIA) meeting noted that Japan's imports of Russian logs dropped by almost 40% since the start of the year, when compared to the same period in 2007. The *JLJ* indicated that the lumber industry has been slow to respond to the fall in Russian imports, whereas the plywood industry has been quick to respond to the use of domestic lumber. At present, Russian demand for logs has not been high. Moreover, it was noted that weather conditions in Russia during June and July 2008 resulted in deteriorated log quality, causing problems for Japanese importers. Participants at the JLIA meeting said that China was purchasing logs near the Russia/China border, as China purchases a wide variety of Russian materials.

### Thailand-based company to offer teak products to Japan

Exterior products, laminated lumber and flooring using teak lumber will be sold in Japan by Kampan Lanna Ltd., said the *Japan Lumber Journal*. The company has been operating for nearly 20 years and manufacturing furniture and interior products from afforested teak lumber to nearly 58 countries. Japanese adhesives will be used in the manufactured products.

**Log and Sawnwood Prices in Japan**

| Logs for Ply Manufacture, CIF | Yen per Koku |
|---|---|
| Meranti (Hill, Sarawak) | (Koku=0.278 $m^3$) |
| Medium Mixed | 8,400 |
| Standard Mixed | 8,500 |
| Small Log (SM60%, SSM40%) | 7,400 |
| Taun, Calophyllum, others (PNG) | 7,600 |
| Mixed light hardwood, G3/4 grade (PNG) | - |
| Keruing MQ & up (Sarawak) | 12,000 |
| Kapur MQ & up (Sarawak) | 10,700 |

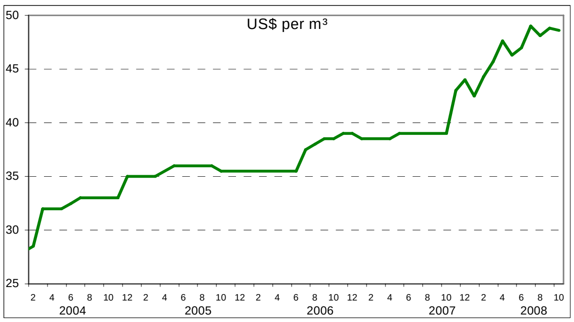
| Logs for Sawmilling, CIF | Yen per Koku |
|---|---|
| Melapi (Sarawak) High Select | 11,500 |
| Agathis (Sarawak) High Select | - |

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

**Wholesale Prices (Tokyo)**

| **Indonesian & Malaysian Plywood** | Size (mm) | Oct (¥ per sheet) | Nov |
|---|---|---|---|
| 2.4mm (thin plywood, F 4star, type 2 ) | 920 X 1830 | 400 | 400 |
| 3.7mm (med. Thickness, F 4star, type1) | 910 X 1820 | 570 | 570 |
| 5.2mm (med. Thickness, F 4star, type 1) | 910 X 1820 | 680 | 680 |
| 11.5mm for sheathing (F 4star, type 2) | 910 X 1820 | 1040 | 1040 |
| 12mm for foundation (F 4star, special) | 910 X 1820 | 1060 | 1060 |
| 12mm concrete-form ply (JAS) | 900 X 1800 | 1050 | 1030 ↓ |
| 12m coated concrete-form ply (JAS) | 900 X 1800 | 1130 | 1150 ↑ |
| 11.5mm flooring board | 945 X 1840 | 1600 ↑ | 1650 ↑ |
| 3.6mm baseboard for overlays (OVL) | 1230 X 2440 | 870 | 870 |
| **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's wood imports and exports see slower growth in 2008**

According to the latest statistics from China's Customs, foreign trade of China's major wood products continued to grow in the first three quarters of 2008. However, the growth rate fell dramatically when compared to the growth seen in 2007 due to the global economic slowdown. Statistics show that the total value of China's major wood products imports and exports during the first three quarters of 2008 rose 16% to USD49.3 billion, dropping 15.6 percentage points when compared to the same period in 2007. Of the total, the value of China's major wood products imports grew 21% to USD21.5 billion and China's major wood product exports rose 13% by value to USD27.8 billion, dropping 3.5 percentage points and 14.8 percentage points respectively. The trade surplus for wood products reached about USD6.3 billion, dropping 7.6 percentage points from the same period in 2007.

*1.1 Imports*

*Logs*

China's log imports by volume were 2.3 million m³ and valued at USD4 billion during the January to September 2008 period, down 19% by volume and 0.3% by value from the same period in 2007. Of the total, softwood log imports were 14.3 million m³ and valued at USD1.8286 billion. Hardwood log imports were 8.8 million m³ (38%) by volume and valued at USD2.2 billion (55%). For hardwood logs, tropical log imports were approximately 5.67 million m³, accounting for about 24.5% of the national total and down 13% from the same period in 2007.

China's imported logs were still mainly from Russia. By volume, they amounted to about 14.8 million m³ and were valued at USD1.99 billion, down 26% by volume and 2.8% by value from last year. Countries exporting logs to China in excess of 200,000 m³ were Papua New Guinea (1.8 million m³), New Zealand (1.2 million m³), Solomon (894,100 m³), Gabon (798,300 m³), Malaysia (683,400 m³), Myanmar (401,700 m³), Australia (345,008 m³), the US (297,100 million m³), Germany (260,400 m³), the Republic of Congo (256,400 m³) and Equatorial Guinea (238,500 million m³).

*Sawnwood*

In the first three quarters of 2008, China's sawnwood imports were 5.2 million m³ and worth USD1.5 billion, up 8% by volume and 14% by value when compared to the same period in 2007. Of the total, softwood imports were 2.5 million m³ by volume and valued at USD499.3 million. Hardwood sawnwood imports amounted to 2.72 million and were worth USD1 billion, accounting for 52% by volume and 67% by value.

China's imported sawnwood were mainly from Russia (approximately 1.4 million m³), the US (790,000 m³), making up 27% and 15% of the national total, respectively. Other countries importing sawnwood were Canada (746,000 m³), Thailand (594,000 m³), Malaysia (194,000 m³), Brazil (132,000 m³) and Chile (126,000 m³).

*Wood-based panels*

During January to September 2008, China's plywood, fiberboard and particleboard imports continued to rise dramatically. Plywood imports were 234,500 m³ and valued at USD135 million, down 1.8% in volume and 1.4% by value from the same period in 2007. China's plywood imports continued to be sourced from Indonesia (111,500 m³) and Malaysia (84,400 m³).

Imports of both fiberboard and particleboard decreased steeply. Fiberboard imports were 248,000 tons and worth USD109.2 million, down 26% by volume and 16% by value from the same period in 2007. Particleboard imports amounted to 182,000 tons and were valued at USD70.9 million, down 25% by volume and 6% by value from the same period in 2007.

*Paper pulp and waste paper*

Driven by domestic demand, imports of pulp and waste paper showed an increasing trend in the first three quarters of 2008. Pulp imports rose 7.6 million tons and were valued at USD5.5 billion, up 18% by volume and 33% by value from the same period in 2007. Waste paper imports were worth USD4.35 billion, up 45% by value from 2007 levels.

China's imported paper pulp was mainly from Brazil (nearly 1.1 million tons), Indonesia (945,600 tons), Chile (939,600 tons), Russia (900,300 tons), Canada (835,700 tons) and the US (834,900 tons). Imported waste paper was mainly from the US (7.7 million tons), Japan (nearly 2.3 million tons), the UK (about 2.1 million tons) and Hong Kong (876,900 tons).

*Wooden Furniture*
A sharp increase was seen in the value of imported wooden furniture. During the first three quarters of 2008, a total of 4.9 million pieces were imported and valued at USD382 million, a 209% rise by volume and 169% jump by value. These products ranked first in terms of growth rates of wood product imports during the period.

*Wood chips*
Wood chip imports also showed an increasing trend due to the shortage of domestic timber raw materials. Wood imports were 897,200 tons and worth USD152.8 million, a 13% jump by volume and 44% rise by value from the same period in 2007.

*1.2 Exports*
*Sawnwood*
China's sawnwood exports dropped due to the expansion of domestic demand and the adjustment in China's trade policy. In the first three quarters of 2008, China's sawnwood imports were 547,000 m³ and worth USD313.0 million, down 7% by volume and up 4% by value for the same period in 2007. China's sawnwood exports were mainly to Japan (245,200 m³). In addition, a small portion of China's sawnwood was exported to the US (67,900 m³) and South Korea (63,500 m³).

*Wood-based panels*
Affected by a fall in US imports, China's exports of plywood and fiberboard fell markedly during January to September 2008. China's plywood exports amounted to 5.9 million m³, down 13% by volume from the same period in 2007. China's fiberboard exports amounted to 1.5 million tons, a 14% decrease by volume. China's particleboard exports were USD35.4 million, up 35% by value from the same period in 2007. China's plywood was mainly exported to the US (1 million m³). The top destination countries of China's plywood exports were the UAE (502,000 m³), Japan (467,800 m³), UK (375,400 m³), Saudi Arabia (228,200 m³) and South Korea (221,800 m³).

*Wood furniture*
China's wooden furniture exports were 203 million pieces, amounting to USD9.2 billion by value, down 2% and 20%, respectively, from the same period in 2007. China's wooden furniture exports were nearly USD5.5 billion, with trade in wooden furniture using imported materials accounting for USD2.4 billion of total wooden furniture exports. The total value of trade with imported materials was USD131 million, or 1.4% of total trade.

*Paper, paperboard and paper products*
In the first three quarters of 2008, exports of paper and paperboard accounted for nearly 2.9 million tons valued at USD2.5 billion, or a 5% fall in volume and 12% increase in value. Paper products exports were 1.9 million tons. Paper, paperboard and paper products have been the major foreign exchange earners and ranked second in exports after wooden furniture.

| **Products** | **Wooden Furniture** | **Paper, Paperboard and Paper Products** | **Plywood** | **Other wooden products** |
|---|---|---|---|---|
| Export value (billion US$) | 9.2 | 5.8 | 2.7 | 2.5 |
| Growth (%) | 20 | 11 | 1.8 | -11 |

Table 1: China's major wood products by value and growth, January to August 2008

*Other wooden products*
Exports of wooden doors, window and wooden floors, as well as wooden tableware, kitchenware, craftwork and tiny wooden products were 1.3 million tons and worth USD2.5 billion by value. These figures represented a 22% fall by volume and 11% drop by value from the same period in 2007.

**Guangzhou City Imported Timber Market**

| | |
|---|---|
| *Logs* | Yuan per m³ |
| Radiata 6m, 30cm diam. | 1300 |
| Lauan | 1900-2600⬆ |
| Kapur | 1900-2450⬇ |
| Merbau 6m, 60cm diam. | 4400-5000⬇ |
| Keruing 60cm+ diam. | 1900-2350 |
| Beech 6m,30cm veneer Qual. | 3300-3600 |
| *Sawnwood* | |
| Teak sawn grade A | 8500-9500⬆ |
| US Maple 2" KD | 8800-12500⬇ |
| US Cherry 2" | 14700-15000 |
| US Walnut 2" | 17000-17300⬇ |
| SE Asian Sawn 4m+, KD | 3600-4000 |
| *Plywood*note, dimensions have changed* | Yuan per sheet |
| 4x8x5mm | 87 |
| 4x8x15mm | 219-223 |

**Shanghai Furen Wholesale Market**

| | | |
|---|---|---|
| *Sawnwood* | | Yuan per m³ |
| Beech KD Grade AB | | 2500-3200 |
| US Cherry, 25mm | | 9500-10000⬇ |
| US Red Oak, 50mm | | 9800-10500 |
| Sapele 50mm FAS (Congo) | | |
| | KD (2", FAS) | 8200-8500 |
| | KD (2",grade A) | 7500-7600 |

**Shandong De Zhou Timber market**

| | | |
|---|---|---|
| *Logs* | | Yuan per m³ |
| Larch | 6m, 24-28cm diam. | 1400 |
| White Pine | 6m, 24-28cm diam. | 1420⬇ |
| Korean Pine | 4m, 30cm diam. | 1650 |
| | 6m, 30cm diam. | 1750 |

**Hebei Shijiangzhuang Wholesale Market**

| | | |
|---|---|---|
| *Logs* | | Yuan per m³ |
| Korean Pine 4m, 38cm+ diam | | 2000⬆ |
| Mongolian Scots Pine | 4m, 30cm diam. | 1400⬆ |
| | 6m, 30cm+ diam. | 1480 |
| *Sawnwood* | | |
| Mongolian Scots Pine | 4m, 5-6cm thick | 1550 |
| | 4m,10cm thick | 1600 |

**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

### Hardwood stocks drop to low levels

The European hardwood import trade is now very focused on stock reduction and receiving delivery of outstanding contracts. While hardwood stock levels across the main European markets have whittled down during the course of 2008, the general view is that they are still adequate to meet current very subdued levels of demand.

There is very little forward purchasing across the board at present, resulting in rather vague price quotes for some products. Forward prices for most African hardwoods, which are invoiced in euros, are generally regarded as stable, although there continue to be some reports of downward pressure on sapele lumber prices due to excess stocks and weak demand. However, African hardwood agents suggest that tight margins in the African supply chain place strict limits on the ability of shippers to reduce sapele prices much further. And many importers are also now more skeptical of the value of reducing prices for onward sales since experience is showing that in the current European market even significant price discounts do not greatly increase the outflow of products.

There has been rapid strengthening of the US dollar against the euro in recent weeks. In normal trading conditions, this trend would stimulate more forward buying of dollar-denominated stock in Europe as importers take steps to cover their future position and to exploit the progressive increase in the euro value of their stock. However, due to market uncertainty and weak consumption, there is very little evidence that the recent shift in exchange rates has encouraged any pick up in European forward buying of dollar denominated stock. Instead, shippers in the Far East and South America are coming under significant pressure from European importers to reduce prices. European purchasing from both supply regions has remained extremely slow, with importers only seeking to cover their most basic requirements. Despite efforts to cut-back on production, importers report they are able to place orders for most products and grades from the Far East without encountering any major problems.

With respect to future market development, the general feeling is that there is very unlikely to be any real change for several months with very little forward buying until at least the first quarter of 2009.

### CE marking requirements expand for wood products

The phased introduction of CE Marking of products used in the construction sector throughout the European Union is having a significant impact on attitudes towards product quality. Requirements for CE marking in construction are imposed on products covered by the Construction Products Directive (CPD), one of the so-called European ‘New Approach Directives’ which set out these requirements in a range of economic sectors. The aim of CE Marking is to ensure that products that are fit for their intended use can be freely traded throughout the European Union. This applies both to products produced within the Community and to those imported from countries outside the Community.

CE Marking is designed to overcome the problems which have prevailed through the application of different technical requirements in the member states of the EU. CE Marking aims to remove these technical barriers to trade within the single market by establishing a single, agreed, standard for demonstrating the performance of particular products, and a system of certification and test bodies which are recognized as competent throughout the Community. CE Marking is, in effect, a ‘passport’ for manufacturers to market their products throughout the EU. CE marking requires that a manufacturer has documented and independently assessed conformity to an internal production control system.

CE Marking has been possible for certain products since 1997, based on European Technical Approvals (ETAs), but the real increase in the CE marking started with the introduction of harmonized European Standards (ENs) in 2001, which are intended to replace national standards. Since then, a series of harmonized standards covering a wide range of wood products have been developed. Following publication, these standards are generally introduced on a voluntary basis initially during a ‘co-existence phase’ when they are applied alongside national standards for a set period of time. At the end of this period, all national standards are withdrawn and replaced by the EN standard.

The EC Construction Products Directive requires each member state to establish systems of regulation and enforcement designed to ensure that construction products are sold for the correct end-use. Nearly all European countries have opted to include mandatory requirements for CE Marking of materials supplied to the construction sector as the new harmonized standards are progressively introduced. Others, like the UK, do not require CE marking but all materials suppliers to the construction sector are now legally obliged to ensure that all products are correctly labeled and to demonstrate that products are fit for their intended use. Even in those countries where CE Marking is not mandatory, it is increasingly seen as the most effective way to demonstrate compliance with the CPD.

The current schedule for introduction of CE standards relating to key wood products in the construction sector is shown in the table below. Particularly relevant this year to the tropical timber industry has been the introduction of mandatory requirements in most EU member states for CE Marking of solid wood paneling and cladding. Major events next year will be the introduction of mandatory requirements for CE Marking in most EU member states for CE Marking of wood flooring from 1 March 2009 and structural timber (including decking) from 1 September 2009.

| | Harmonized standard | Start of co-existence phase | End of co-existence phase |
|---|---|---|---|
| Wood-based panels | EN13986 | 1.4.2003 | 1.4.2004 |
| Structural LVL | EN14374 | 1.9.2005 | 1.9.2006 |
| Solid wood paneling and cladding | EN14915 | 1.6.2007 | 1.6.2008 |
| Wood flooring | EN14342 | 1.3.2006 | 1.3.2009 |
| Glued laminated timber | EN14080 | 1.4.2006 | 1.4.2009 |
| Prefabricated structural members | EN14250 | 1.9.2005 | 1.7.2009 |
| Structural timber | EN14081 | 1.9.2006 | 1.9.2009 |

Table 1: Schedule for introduction of CE Marking requirements for wood construction products

**The Netherlands Sawnwood Prices**

| FOB (Rotterdam) | USD per $m^3$ |
|---|---|
| Sapele KD | 905⬇ |
| Iroko KD | 962⬇ |
| Sipo KD | 1054⬇ |
| DRM Bukit KD | 1095⬇ |
| DRM Seraya KD | 1095⬇ |
| DRM Meranti KD Seraya MTCC cert. | 1123⬇ |
| Merbau KD | 1179⬇ |
| Sapupira (non FSC) KD | 883 |
| Sapupira (FSC) KD | 1398 |
| Anti-slip decking AD C&F Rotterdam | |
| Selangan batu | 1377⬆ |

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

| FOB plus commission | | € per $m^3$ |
|---|---|---|
| N'Gollon (khaya) | 70cm+ LM-C | 330-360 |
| Ayous (wawa) | 80cm+ LM-C | 220-230 |
| Sapele | 80cm+ LM-C | 330-380⬇ |
| Iroko | 80cm+ LM-C | 300-330 |

**UK Sawnwood Prices**

| FOB plus Commission | Pounds per $m^3$ |
|---|---|
| Framire FAS 25mm | 430-450⬆ |
| Sipo FAS 25mm | 660-690⬆ |
| Sapele FAS 25mm | 530-560⬆ |
| Iroko FAS 25mm | 610-630⬆ |
| Wawa No.1 C&S 25mm | 285-295⬆ |
| CIF plus Commission | |
| Tulipwood FAS 25mm | 320-340⬆ |
| Meranti Tembaga Sel/Btr (KD 2"boards) | 580-590⬆ |
| Balau/Bangkirai Decking | 850-900⬆ |
| White Oak | 610-630⬆ |

**UK Plywood and MDF Prices**

| Plywood Panels 8x4", CIF | US$ per $m^3$ |
|---|---|
| Brazilian WBP BB/CC 6mm | 560-575 |
| Malaysian WBP BB/B 6mm | 565-585 |
| China (hardwood face, eucalyptus core) 18mm | 420-430 |
| China (hard face, poplar core) 18mm | 390-410 |

## Other ITTO Announcements

**Call for proposals under the ITTO initiative on innovative timber tracking systems**

Private sector forest companies operating in ITTO producer and developing consumer member countries are invited to participate in the ITTO initiative on innovative timber tracking systems aimed principally at promoting trade in tropical timber and timber products from sustainably managed and legally harvested sources. Under this initiative, selected companies will be provided with ITTO financial assistance to develop innovative timber tracking systems using commercially available hardware and software (conventional paper-based systems are excluded) and contribute to the dissemination of information on volumes of tropical timber and timber products tracked under these innovative systems through a website to be developed for this purpose.

This ITTO initiative is being implemented under Strategic Policy Activity 13: Promote trade in tropical timber and tropical timber products from sustainably managed and legally harvested sources [PP-A/43-194] approved and funded under the ITTO Biennial Work Programme 2007-2008 and the ITTO Programme Support on Tropical Forest Law Enforcement and Trade (TFLET) by the International Tropical Timber Council (ITTC) at its Forty-third Session held in Yokohama, Japan from 5 to 10 November 2007.

Interested and eligible companies are invited to submit proposals for their participation in this ITTO initiative to the ITTO Secretariat for its consideration. Each proposal will be assessed in terms of its relevance, feasibility and practicality for implementation. Each proposal should not exceed five pages in length and should include the following: purpose and goals; methodology; intended outputs and impacts; key activities to be carried out; duration; budget by activity and source, including counter-part funding if it exceeds USD44,247; and work plan. Proposals should be sent to Mr. Amha bin Buang at the ITTO (email: eimi@itto.or.jp; fax: +81 (45) 223-1110).

**ITTO seeks proposals for civil society-private sector partnerships**

Civil society organizations and small and medium private sector forest companies operating in ITTO producer and developing consumer member countries are hereby invited to submit proposals on ITTO civil society-private sector partnerships for sustainable forest management, certification and verification of legality with a view to enhancing the capacity of these small and medium size enterprises to produce and trade legally and sustainably produced tropical timber and promoting progress towards sustainable forest management, certification and verifiable legality.

These ITTO civil society-private sector partnerships are being implemented under Strategic Policy Activity 12: Consider further work on civil society/private sector partnerships for sustainable forest management and certification [PP-A/43-193] approved and funded under the ITTO Biennial Work Programme 2007-2008 and the ITTO Programme Support on Tropical Forest Law Enforcement and Trade (TFLET) by the ITTC at its Forty-third Session held in Yokohama, Japan from 5 to 10 November 2007. ITTO funding is currently available to support two proposals and to contribute a maximum amount of USD88,495.00 for each partnership.

Interested and eligible civil society organizations and small and medium private sector forest companies are invited to submit partnership proposals to the ITTO Secretariat for its consideration. Each proposal will be prepared and submitted in accordance with the 'procedures and guidelines check list' that will also be used by the ITTO Secretariat in assessing and selecting the partnership proposal. The check list is available on ITTO's website, www.itto.or.jp. Proposals should be sent to Mr. Amha bin Buang at the ITTO (email: eimi@itto.or.jp; fax: +81 (45) 223-1110).

**Request for nominations for communities seeking to engage in environmental services activities**

The ITTO is currently inviting countries to nominate communities to be considered for the International Tropical Timber Organization's (ITTO) work programme activity on environmental services. This activity is an approved part of ITTO's Biennial Work Programme for 2008-2009 and seeks to improve community livelihoods through the development of environmental services schemes. After receiving preliminary feedback from participants at ITTO's series of regional investment forums held during 2006 and 2007, members of the International Tropical Timber Council decided that ITTO would work with communities in tropical countries to help them develop the necessary skills to create project proposals on environmental services for ITTO's consideration.

The theme of environmental services has been emerging only in recent years and includes such activities as watershed management, forest management and carbon offsetting. ITTO recognizes that many countries have not had the ability to delve further into the subject of environmental services due to human and financial resource constraints. In response to this perceived need, ITTO is currently undergoing a consultation process to seek countries' advice on potential communities that might be involved in ITTO's activity on environmental services.

ITTO producer countries have been asked to nominate five communities from each producer country to be considered for this important activity and have welcomed the nominations before 30 December 2008. The following information will need to be submitted for ITTO's consideration: the name, location and history of the local community; the reason why the community should be considered for ITTO capacity building activities and how it would benefit from environmental services schemes (including quantitative data, if possible); the current amount of tropical forests (in hectares) managed by or surrounding the local community; other environmental services schemes in or nearby the community; the community's current local legislation and land tenure arrangements; and the environmental services available in the nominated community (e.g. forests; watersheds; alternative energy generation; carbon credit potential, etc). If you would like to recommend a community for nomination or are from a community that could benefit from an ITTO environmental services project and would like to be considered by your government, please forward the above information to the ITTO member country point of contact in which the community is located as soon as possible.

If a community is successful in being short-listed for consideration, ITTO will contact the relevant producer country to provide further particulars on the selection process and potential future training associated with this ITTO activity. For further information on this activity, please contact Dr. Lauren Flejzor in the Division of Economic Information and Market Intelligence (flejzor@itto.or.jp; fax: +81 45 223 1111).

## 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.***

Certain farming methods can help sustain the biodiversity of tropical forests, a study has shown. Researchers found that an areca nut plantation in south-west India supported 90% of the bird species found in surrounding native forests.
http://news.bbc.co.uk/1/hi/sci/tech/7708506.stm

Growing concern over climate change, and the potential of the carbon credit market, could give the Amazon forest a financial value rivalling the lucrative activities that are eating it away, Brazilian officials believe. The Amazon -- the biggest zone of tropical woodland on the planet -- is already home to the Juma reserve, an area of half a million hectares that has become the first project in Brazil to achieve international certification for reducing greenhouse gas emissions by averting deforestation.
http://afp.google.com/article/ALeqM5ha7RzddJKlRQr6JyKeNwcXK97lWw

HSBC Bank Malta has become the first financial institution to join the Tropical Forest Trust (TFT). The trust works to conserve threatened tropical forests through sustainable management, and all members commit to sourcing wood only from the TFT or Forest Stewardship Council (FSC) certified forests. All paper used by HSBC Bank Malta is certified by the FSC, reinforcing the bank's tangible efforts to run an environmentally-friendly operation.
http://www.timesofmalta.com/articles/view/20081102/business/hsbc-invests-in-forest-friendly-office-paper

Instead of selling fifty hectares of rainforest to lumber companies as many of their neighbors had, the Wanang clan of Papua New Guinea had a different idea: use the plot for scientific purposes. Under the terms of a deal between the clan and scientists, the land will be used for research on climate change in a joint venture that includes Harvard's Arnold Arboretum and the Smithsonian Tropical Research Institute's Center for Tropical Forest Science.
http://www.thecrimson.com/article.aspx?ref=525175

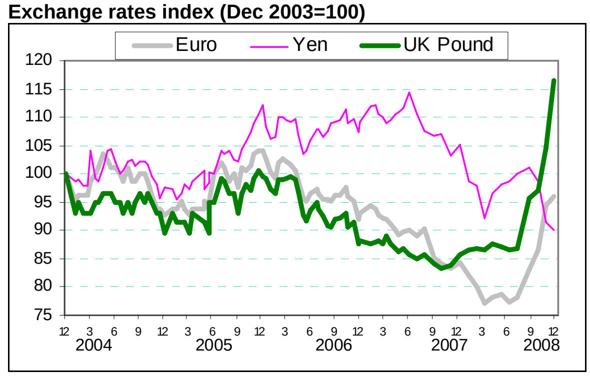
A top environmental expert in America is advising the next president of the US to put a high priority on efforts to deal with global warming. David Wheeler is a senior fellow at a leading US think tank, the Center for Global Development (CGD). He says Africa will be at the center of American attempts in the future to lessen the damage done by climate change. Wheeler maintains that the response to global warming and environmental degradation represents an "opportunity for greatness" for the new man in the Oval Office.
http://www.voanews.com/english/Africa/Top-Environmental-Economist-says-Next-US-Administration-must-Focus-on-Climate-Change-PART-3-of-5.cfm

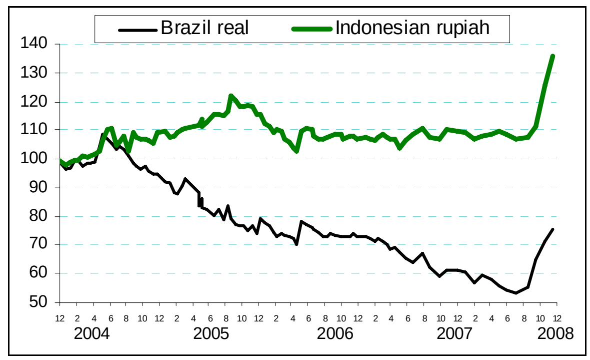
## Main US Dollar Exchange Rates

As of 15 November 2008

| | | | |
|---|---|---|---|
| Brazil | Real | 2.2237 | ⬆ |
| CFA countries | CFA Franc | 516.894 | ⬆ |
| China | Yuan | 6.8243 | ⬆ |
| EU | Euro | 0.7880 | ⬆ |
| Indonesia | Rupiah | 11,524.00 | ⬆ |
| Japan | Yen | 97.10 | ⬇ |
| Malaysia | Ringgit | 3.5958 | ⬆ |
| Peru | New Sol | 3.0960 | ⬆ |
| UK | Pound | 0.6759 | ⬆ |

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

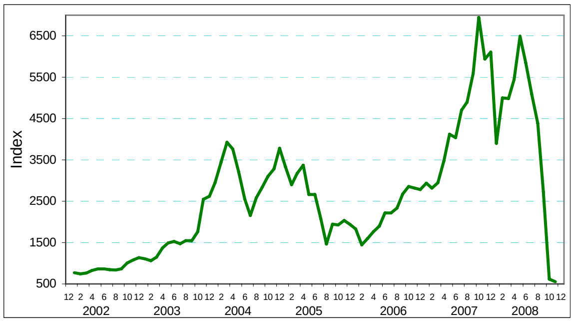



## Abbreviations and Equivalences

| | |
|---|---|
| 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 |

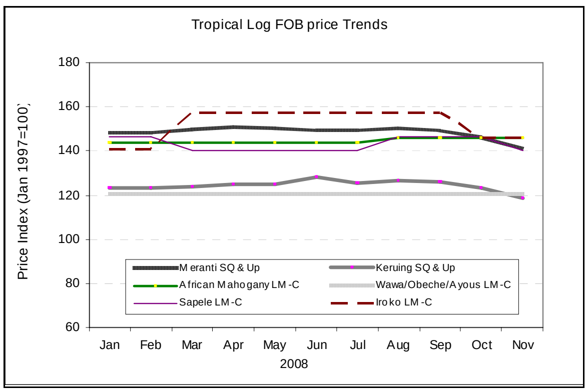
## Ocean Freight Index




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.

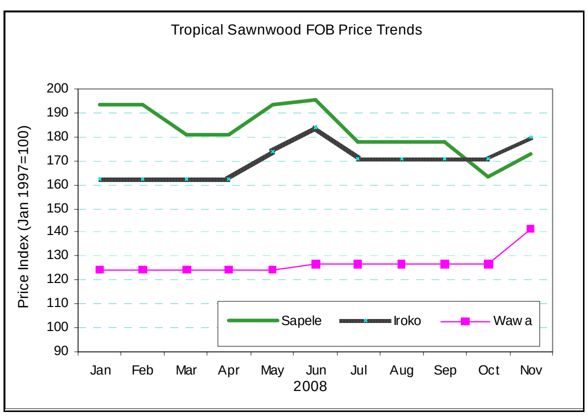
## Appendix. Tropical Timber Price Trends

## 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