Tropical Timber Market Report since 1990

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Snapshot

Overall, the tropical timber trade slumped due to weak global economic conditions and low demand ahead of the Christmas and New Year's holiday. As exporters searched to boost exports in 2009, Malaysian traders were hopeful that markets in the Middle East, such as those in Saudi Arabia, and more positive production trends in China would boost demand for their products. The Brazilian timber industry was also seeking new opportunities in South Africa, Angola, Morocco and Egypt.

Producer countries were preparing for the implementation of the amended US Lacey Act, which is expected to take effect in 2009. Indonesia set up a committee to explore how the country would certify its products for the US market. Guyana and USAID held a forum to discuss the Act's impact on Guyana's wood trade and how the country would work to comply with the amended law.

Please note that the next issue of the ITTO Tropical Timber Market Report will be published on 16 January 2009. We wish all of our readers a very happy holiday season and look forward to keeping you up to date on the latest timber news in 2009.

Best wishes, ITTO Market Information Service

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Report from Central/West Africa

Business inactive as Europe breaks for holidays

Trade continues very subdued in West Africa, with European buyers out of the market as the Christmas and New Year's holiday period approaches. The European manufacturing sector has already been hard hit by the economic downturn. Those producing doors, door sets, windows and roof trusses have been badly affected and consumption of both hardwood and softwood has fallen to very low levels. Importers and merchants say that demand has been weak and that stock reduction continued to be the main focus.

The impact of slow business on West African exporters has been minimized by the curtailment in production. However, the effects of this have now begun to cause concern in government forestry and financial departments as tax revenues in forest operations, production activities and export taxes have been far lower than expected, while unemployment in the timber sector has become a serious problem. Producers in turn complain that taxes have been too high given their current financial situation.

Exports of logs to the Asian region have been fairly active for the reduced number of exporters able to offer prompt shipments in moderate volumes.

For sawn lumber, there has been little relief in sight. Prices for sapele and some other lumber species have fallen marginally, though firm orders were very few and, with low production volumes, producers were not disposed to accept low offers. Lead times for new orders for special sizes have said to be extended and prices for specials have at times been above those for regular specifications.

West Africa Log Prices

West Africa logs, FOB	€ per m^3		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	221	191	153
Ayous/Obéché/Wawa	206	206	168
Azobe & Ekki	168	168	122
Belli	161	161	-
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	152	152	122
Padouk	259	259	229
Sapele	236	236	180
Sipo/Utile	300	300	228
Tali	152	152	114

West Africa Sawnwood Prices

West Africa sawnwood, FOB		€ per m^3
Ayous	FAS GMS	315↓
	Fixed sizes	360↓
Okoumé	FAS GMS	300
	Sel. & Bet. GMS Italy	250
	Sel. & Bet. fixed sizes	-
Sipo	FAS GMS	570↓
	FAS fixed sizes	-
	FAS scantlings	585
Padouk	FAS GMS	585
	FAS scantlings	585
	Strips	425
Sapele	FAS Spanish sizes	500↓
	FAS scantlings	500↓
Iroko	FAS GMS	450↓
	Scantlings	480↓
	Strips	304
Khaya	FAS GMS	396
	FAS fixed	427
Moabi	FAS GMS	565↓
	Scantlings	565↓
Movingui	FAS GMS	405↓

Report from Ghana

Ghana's timber exports rise by volume and value

Ghana's total exports of timber and wood products for the first nine months of 2008 increased to 430,100m³, a 7.7% rise when compared to the same period in 2007. The corresponding total revenue for the first three quarters also increased 4.2% to EUR144.42 million in 2008, up from EUR135.55 million in 2007.

The gain resulted from higher volumes recorded for sliced veneer (13.6%), plywood (8.7%), rotary veneer (7.5%) and kiln-dried lumber (4.3%). Decreases in volume were recorded for furniture parts (82.6%), curl veneer (35.5%), boules (34.7%) and air-dried lumber (12.9%) as shown in Table 1 below:

	---- Jan-Sept 2007 ----		----Jan-Sept 2008 ----		---- % Change ----	
PRODUCT	Vol (m³) ('000)	Value (EUR) (million)	Vol (m³) ('000)	Value (EUR) (million)	Vol (m³)	Value (EUR)
Sawn Timber:						
Lumber (AD)	65.69	19.62	57.24	16.07	-12.9	-18.1
Lumber (KD)	87.58	34.36	91.35	36	4.3	4.8
Veneer:						
Sliced Veneer	28.04	23.12	31.85	25.46	13.6	10.1
Rotary Veneer	23.17	5.42	24.91	6.08	7.5	12.2
Curl Veneer	0.17	1.67	0.11	1.04	-35.3	-37.7
Plywood	96.52	26.09	104.96	30.35	8.7	16.3
Furniture Parts	0.23	0.46	0.04	0.07	-82.6	-84.8
Mouldings	21.95	9.49	19.3	8.75	-12.1	-7.8
Boules (AD+KD)	4.96	2.48	3.24	1.62	-34.7	-34.7
Parquet/Flooring	1.92	1.84	1.96	1.49	2.1	-19
Other Wood Products	69.15	14.01	95.14	17.48	37.6	24.8
TOTAL	**399.38**	**138.56**	**430.1**	**144.41**	**7.7**	**4.2**

Table 1: Ghana's Timber Export Statistics, January-September 2007-2008 (Note: 1- lumber (AD) includes lumber overland; 2-sliced veneer includes layons; 3- plywood includes overland)

Plywood (24.4%), kiln-dried lumber (21.2%), air-dried lumber (13.3%), sliced veneer (7.4%) and rotary veneer (5.8%) altogether accounted for 72.2% of the total volume exports during the period, with twelve other products accounting for 27.8%.

Plywood exports, including overland exports, during the period recorded an 8.7% increase in volume over that of the previous year to reach 104,960 m³. The corresponding revenue was EUR30.35 million, showing a 16.3% rise in 2008 compared to the same period in 2007. The three leading exporters were Naja David Veneer & Plywood, John Bitar & Co. Ltd. and Asuo Bomosadu Timbers, which contributed 70.0% of total volume exported. The main species were ceiba, chenchen and mahogany, and the leading importing countries were Nigeria, Burkina Faso, Niger and Togo.

Kiln-dried lumber rose from 34,360 m³ in 2007 to 36,000 m³ in 2008 during the first three quarters registering increases of 4.3% and 4.8% in volume and value, respectively. Of the 96 exporters, the two leading companies were Ayum Forest Products Ltd. (12.0%) and Samartex Timber and Plywood (9.9%). When compared to 2007, air-dried lumber exports suffered a decline of 12.9% in volume with a corresponding 18.1% decrease in revenue for the period January – September 2008.

Sliced veneer export rose 13.6% to record 25,460 m³ for 2008 against 23.12% registered for 2007 during the same period. The main leading exporters were Logs and Lumber Co. Ltd. and John Bitar Co. Ltd., which together accounted for 49.2% of total export volume with revenues of EUR11.2 million.

Total rotary veneer exports for the first three quarters were EUR24,910 m³, a 7.5% gain over 2007 figures. The corresponding revenue for the same period also rose from EUR5.42 million in 2007 to EUR6.08 million in 2008.

Tertiary products accounted for EUR10.86 million of the EUR144.42 million earned in 2008 as against Euro 12.27 million from the total revenue of EUR138.55 million of wood export for the same period in 2007. Secondary products for the January – September 2008 period were also EUR133.56 million as compared to EUR126.28 million in 2007.

Ghana's trade was notably directed to the European Union (EU), which accounted for 45.04% and 33.25% of the total export volume and value, respectively, for the period under consideration. The key markets in the EU included France, Germany, the UK, Belgium, Spain, Ireland and Holland.

The US accounted for 9.01% and 12.66% of the total export volume and value, respectively, in contrast to the period compared 10.23% and 13.33% in 2007. The US market maintained its dominance as the largest destination market for Ghana's lumber (KD) and rotary veneer exports.

The ECOWAS market (mainly Senegal, Nigeria, Niger, Gambia, Mali, Benin, Burkina Faso and Togo) also absorbed EUR30.35 million (96.54%) of Africa's EUR31.44 million wood imports from Ghana during the period. Plywood and lumber (air-dried) continued to interest the Nigeria, Niger, Burkina Faso and Senegalese markets.

The emerging markets in Asia and the Far East - India, Malaysia, Taiwan, China, Singapore and Thailand - altogether contributed EUR23.07 million (15.97%) to Ghana's total of wood export value during January – September 2008. India continues to be the leading importer of teak lumber (AD).

The Middle East countries, notably Saudi Arabia, Lebanon, United Arab Emirates and Israel, together represented EUR7.88 million (5.46%) of the total export value for the period.

Ghana Log Prices

Ghana logs, domestic	US$ per m³	
	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 m³	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	855	-
Asanfina	490	560
Ceiba	200	260⬆
Dahoma	330	390
Edinam (mixed redwood)	415⬆	470
Emeri	425	485
African mahogany (Ivorensis)	585	670
Makore	520⬆	600
Niangon	550	-
Odum	660	750
Sapele	540	600
Wawa 1C & Select	260	285

Ghana sawnwood, domestic		US$ per m³
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 m³	
	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 m³
Ceiba	245
Chenchen, Ogea & Essa	295
Ofram	305

Sliced Veneer, FOB	€ per m²	
	Face	Backing
Afrormosia	1.80	1.00
Asanfina	2.00	1.20↑
Avodire	1.12	0.80
Chenchen	1.00↑	0.55
Mahogany	1.40	0.79
Makore	1.90↑	0.90
Odum	1.66	1.00

Ghana Plywood Prices

Plywood, FOB	€ per m³			
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 m²		
	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

Sarawak merchants seek favorable production trends from China

Log prices in Malaysia began to stabilize, particularly in West Malaysia, where the year-end monsoon has caused widespread flooding and landslides, making it difficult and dangerous for the harvesting of logs. Timber merchants in Sarawak are hopeful that China will increase its imports of logs from the east Malaysian state at the end of the winter season. Wood Resources International recently reported that China's timber production has substantially increased over the first seven months of 2008, although production was expected to be down during most of the fourth quarter of 2008. Timber merchants from Sarawak have also faced enormous competition from New Zealand, which has increased its export of radiata pine logs to China during third quarter 2008, up about 58% from third quarter 2007 levels. Nevertheless, traders in Sarawak are hopeful production trends in China will turnaround in 2009 and offer promising opportunities.

Malaysia furniture makers take interest in Saudi Arabian markets

Furniture manufacturers continued to take interest in the Kingdom of Saudi Arabia. According to a report by Jones Lang LaSalle, a leading international real estate investment and advisory firm, the Saudi Arabian real estate market is expected to grow substantially over the next four years. The country has had over five years of continued economic growth, with GDP increasing on average 15% annually since 2002.

Despite this news, sawnwood processors and wooden furniture manufacturers were facing sharp challenges, reported the *Khaleej Times*, as raw material supply continued to tighten and the Gulf Cooperation Council (GCC) countries' real estate and construction industries began to slow down. Banks in the GCC, especially Dubai and Kuwait were also tightening lending rules and policies as crude oil prices fell below USD50 per barrel.

Malaysia Log Prices

Sarawak log, FOB	US$ per m³
Meranti SQ up	276-296
Small	267-280↑
Super small	270-274↑
Keruing SQ up	256-264
Small	235-263
Super small	232-236↑
Kapur SQ up	234-252
Selangan Batu SQ up	255-281
Pen. Malaysia logs, domestic (SQ)	US$ per m³
DR Meranti	350-390↑
Balau	295-333↑
Merbau	397-424↑
Rubberwood	259-278
Keruing	286-300↑

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

Malaysia Sawnwood Prices

Malaysia Sawnwood, FOB	US$ per m³
White Meranti A & up	424-447↓
Seraya Scantlings (75x125 KD)	673-720↓
Sepetir Boards	334-345↑
Sesendok 25,50mm	437-466↑
Kembang Semangkok	418-438↓

Malaysian Sawnwood, domestic		US$ per m³
Balau (25&50mm,100mm+)		346-366↓
Merbau		538-562↓
Kempas 50mmx(75,100 & 125mm)		297-312
Rubberwood	25x75x660mm up	287-321
	50-75mm Sq.	315-339
	>75mm Sq.	328-358

Malaysia Plywood Prices

Malaysia ply MR BB/CC, FOB	US$ per m³
2.7mm	473-500
3mm	453-478
9mm & up	416-439

Meranti ply BB/CC, domestic	US$ per m³
3mm	451-461
12-18mm	398-409

Other Malaysia Panel Prices

Malaysia, Other Panels, FOB		US$ per m³
Particleboard	Export 12mm & up	246-263
	Domestic 12mm & up	238-252
MDF	Export 15-19mm	306-329
	Domestic 12-18mm	288-308

Malaysia Added Value Product Prices

Malaysia, Mouldings, FOB	US$ per m³
Selagan Batu Decking	651-669↓
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	691-712↓
Grade B	611-633↓

Malaysia Furniture and Parts Prices

Malaysia, Rubberwood, FOB		US$ per piece
Semi-finished dining table		
solid laminated top 2.5'x4', extension leaf		60-76
As above, Oak Veneer		67-81
Windsor Chair		59-61
Colonial Chair		57-62
Queen Anne Chair (soft seat)	without arm	57-65
	with arm	57-65
Chair Seat 27x430x500mm		45-50
Rubberwood Tabletop		US$ per m³
22x760x1220mm sanded & edge profiled		
Top Grade		620-630↓
Standard		589-606↓

Report from Indonesia

Indonesia responds to US government guidelines on certification

The Indonesian government acted quickly and positively to set up a team of officials from various ministries to address certification of the country's timber products for the US market, reported *The Jakarta Post.* The Trade Defense Director of the Indonesian Trade Ministry, Mr. Martua Sihombing, commented that the team will be composed of officials from the forestry, trade, agriculture, finance, foreign affairs, and industry ministries and representatives from the various timber trade associations. The team has been given the task to determine and identify procedures and constraints outlined under the US Lacey Act, which establishes new guidelines for certified timber products entering the US market. By July 2009, all timber products entering the US market must be certified by entities approved by the US government. Indonesia's initial position will be known by 3 February 2009.

Sustainable Forest Management (SFM), Verification of Legal Origin (VLO) and the Chain of Custody (CoC) process will be addressed to meet the new guidelines. An exporter can choose to utilize any of the three certificates when exporting to the US. Indonesian Pulp and Paper Association (APKI) chairman, Mr. Mohammad Mansyur, said the Indonesian pulp and paper industry was ready to comply with the required US regulations. Indonesian Furniture and Handicraft Association (Asmindo) chairman, Mr. Ambar Tjahjono, added that certification was understandably necessary for wood products to compete successfully in the global market. Indonesia's global exports of wood products stand at USD2.48 billion for the first 10 month of this year, down 3.9% from USD2.58 billion for the same period in 2007, according to the Indonesian Central Statistics Agency.

HSBC to scale back lending for forestry schemes in Indonesian and Malaysia

Reuters and *The Guardian* (UK) newspaper reported that environmental concerns have caused HSBC, a major British banking group, to scale down lending for forestry schemes in Indonesia. HSBC will sever ties with a third of forestry clients in Malaysia and Indonesia, including clients involved in palm oil, soy and timber by end 2009, according to Mr. Francis Sullivan, the bank's advisor on the environment. HSBC is planning to terminate 30% of client relationships in the forest land and forest products sector in 'high-risk' countries, including Malaysia and Indonesia, due to non-compliance with HSBC's forestry policy.

Indonesia Log Prices (domestic)

Indonesia logs, domestic prices	US$ per m^3
Plywood logs	
Face Logs	233-273
Core logs	195-221
Sawlogs (Meranti)	230-268
Falcata logs	195-211
Rubberwood	216-240
Pine	198-231
Mahoni (plantation mahogany)	571-614🡇

Indonesia Sawnwood Prices

Indonesia, construction material, domestic		US$ per m^3
Kampar (Ex-mill)	AD 3x12-15x400cm	241-248
	KD	317-331🡇
	AD 3x20x400cm	332-345🡇
	KD	357-367🡇
Keruing (Ex-mill)	AD 3x12-15x400cm	281-290
	AD 2x20x400cm	269-278
	AD 3x30x400cm	274-283

Indonesia Plywood Prices

Indonesia ply MR BB/CC, FOB	US$ per m^3
2.7mm	463-491
3mm	406-463
6mm	385-409

MR Plywood (Jakarta), domestic	US$ per m^3
9mm	318-331🡇
12mm	298-317
15mm	293-321

Other Indonesia Panel Prices

Indonesia, Other Panels, FOB		US$ per m^3
Particleboard	Export 9-18mm	241-251
	Domestic 9mm	205-222
	12-15mm	200-212
	18mm	198-202
MDF	Export 12-18mm	307-320
	Domestic 12-18mm	255-275

Indonesia Added Value Product Prices

Indonesia, Mouldings, FOB	US$ per m^3
Laminated Boards Falcata wood	375-395
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	658-683🡇
Grade B	590-630🡇

Report from Myanmar

Prices hold steady as orders fall

The market situation for Myanmar teak and other non-teak hardwoods has not improved over the last fortnight. Some Indian buyers are shipping small quantities of teak and gurjan, but in comparison to ground stock in Yangon, the shipments have been minimal.

As reported in a previous TTM report (TTMR 13:21), buyers hoped that the Myanmar Timber Enterprise (MTE) might reduce its list price. Many buyers believe that the six month average prices and the September 2008 list prices may have aggravated the situation. While in its 60 year history, MTE has not needed to reduce prices it has set, this may change due to the current effect of prices on traders. Some buyers do not expect the situation to turnaround soon. Analysts believe that MTE may need to rethink its pricing strategy to alleviate the plight of buyers and stockists (both foreign and domestic).

Local sawmills in Yangon are reported to be facing difficulties due to high raw material prices and falling orders. Exports of sawn timber are also down. One representative from the industry noted that even if prices of raw materials are adjusted, it would still be difficult to run the sawmills, as there are no new orders from abroad. The only possible way that MTE may be able to avert future problems is to reduce felling in the current harvesting season, thereby reducing supply. Analysts admitted that it was not easy to anticipate this potential move by the MTE.

The prices below are from November's tender sales. The December tender will be held around 22 December.

Myanmar Log Prices (natural forests)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)	
Veneer Quality	Oct	Nov
2nd Quality	5,468 (6 tons)	4,288 (5 tons)
3rd Quality	4,442 (12 tons)	3,661 (12 tons)
4th Quality	3,494 (41 tons)	3,222 (37 tons)
Sawing Quality	Oct	Nov
Grade 1 (SG-1)	2,456 (152 tons)	2,379 (95 tons)
Grade 2 (SG-2)	1,800 (478 tons)	1,981 (160 tons)
Grade 3 (SG-3)	-	-
Grade 4 (SG-4)	1,621 (330 tons)	1,860 (391 tons)
Grade 5 (SG-5) Assorted	1,644 (469 tons)	1,644 (245 tons)
Grade 6 (SG-6) Domestic	1,233 (331 tons)	1,267 (160 tons)
Grade 7 (ER-1)	1,069 (220 tons)	1,101 (98 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

São Paulo promotes wood from legal sources

According to *Cadmadeira/DiárioNet*, the Secretariat of Environment of the state of São Paulo recently launched the State Registrar of Companies (CADMADEIRA) commercializing forest products and by-products from natural forests in São Paulo state. The registry, which was launched in December, is voluntary, but according to the Secretariat of Environment, only companies registered in CADMADEIRA will be able to participate in the state bidding process for wood supplies as of July 2009.

The Environment Secretariat has also designed a seal to show forest products or by-products are from sustainable, certified sources. This informs consumers about companies that sell forest products and by-products in a responsible manner, providing consumers with options to buy wood from legal sources. To receive the seal, a company should voluntarily adhere to CADMADEIRA and will be subject to surveillance, certification and evaluation before receiving the seal. The seal also certifies that the company's tax situation is in conformity with appropriate regulations and has no pending tax disputes.

The National Forum of Forest-Based Activities worked decisively to establish CADMADEIRA. The decree that created the organization also sets out the establishment of a technical chamber for forestry matters to improve the control system and promote forestry activities in the state of São Paulo.

Wood waste shows income generation potential

During the last International Fair of the Amazon (FIAM), the National Institute of Amazonian Research (INPA) presented its project designed to create technologies for the utilization of wood waste from sawmills and forest management projects, reported *Agência de Notícias da Amazônia*.

For example, with the technology developed at INPA, sawmill waste, has been used in the art of marquetry, which is a collage of different types of wood. The technique of marquetry has been already used in the city of Cruzeiro do Sul, in the state of Acre, where the Yawanawá Indians also have been manufacturing furniture and wood handicrafts for decoration.

A researcher of INPA studied techniques of marquetry for the manufacturing of products that are expected to bring greater development to the region. According to INPA, this marquetry wood work project benefits the company that produces the artifacts, creates jobs in the region and offers new business opportunities.

INPA studied the industrialization of lesser-known tree species in the Amazon to implement the project and conducted technological research on the quality of tree species. At present, many people believe that only species such as cedar and mahogany can be commercialized, increasing the demand for these species, which end up being overexploited.

The project has been supported by the Foundation for Research Support of the State of Amazonas (FAPEAM) and the National Funding Agency for Studies and Projects (FINEP).

Storm affects Santa Catarina furniture industry

The furniture companies of São Bento do Sul and Rio Negrinho municipalities, Brazil's main exporters, are already facing difficulties meeting international delivery deadlines after the recent flooding in Santa Catarina state. Itajaí Port, where 4% of Brazilian exports are shipped, was closed as a result of the storm. *Portal Moveleiro* reported that the storm, which hit the state at the end of November, has caused economic problems along the entire supply chain of timber and furniture. Santa Catarina is the leading Brazilian exporter of furniture, with exports worth USD378 million in 2007, or 32.8% of total Brazilian furniture exports, according to the Federation of Industries of Santa Catarina State (FIESC). Entrepreneurs are now subjected to higher costs, complex logistics, renegotiation of delivery dates with international customers, and risk losing customers for breach of contract.

Since no furniture shipments were being made through the Port of Itajaí, product costs will be higher, as products will need to be rerouted through the ports of São Francisco do Sul (SC) and Paranaguá (PR). The costs of shipping through these ports are now twice as high as shipping through Itajaí. Customers have not been accepting renegotiation of contracts because they believe it is the state's problem.

According to the Secretary of the Ministry of Foreign Trade and Development (MDIC), Brazil's exports dropped USD370 million by value in November 2008 because of the severe damage at the Port of Itajaí. For the Union of Construction and Furniture Industries of São Bento do Sul (Sindusmobil), logistical problems will add costs at year end, since prices of contracts are already fixed. There are no new contract negotiations scheduled for the moment. Economic losses for the furniture industry in Santa Catarina state is expected to be severe.

Africa may be potential market for Brazilian wood products

The Brazilian timber industry is actively seeking alternatives to traditional North American and European markets. According to the Brazilian Association of Mechanically-Processed Timber Industry (ABIMCI), economic growth of some African countries with growth rates above 10% a year and countries with demand for civil construction products such as South Africa, Angola, Morocco and Egypt may represent potential markets for the Brazilian solid wood industry.

Despite the small per capita consumption of these countries, the population of the region is large and economic growth has been accelerating, with their imports above the world average. It is estimated that imports of forest products by African countries may grow in the coming years at rates higher than 8% a year. Imports of wood products from Brazil by African countries are diverse and focus on plywood, coniferous sawnwood, wood panels and value-added products such as furniture.

Several African countries are both producers and exporters of tropical timber, but do not produce much value-added products; the majority of exports are logs and sawnwood. In addition to obtaining a specialized market for furniture products, another advantage in exporting to these countries is the fact that there are no limitations with regard to non-tariff barriers.

Besides Africa, other developing countries represent market alternatives for Brazilian companies. These include markets in China, India, Taiwan and Vietnam, the United Arab Emirates, Qatar and Saudi Arabia. In many of these emerging countries, Brazil is already present, but there are still opportunities to be explored.

Brazil Log Prices (domestic)

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	116
Jatoba	82
Guariuba	55
Mescla (white virola)	60

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	542
	Jatoba	417
Southern Mills (ex-mill)	Eucalyptus (AD)	158
	Pine (KD) 1st grade	207

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	206	172

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	705
	White Virola 15mm	515

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	458
Particleboard 15mm	290

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's Environment Minister to raise funds for forest conservation

Peru's Minister of Environment, Antonio Brack, has begun a journey to various European countries to raise funds for environmental conservation. According to Brack, Germany has already contributed EUR4 million to the Ministry of Environment in Peru for rainforest conservation. Some European countries have also expressed interest in collaborating with Peru on environmental conservation, he said. He added that he would seek funds from countries in Asia, saying that he had already established partnerships in Japan to conserve and develop forests.

Brack explained that Peru, through the Ministry of Environment, was making an international proposal to preserve 54 million hectares of tropical forests. He noted that the proposal would include protected Indian lands and that carbon credits generated from this land would be sold in the international carbon market. This way, he noted, deforestation would not take place and biodiversity and Indian culture would be preserved.

Peru has a number of projects addressing carbon offsetting, which could be offered to different countries. Minister Brack noted that Peru could collect over USD5,800 million in the next few years if the 106 businesses carrying out environment projects with carbon benefits are completed successfully.

Wood exports grow 9.6% in first three quarters of 2008

Wood exports from January to October 2008 were USD194.20 million, up from USD177.25 million during the same period in 2007. While this represents a 9.6% growth in the value of exports, the growth has slowed in 2008 when compared to previous years, since exports to main destination markets (Mexico, US and China) have fallen. For instance, the total value of exports has dropped in the Loreto region due to the lower imports from Mexico.

From January to October 2008, exports were concentrated in three main markets representing 84% of total exports of the wood sector. Mexico represented 36% of these exports, while China represented 28% and the US 20%. Of total exports, sawnwood was the highest exported product. Emerging markets for Peru's products were the Dominican Republic, Italy and Hong Kong.

Peru Sawnwood Prices

Peru Sawnwood, FOB Callao Port		US$ per m^3
Mahogany S&B KD 16%, 1-2" random lengths (US market)		1823-1866
Spanish Cedar KD select		
North American market		939-967
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 m^3
Virola 1-2" thick, length 6'-8' KD	
Grade 1, Mexican market	321-368
Grade 2, Mexican market	283-309
Cumaru 4" thick, 6'-11' length KD	
Central American market	809-836
Asian market	778-797↑
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	934-951
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	317-342
Grade 2, Mexican market	280-296
Grade 3, Mexican market	159-173
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	238-249

Peru sawnwood, domestic	US$ per m^3
Mahogany	1239-1266
Virola	70-85↓
Spanish Cedar	419-435↓
Marupa (simarouba)	122-130

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		357-380
Virola, 2 faces sanded, B/C, 5.2x4x8mm		412-421
Cedar fissilis, 2 faces sanded 4x8x5.5mm		745-755
Lupuna, treated, 2 faces sanded, 5.2x4x8mm		360-375
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		1451-1508
Cumaru KD, S4S	Swedish market	674-722
	Asian market	1079-1125⬆
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 m^3
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 m^3
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

Mexico and Italy agree on bioenergy projects

The National Forest Agency (CONAFOR) and the Ministry of Environment and Territory of Italy are working together to reduce greenhouse gases and mitigate climate change by generating bioenergy while preventing forest degradation. The two countries signed a Memorandum of Understanding in November 2008, and Mexico has already started a national energy progamme, which includes a programme to save firewood and reduce the incidence of respiratory disease. In 2008, 185 million Mexican pesos will be invested for the installation of 120,000 stoves in the country. Another component of the program will promote commercial forest plantations for the generation of biogas and bioethanol. Mexico and Italy will promote technical and scientific cooperation for the prevention of forest degradation and sustainable forestry and exchange experiences on bioenergy generation to promote sustainable development.

Report from Guyana

Guyana's value added products continue record growth

A year-to-date analysis of the volume and value of shingles exported when compared to the same period of 2007 revealed gains of 16% by volume and an overall rise of 57% by value. This robust growth by value is mainly attributable to the higher price paid for shingles in the Latin American/Caribbean markets and larger demand for Guyana's shingles. Volumes of exports to these regions have increased by 5.6% and 40% by value over the first 11 months of 2007. The average price received for shingles in the Latin American/Caribbean market was 33% higher than in other markets. Other main markets for Guyana's shingles were in the African region, which has also shown rises in the volume and value of shingle imports over 2007 levels. Prices of shingles to the region on average increased 10% over prices in 2007. Despite lower volumes of shingle exports to the North American market in 2008, the value of these products were 12% greater than in 2007 and average prices jumped 69%.

In another added value product class, exports of kabukalli doors showed marked improvements for the period January to November 2008 by both volume and value when compared to the same period of 2007. Increases of 30% by volume and 38% by value were recorded over the review period. This was closely followed by improvements in exports of locust doors, with gains of 65% by volume.

The highest volume of shingles exports has been seen over the past fortnight, when compared to all other periods this year. As projected in the last fortnight, log exports continued to rise by both volume and value. Prices for logs recorded average increases of 35% over the previous fortnight's average. Sawnwood exports were also higher over the last fortnight, 85% by volume and 80% by value. The smaller improvement in value can be attributed to the larger export volumes of less popular and commercial timber species.

Guyana launches avoided deforestation model

On 5 December 2008, the Government of Guyana launched a technical report, which will form the basis of international support on avoided deforestation and for climate change mitigation and adaptation. The document recognizes the economic impact of deforestation across the globe and uses a model to estimate economic losses from deforestation to Guyana and the world. The report concludes that while Guyana may benefit from short-term gains from quick harvesting of its forest resources, a more appropriate long-term strategy to align national and global interests is necessary.

The President of Guyana, when presenting the model, said funds generated from the market-based model on avoided deforestation could help Guyana shift to using clean energy technologies, which would supply low-carbon electricity to the country. The President noted that targeted funds could also provide an unprecedented amount of assistance to forest communities and develop the economy by expanding eco-tourism and other schemes and support diversification of the economy. Other benefits identified for Guyana under such an incentive scheme include investing heavily in public development and upgrading the sea defence and irrigation systems along coastal areas.

GFC and USAID host forum on US Lacey Act

The Guyana Forestry Commission and USAID Guyana hosted a forum on the US Lacey Act on 11 December 2008. The forum was attended by stakeholders, including both primary and added value producers, and exporters, many of whom export to the United States.

At the meeting, representatives from the US Forest Service presented the background and context of the recently amended Lacey Act, the changes and new requirements which are contained in the legislation, an outline of the products that will be affected, the handling of violations and upcoming developments regarding the implementation of the Act. Several key areas within these general discussion points were examined, including exclusions and exemptions under the Act.

Several recommendations were made at the forum, including: having access to a check list of requirements to comply with the new provisions; the need for a core set of documentation required for these provisions; and the recognition of national level legislation in determining legality of forest products harvested and traded. Guyana, through the GFC, has identified trade relations with international partners as a priority area for 2009, with emphasis being given to the requirements of key markets, including the US and EU markets.

At the forum, Guyana also discussed a legal verification system it has developed. The system is expected to be implemented in 2009.

Guyana Log Prices

Logs, FOB Georgetown	SQ - $ Avg unit value per m³		
	Std	Fair	Small
Greenheart	-	-	-
Purpleheart	215-265⬆	200-250⬆	185⬇
Mora	150	140	130

*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	636-685⬇	560-636
	Select/Standard	475-863⬆	509-784⬇
Purpleheart	Prime	-	657⬇
	Select/Standard	680-755⬇	594-848⬆
Mora	Select	450-551⬆	-

Guyana Plywood Prices

Plywood, FOB Georgetown Port			$ Avg unit val. per m³
Baromalli	BB/CC	5.5mm	-
		12mm	450-500
	Utility	5.5mm	-
		12mm	446-485⬆

Report from Japan

Southsea logs and lumber imports slump

Japan Lumber Journal reported on the regular meeting of the Japan Southsea Lumber Conference in Tokyo, where participants noted there were no Southsea logs arriving at the Port of Tokyo in October, with only a port in Chiba prefecture receiving a small amount of Southsea logs. Buyers noted that supply conditions were difficult in Malaysia due to poor weather, China continued to sustain its purchases of logs and India's buying trends continued to be in a slump. Participants said that since supply for logs was quite high in Japan, some shippers started their holidays early, with others expecting new shipments of logs to arrive again in February 2009. Overall, Southsea log imports for October were down 31% from the previous year's levels. Arrival of lumber products was down 23.6% for Malaysia, 20% for China and about 39% for Indonesia when compared to the previous year. *Japan Lumber Reports* indicated that prices for logs and lumber have been falling across the board since mid-November.

October plywood imports show minimal growth

Japan Lumber Reports showed Japan's October 2008 plywood imports growing only 3% from October 2007 levels (Figure 2). Recent articles in Japanese trade papers have revealed a sense of crisis in the plywood market's conditions presently and in the near future. The *Japan Lumber Journal* reported that October's housing starts had nearly increased 20% from the previous year's levels and anticipated Japan was on pace to meet the 1,100,000 housing unit level for 2008. *JLJ* noted that the market size for housing renovation (which includes purchases of furniture and interior goods) fell for the second straight year, reaching a market size of about 4.7 trillion year (about 3% up from the previous year).

Figure 1: Japan Housing Starts 2005-2008 (000 units)

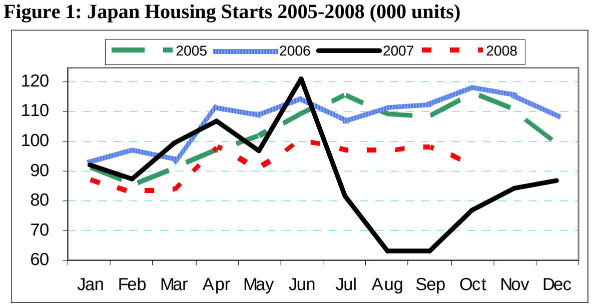
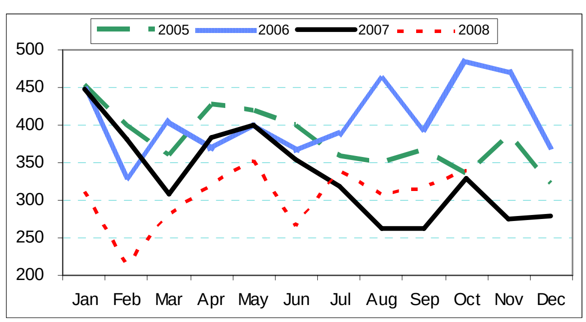


Figure 2: Japanese plywood imports, 2005-2008 (000 m³)



Log and Sawnwood Prices in Japan

Logs for Ply Manufacture, CIF	Yen per Koku
Meranti (Hill, Sarawak)	(Koku=0.278 m^3)
Medium Mixed	8,200↓
Standard Mixed	8,300↓
Small Log (SM60%, SSM40%)	7,200↓
Taun, Calophyllum, others (PNG)	7,600
Mixed light hardwood, G3/4 grade (PNG)	-
Keruing MQ & up (Sarawak)	12,000
Kapur MQ & up (Sarawak)	10,500↓

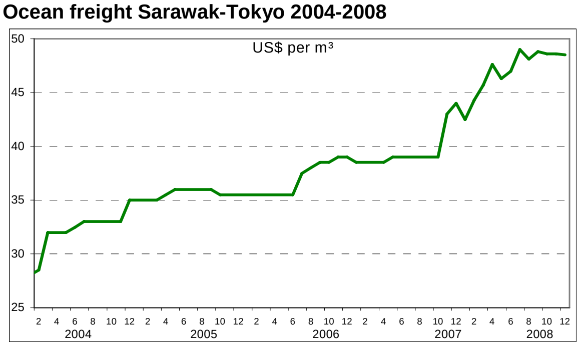
Logs for Sawmilling, CIF	Yen per Koku
Melapi (Sarawak) High Select	11,500
Agathis (Sarawak) High Select	-

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)	Nov (¥ per sheet)	Dec
2.4mm (thin plywood, F 4star, type 2)	920 X 1830	400	390 ↓
3.7mm (med. Thickness, F 4star, type1)	910 X 1820	570	540 ↓
5.2mm (med. Thickness, F 4star, type 1)	910 X 1820	680	650 ↓
11.5mm for sheathing (F 4star, type 2)	910 X 1820	1040	980 ↓
12mm for foundation (F 4star, special)	910 X 1820	1060	1000 ↓
12mm concrete-form ply (JAS)	900 X 1800	1030 ↓	930 ↓
12m coated concrete-form ply (JAS)	900 X 1800	1150 ↑	1060 ↓
11.5mm flooring board	945 X 1840	1650 ↑	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

Export rebate rate rises again

The Notice on Increasing the Export Tax Rebate Rates for Labor-Intensive Products was announced jointly by the Ministry of Finance and the State Administration of Taxation on 17 November 2008. A list of 3,770 items is included in the third export tax rebate increase this year as part of the government's RMB4 trillion yuan (USD571.4 billion) economic stimulus package. The items include labor-intensive, mechanical and electrical products. The export rebate rate for plywood rose from 5% to 9%.

The change will be effective as of 1 December 2008. Local experts think that the adjustment of export tax rebate rates for labor-intensive products is helpful to relieve the tension of export-oriented enterprises' shortage of capital and the pressure on labor-intensive export-oriented enterprises.

China releases 2009 timber production plan

China's annual timber production plan for 2009 was published by the State Forestry Administration on 4 November 2008. Under the plan, 158.57 million m³ of timber will be logged and timber output will be 100.39 million m³. The three provinces with the highest logging volume and timber output are: Guangxi Province (19.91 million m³ of logging volume, 13.13 million m³ of outputs); Fujian (17.43 million m³ of logging volume, 12.06 million m³ of outputs) and Hunan (15.16 million m³ of logging volume, 9.703 million m³ of outputs). The logging volume and timber outputs of these three provinces make up 33% and 35% of the national total, respectively.

China's furniture enterprises generate 210 billion yuan

It has been reported that China's furniture enterprises generated RMB210 billion yuan during January to September in 2008, up 21% over the same period in 2007. The total value of furniture exports rose 23% to USD19.8 billion. The volume of wooden furniture exports fell 9% but the value of the wooden furniture exports rose 6% over the same period. The value of furniture imports grew 22% to USD945 million. In general, the growth rate of China's furniture industry was faster and its structure was optimized gradually.

Local experts predict that the total output value of China's furniture will exceed RMB600 billion yuan and the value of furniture exports will be USD26.6 billion. Currently, China furniture production makes up 25% of the world's total, its furniture exports account for 23% of the world's total and it has been the major producer and exporter of furniture in the world. However, potential problems exist in China's furniture industry such as rapid enterprise investment, unreasonable production structure, over capacity of production, severe similarity in design and style and deficiency in innovation capabilities.

Log imports fall through Jiangsu Port as prices rise

According to statistics from Nanjing Customs, log imports through Jiangsu Port in the first three quarters of 2008 fell 8.3% to 5.65 million m³ and were valued at USD1.25 billion (up 1.2%) from the same period in 2007.

Log imports through Jiangsu Port were mainly from Papua New Guinea, African countries and Russia. Log imports through Jiangsu Port from Papua New Guinea, African countries and Russia fell 4% to 1.74 million m³, 25% to 1.26 million m³ and 16% to 1.12 million m³, respectively. Log imports from these three regions accounted for 73%, down 5 percentage points from the same period in 2007. Average prices for imported logs rose about 8% to USD220.5 / m³ in the first three quarters of 2008.

According to local analysts, there are two main reasons for the decrease: first, major exporters of logs such as Papua New Guinea and others in Africa have developed log export ban policies; and second, Russia has increased its log export tariff to control log exports.

Jiangshan City recognized as capital of wooden door production

Jiangshan City has been awarded the title ‘Capital of China’s Wooden Doors’ by the China Timber Circulation Association. The wood products industry in Jiangshan City has developed rapidly in recent years. There are more than 1,170 enterprises in the city with a total of 30,000 employees and 100 wood products from six major categories: wood-based panels; wooden doors; furniture; charcoal; wooden products; and chemical processing of forest products. In the first three quarters of 2008, the output value of the city’s wood products industry was RMB3.9 billion yuan and annual output value was expected to be RMB5 billion yuan. There are more than 60 enterprises manufacturing wooden doors with an annual production of 4 million sets valued at RMB1.6 billion yuan. Wooden doors have dominated the markets in areas south of the Yangtze River. Over 50% of wood products from the city are exported to other countries.

Updated trade figures for China’s wood products during January to September 2008

The following discussion provides updated statistics for China’s wood products trade during the first three quarters of 2008, as first reported in *TTMR* 13:21.

1. The value of China’s imports and exports grow while growth rates fall markedly

According to the latest statistics from China’s Customs, foreign trade of China’s major wood products continues to grow rapidly in the first three quarters of 2008. However, the growth rate fell dramatically due to the global economic slowdown. The statistics show that the total value of imports and exports for China’s major wood products rose 13.5% to USD48.181 billion, dropping 18.4 percentage points over the same period in 2007. Of the total, the value of imports for China’s major wood products grew 20% to USD21.383 billion and the value of export for China’s major wood products rose 8.7% to USD26.756 billion, dropping 7.5 percentage points and 26.5 percentage points respectively. The trade surplus of wood products reached USD5.38 billion, dropping 21 percentage points from the same period in 2007.

2. Prices for major wood products show upward trend

Wooden furniture, paper products, plywood, paper and paper board and wooden products have been China’s traditional exported wood products for many years. During the first three quarters in 2008, the value of exports for these five major commodities made up 72% of the national total. However, during January to September 2008 the export volume for wooden furniture fell and export value rose for paper products, plywood, paper and paper board. Both export volume and value fell for wooden products (shown in Table 1).

PRODUCTS	FIRST THREE QUARTERS IN 2007				FIRST THREE QUARTERS IN 2008			
	Export volume	% increase	Export value (USD billions)	% increase	Export volume	% increase	Export value (USD billions)	% increase
Wooden furniture (mil piece)	208.221	58	7.67	33	181.741	-13	8.14	6
Paper products (mil ton)	1.912	17	2.92	29	1.911	-0.1	3.24	11
Plywood (mil m^3)	6.747	14	2.68	31	5.869	-13	2.73	1.8
Paper and paper board (mil ton)	3.023	48	2.27	45	2.876	-5	2.54	12
Wooden products (mil ton)	1.653	0.2	2.79	4	1.278	-23	2.48	-11
Whole wood products			24.62	28			26.77	8.7

Table 1: Comparison of China’s wood products exports, January to September 2007 and 2008 (Note: wooden products includes wooden doors and windows, composite wood floorings, wooden kitchen appliances, wooden arts and crafts and all kinds of small wooden products. Whole wood products include small non-wood products that have an export value worth 13.5% of total national exports.)

The above-mentioned trend is unfavorable for the sustainable development of China’s forestry industry. A considerable number of small and medium scale enterprises could be forced to stop production or shut down, which would result in mass unemployment and affect social stability in China. The productive capacities of China’s furniture and wood-based panels have exceeded demand due to the rapid development of these two industries. One third of furniture products are exported to foreign countries. The productive capacity of national middle density fiberboard industry is about 40 million m³ per year, but domestic demand is only around 25 million m³ per year. Under the circumstances, if export volume of these products fell sharply, not only in these industries but also upstream, this would exacerbate poverty and income of farmers, particularly in mountainous regions.

3. Log imports continue to fall but sawnwood imports jump

During January to September 2008 China’s log imports were 23.14 million m³ and valued at USD40.58 billion, down 19% by volume and 0.3% by value over the same period in 2007. In the meantime, sawnwood imports further increased, amounting to 5.23 million m³ by volume and USD1.5 billion by value, up 8% and 14% by value, respectively. The main reasons are: 1) the growth rate of imported log prices was higher than that for imported sawnwood prices, with imported log prices rising on average 24% and imported sawnwood prices growing only 5.6% from 2007 levels; and 2) domestic demand for logs was weak due to the global financial crisis.

4. China’s log imports from countries in Oceania rose markedly

During January to September of 2008, China’s imported logs from Russia were 14.76 million m³ and valued at USD1.99 billion, down 26% by volume and 2.8% by value from the same period in 2007. The main reason for the decrease in log imports was the dramatic unit price rise for imported logs after the Russian government hiked its export tariff on logs. The unit price for logs rose 30% to USD134.8 / m³ from USD103.38 / m³ over the same period of 2007. It is predicted that China's log imports from Russia will further drop if Russian log export tariff increases to 80% in 2009.

However, China's log imports from countries in Oceania grew. During the first three quarters of 2008, China's log imports from New Zealand rose 33% to 1.25 million m³. In the meantime, the proportion of China's log imports from New Zealand grew to 5% from 3% in the same period of 2007. New Zealand jumped to being the third largest supply country after moving from fourth place during the same period of 2007. China's log imports from the Solomon Islands rose 16% to 894,100 m³. The proportion of China's log imports from the Solomon Islands grew to 3.9% up from 2.7% in the same period of 2007. Solomon Islands jumped to fourth position from sixth place in 2007. Papua New Guinea continued as the second largest supply country, although China's log imports from Papua New Guinea fell slightly (4%) from the same period of 2007. China's log imports from Papua New Guinea grew 1.3 percentage points from 6.5% to 7.8% during the first three quarters in 2008.

5. China's wood products are highly processed

China's trade has had a large focus on wooden products and processing of finished products for a number of years. During January to September 2008, the value of imports for log, sawnwood, paper pulp, waste paper and paper products made up about 95% of the national import total. The value of exports for wooden furniture, wooden products, paper products and plywood accounted for 87% of the national export total for wood products.

In the first three quarters of 2008, the top five wood products were raw materials or semi-finished products: paper pulp, waste paper, log, paper and paper board and sawnwood. The value of imports for these five products made up 85% of the national import total for wood products. The value of exports for wooden furniture, paper products, plywood, paper and paper board and wooden products accounted for 72% of the national export total.

Guangzhou City Imported Timber Market

Logs	Yuan per m³
Radiata 6m, 30cm diam.	1300
Lauan	1900-2400↓
Kapur	1900-2600↑
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.	1380↓
White Pine	6m, 24-28cm diam.	1400↓
Korean Pine	4m, 30cm diam.	1600↓
	6m, 30cm diam.	1700↓

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 m³
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

EC and Vietnam establish FLEGT Technical Working Group

The Vietnamese Ministry of Agriculture and Rural Development and the European Commission (EC) have agreed to establish a bilateral Technical Working Group on Forest Law Enforcement Governance and Trade (FLEGT). The aim of the working group is to jointly investigate the options of combating illegal logging and related trade and the possibility of negotiating a FLEGT Voluntary Partnership Agreement between Vietnam and the European Union. Vietnam is a major exporter of processed timber products to the EU and has recently been criticized for importing illegally harvested timber to supply its booming furniture sector. With legislative initiatives against the trade in illegal timber products being developed in the US, the EU and other consumer markets, the Vietnamese industry is seeking ways to maintain and expand its market position by guaranteeing the legality and sustainability of its timber products. The European Union has recently completed negotiations for a FLEGT Voluntary Partnership Agreement with Ghana and is currently negotiating such agreements with Malaysia, Indonesia, The Congo and Cameroon.

UK plywood market faces uncertainty

European CIF prices for hardwood plywood are down across the board against a background of weak consumption and uncertainty over prospects for 2009. Prices are highly volatile – as one UK plywood importer notes: 'while I can tell you a price today it will be completely different next week. All I can say is that it's entirely a buyers market. There are numerous cheap offers out there and we can just take our pick'. Generally falling CIF prices into the EU are also partly indicative of falling freight rates from most regions in response to declining fuel costs and the reduction in the overall level of global trade.

For Brazilian suppliers to the EU, although there has been some pick up in inquiries amongst importers seeking to benefit from the duty free quota, most importers are still holding back on large orders. Widespread speculation that prices might drop further in the New Year is only adding to importers reluctance to place orders now. EU buying of plywood from Brazil is now concentrated on only a few large shippers. Many smaller Brazilian shippers formerly engaged in the trade are no longer active as they lack access to sufficient capital to finance raw material and other costs.

Meanwhile, European CIF USD prices for Chinese poplar/bintangor plywood are now around 10% down on prices prevailing in October. The failure of demand for Chinese plywood in the EU and US has contributed to the closure of numerous smaller Chinese plywood mills in recent months.

Indonesian plywood shippers are now offering goods to the European market at a level of around INDO96 +30 to INDO96 +32. Efforts by Indonesian shippers to increase prices to European buyers over the summer were unsuccessful in the face of weak market conditions.

While Malaysian mills are struggling to find orders, there is feeling that they are better placed to weather the storm than their competitors in China and Brazil. This reflects their recent concerted efforts to diversify their product range and to offer a wider range of services such as FSC and MTCC certification. Nevertheless, there is some expectation in the EU that prices for Malaysian plywood will fall again in the New Year.

UK importers suggest that existing landed stocks of hardwood plywood are reasonably high for the time of year and are likely to be sufficient to cover anticipated levels of demand at least until February and March 2009. Consumption is very subdued due to the weak construction sector. This problem is compounded by the UK's credit insurance industry which seems to have decided that the whole of the wood panels industry is high risk due to its perceived dependence on the construction sector. Many importers, distributors and merchants are having their credit insurance withdrawn making suppliers less reluctant to deal with them.

The usual rush in the EU to place forward orders for plywood immediately after Christmas is not expected this year. Importers are likely to hold off new purchases for as long as possible as many expect further price declines in the first quarter of 2009.

Analysts report on the depressed EU hardwood market

The US trade journal *Hardwood Review Global* provides a flavor of current depressed market conditions for hardwoods within the EU. In their November issue, the reporters note: 'one major exporter said that hardwood demand in every European market – from the United Kingdom to Scandinavia to Germany to the Mediterranean – has been hurt by the economic downturn. European buyers were purchasing only enough lumber to fill gaps in inventory, and most were shopping around to get the best specifications for the lowest prices'. *Hardwood Review Global* go on to note that Italy's export-oriented furniture industry is suffering severely in the economic downturn, while the poor housing market has had a particularly profound impact on the Spanish and Portuguese door and window manufacturing sectors. Belgian importers are reporting that their purchases are down 40% compared to last year.

In France, commentators reckon that the hardwood trade is currently running at 15-20% of last year's level, a contraction common to just about all end use sectors. Only renovation and flooring are still performing anywhere close to their usual levels. Due to reasonably good imports in the first half of the year, French commentators suggest overall import levels for 2008 will not be far short of 2007 but expectations are for a poor year in 2009.

The UK is in the grip of a downturn led by the popping of the housing bubble. Rapid weakening in the sterling exchange rate in recent weeks has also meant apparent price rises for hardwood imports providing another disincentive, if any were needed, to enter the forward market.

EU veneer market shows downward trend

According to the German trade journal *EUWID*, some central European sliced veneer suppliers are reporting falls in sales of 30% to 40% compared to the same period last year. Sales to western European markets have been weak all year. Until the summer months, veneer suppliers reported reasonably stable sales figures to Scandinavia and parts of Eastern Europe. However, the downward market trend now affects all European markets without exception. Demand is weak in all sectors linked to the building industry, particularly door manufacturing. The furniture sector has also slowed dramatically in recent months. High value sectors – including bespoke fitting, ship, aircraft and car manufacturing – were stable during the first half of the year, but have since gone into decline.

Europe's sliced veneer producers are responding to the downturn with a reduction in output. *EUWID* estimates that current utilization capacity at veneer mills in the region may be as low as 30-50%. Despite the cut in production veneer sales prices remain under pressure. Under such conditions, procurement of veneer logs has been severely curtailed, particularly of dollar denominated stock from the US which has tended to rise in price in European markets due to the strengthening dollar rate.

European hardwood manufacturers move away from tropical wood

The 25th issue of *EUWID*'s Holz Special, which provides a thorough analysis of European market conditions across several product sectors, notably OSB and flooring, notes that a number of European parquet flooring producers are planning on stopping processing tropical timber in the near future. According to *EUWID*, MeisterWerke became the first major Central European parquet manufacturer to announce plans to remove all tropical timber products from its lines by the start of 2009. The Austrian firm Weitzer Parkett followed suit in October. Although the main reason cited for these measures is increasing concern for sustainability issues, other factors are also seen as important. These include the comparatively high costs of tropical hardwood and the high capital commitment required in order to source these species, factors which have become more critical during the current economic crises.

According to *EUWID*, European parquet producers are finding it very hard to generate new orders for their products and many have now built up large unsold inventories of finished goods. Producers of three-ply and multi-ply parquet that have pushed ahead with capacity development in recent times have been particularly hard hit. *EUWID* suggest that overall parquet production levels in the EU may fall by between 12% and 18% in 2008 compared to 2007.

The Environmental Investigation Agency (EIA) has turned up the heat on European parquet flooring manufacturers' using tropical hardwoods with publication of their 'Buyer Beware' report in October 2008. The report was based on interviews undertaken by EIA researchers posing as customers during September 2008. The inquiry considered whether retailers of merbau flooring on sale in the UK could prove that it originated from legal sources and whether adequate information was available to consumers. According to EIA, while in the first instance retailers were often quick to make strong environmental claims about their merbau flooring products, on further investigation these claims could often not be substantiated. Drawing on their analysis, EIA called on the UK government 'to put in place measures to outlaw the sale of wood products and timber derived from illegal logging'.

The Netherlands Sawnwood Prices

FOB (Rotterdam)	USD per m^3
Sapele KD	932⬆
Iroko KD	1003⬆
Sipo KD	1088⬆
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	530-545⬇
Malaysian WBP BB/B 6mm	535-565⬇
China (hardwood face, eucalyptus core) 18mm	380-405⬇
China (hard face, poplar core) 18mm	355-385⬇

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.

Can the world's remaining tropical forests in Indonesia and elsewhere be protected and brought into the battle against climate change? Working out ways of halting or slowing the cutting of forests for valuable timber and agriculture is now being discussed at U.N. climate change negotiations taking place in Poznan, Poland. The talks in Poznan are part of a process that began in Bali, Indonesia, a year ago to try to reach agreement on a new climate change control treaty to replace the Kyoto Protocol when it expires in 2012.
http://search.japantimes.co.jp/cgi-bin/eo20081208a2.html

Gauteng, the golden goose of the South African economy, will run out of water in the next five years unless urgent steps are taken to reduce theft, waste and pollution, Water Affairs and Forestry Minister Lindiwe Hendricks has revealed. Hendricks briefed journalists in Pretoria on the state of water supply and warned that demand would outstrip supply by 2013 in SA's most important water resource, the Vaal River System.
http://www.iol.co.za/index.php?set_id=1&click_id=124&art_id=vn20081205052202113C871190

Papua New Guinea (PNG) and its coalition of 53 forest nations supporting the initiative to Reduce Emissions from Deforestation and Forest Degradation (REDD) are pushing for the inclusion of a REDD mechanism in the post 2012 global climate regime. The new rules to come into force by 2013 will determine if avoided deforestation is to be included. If included, the post Kyoto climate change agreement to be finalized in Copenhagen in December 2009 will decide the terms on which 'forest' credits will be accepted.
http://www.pacificmagazine.net/news/2008/12/02/png-advocates-voluntary-market-for-carbon-credits

Policymakers need to agree to the post-Kyoto climate architecture soon to implement it in 2012. Using a set of quantitative indicators, this column assesses a number of proposed international climate policy architectures and evaluates their economic efficiency, environmental effectiveness, distributional implications, and enforceability. Unfortunately, the most effective policies are the most costly and hardest to enforce.
http://www.resourceinvestor.com/pebble.asp?relid=48516

Right now in Noel Kempff Mercado National Park, a day's drive over rutted tracks northeast of the Bolivian city of Santa Cruz, they're counting the trees. Members of nearby indigenous communities, with help from the Bolivian green group Friends of Nature Foundation (FAN) and the American nonprofit the Nature Conservancy (TNC), have fanned out across the Noel Kempff's 4.2 million acres (1.7 million ha), which range from Amazon rainforest to dry savanna.
http://www.time.com/time/magazine/article/0,9171,1864302,00.html

Vietnam's export of wood products has risen sharply since it joined the WTO two years ago, an industry official said. 'The export value is expected to top USD2.8 billion this year, 28.6% higher than in 2006', said Tran Quoc Manh, deputy chairman of the HCM City Handicraft and Wood Industry Association (HAWA).
http://vietnamnews.vnagency.com.vn/showarticle.php?num=05BUS061208

The Union government of India has drafted the Compensatory Afforestation Bill, 2008, to establish a compensatory afforestation fund. Revenues collected from agencies that divert forests (even protected ones) for non-forest use will be pooled into this corpus. Net present value (NPV) has been adopted as an economic tool to calculate the compensatory fiscal value of diverted forests.
http://nation.ittefaq.com/issues/2008/12/08/news0001.htm

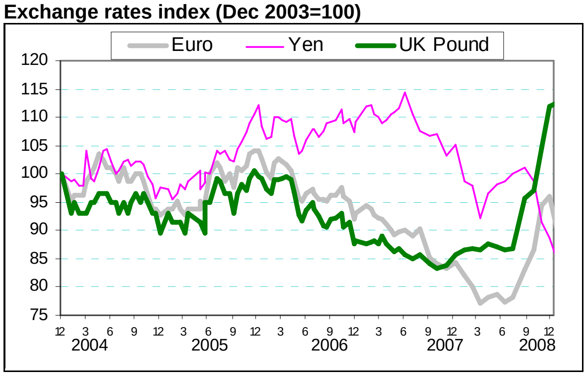
The World Resources Institute and the Environmental Investigation Agency today launch a partnership to combat illegal logging worldwide and clean up timber supply chains. The partnership focuses on the 100-year old Lacey Act, which was recently amended to include plant products - including timber and wood. 'The Lacey Act, if enforced, has the potential to send a powerful signal around the world that the U.S. is serious about curtailing illegal logging. Increasingly, illegal logging and deforestation contribute to climate change', said Jonathan Lash, president of WRI.
http://www.wri.org/press/2008/12/wri-eia-form-partnership-stem-illegal-forest-products-imported-us

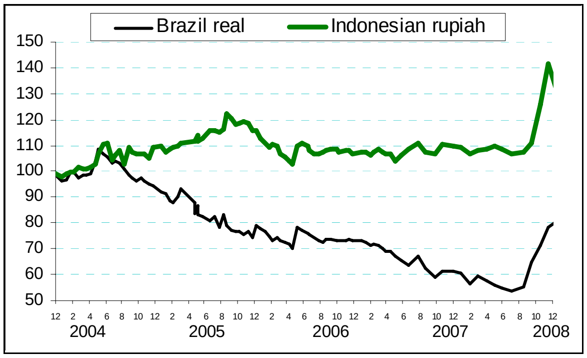
Main US Dollar Exchange Rates

As of 15 December 2008

Brazil	Real	2.3832	↑
CFA countries	CFA Franc	478.520	↓
China	Yuan	6.8492	↓
EU	Euro	0.7295	↓
Indonesia	Rupiah	11,074.00	↓
Japan	Yen	90.74	↓
Malaysia	Ringgit	3.5625	↓
Peru	New Sol	3.1133	↑
UK	Pound	0.6536	↑

Exchange rates index (Dec 2003=100)

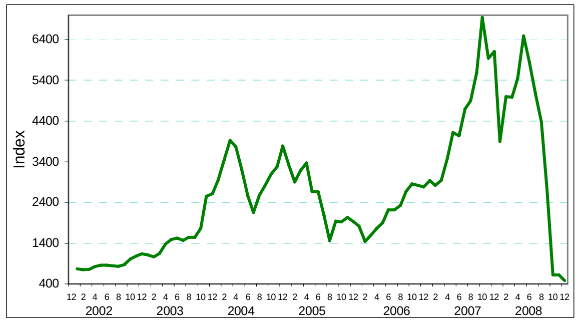




Abbreviations and Equivalences

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

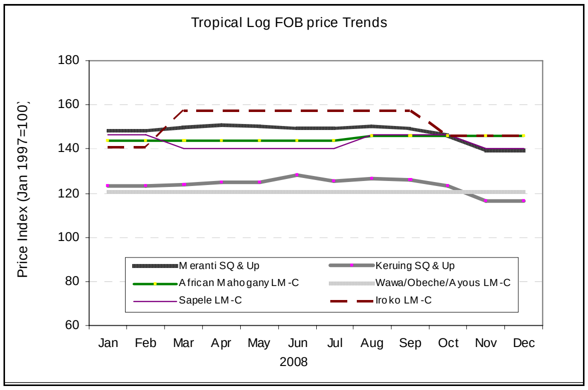
Ocean Freight Index



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.

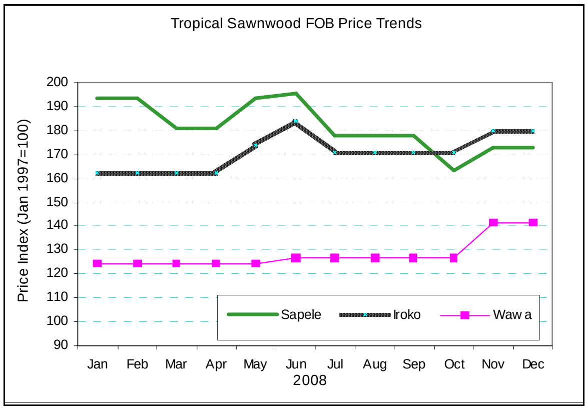
Appendix. Tropical Timber Price Trends

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