

# Tropical Timber Market Report since 1990

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## Snapshot

Trends during the past fortnight continued steady since our last report. Most markets were sluggish and producers were competing for market access. Japan's projected demand for imports of Southsea logs and lumber in the second and third quarters was expected to drop. China's exports also tumbled significantly during the first quarter of 2009. In the face of increasing market competition, Indian manufacturers have petitioned the Indian government to slap a 30% safeguard duty on Indonesian particleboard exporters to India.

Some exporters were hopeful that the Voluntary Partnership Agreements (VPA) with the EC would yield increased market access and stop illegal timber trade. The EC successfully concluded a VPA with the Republic of Congo, the second in the world after Ghana. Reports also indicated that the EC was in the final stages of negotiating a VPA with Malaysia.

In the midst of the economic crisis, countries were also announcing initiatives to use wood pellets as an alternative to energy use from fossil fuels. Japan announced a five-fold increase in the amount of factories producing wood pellets in the last five years. Ghana's Scanstyle was also developing mechanisms to reduce wood waste by using saw dust to form wood pellets to generate electricity in the country.

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## Report from Central/West Africa

### Prices hold steady despite sluggish markets

There were no price changes reported from early to mid-May given the subdued trading environment. As noted previously, there were some hints of a mild resumption of European buyer interest, especially from the UK, where some importers and merchants were of the opinion that in-country stocks of the major species were so low as to require top-up purchases within the month. Other analysts pointed to drastically lower production in West and Central African exporting countries and believed there could be problems in sourcing prompt supplies of favorite species such as sipo and even sapele.

Thus far, none of this speculation has resulted in any impact on the rate of new inquiries. Exporters report very little interest from European traders. French importers were said to be particularly well-stocked and unlikely to resume serious buying ahead of the annual European summer holiday period commencing end June. West and Central African producers were concentrating on Asian and Indian markets where business appeared to be holding steady. Small volumes of sawn lumber were shipped to the Netherlands, where construction activity was slightly improved, and to Italy, where the furniture manufacturing and export trade was maintaining its export market share in a difficult economic climate.

At present, it is difficult to predict how the market will develop through the end of the quarter. Possibly, there will be no changes in the current stable prices but low volume conditions could be expected to be a 'best guess' for the time being. Governments have promised action and have injected taxpayers' money into the governments' financial markets. It is expected that the results of these moves will begin to impact the market and business in the near future.

### EC concludes VPA with Republic of Congo

The European Commission (EC) has announced the successful conclusion of a Voluntary Partnership Agreement (VPA) with the Republic of Congo to tackle the problem of illegal logging and illegal trade. The system established under the Agreement will ensure timber products exported to the EU from the Congo will be from legal sources. The first legal exports to Europe under the new system are expected in 2011. By that time, a system of legal verification and traceability will be in place, requiring the timber products to be supported by licences showing the products have been legally harvested and are from sustainably managed forest sources.

The deal, which was struck after 14 meetings and 4 negotiating sessions, provides for the two parties to agree on, inter alia, the definition of legality, a legal system of verification, a system of traceability and an independent audit system. According to a press release from the EC, the Agreement also allows for a high level of engagement of civil society groups in shaping laws on forest governance and industrial logging monitoring approaches in the country. The agreement is the first of its kind in Central Africa and Congo is the second country in the world, after Ghana, to conclude such an agreement.

According to a press release by the European Forest Institute, the Agreement will reassure European consumers of the origin of timber imported from Congo. Mr. Henri Djombo, Minister of Forest Economy, noted a total of 4,674,320 acres of certified forests were in the Congo as of March 2009 and hoped the new Agreement would boost new opportunities for Congo in European timber markets and reinforce governance in the sector. Currently, Congo exports some USD330 million of timber and timber products, of which half are sent to European countries such as Italy, Spain, Portugal, France, Germany, the Netherlands and Belgium.

### Gabonese timber company records significant increase in turnover

The National Timber Company of Gabon (SNBG) reported record turnover of 12% in 2008, reported *Afrique en Ligne*. The jump from 7% in 2007 occurred due to the massive rise in sales volumes, with China and India absorbing 84% of sales when compared to 66% in 2007. The volume of various timber species grew nearly four-fold in 2008, rising 3,300 m<sup>3</sup> in 2007 to 12,307 m<sup>3</sup> in 2008. Mahogany was the most popular species sold, representing 74% of total sales in 2008.

### West Africa Log Prices

West Africa logs, FOB		€ per m <sup>3</sup>	
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	205	198	153
Ayous/Obéché/Wawa	195	192	150
Azobe & Ekki	189	189	
Belli	175	170	-
Bibolo/Dibétou	152	140	
Bubinga	533	470	390
Iroko	257	250	200
Okoume (60% CI, 40% CE, 20% CS) (China only)	151	-	-
Moabi	270	270	206
Movingui	170	145	137
Niove	140	140	-
Okan	180	180	122
Padouk	275	255	215
Sapele	225	220	150
Sipo/Utile	270	270	215
Tali	200	200	114

### West Africa Sawnwood Prices

West Africa sawnwood, FOB		€ per m <sup>3</sup>
Ayous	FAS GMS	300
	Fixed sizes	360
Okoumé	FAS GMS	290
	Sel. & Bet. GMS Italy	215
	Sel. & Bet. fixed sizes	-
Sipo	FAS GMS	530
	FAS fixed sizes	-
	FAS scantlings	570
Padouk	FAS GMS	545
	FAS scantlings	585
	Strips	450
Sapele	FAS Spanish sizes	390
	FAS scantlings	460
Iroko	FAS GMS	451
	Scantlings	455
	Strips	345
Khaya	FAS GMS	380
	FAS fixed	420
Moabi	FAS GMS	525
	Scantlings	540
Movingui	FAS GMS	300-320

## Report from Ghana

### Scanstyle harness saw dust to generate electricity

Scanstyle Biofuel of Denmark and Scanstyle Ghana Ltd, a timber processing firm in Ghana, are using saw dust to form wood pellets designed to generate heat for electricity. The electricity from the boilers can be used for lighting purposes, including in urban households, thereby reducing the pressure on the national electricity grid. The information was conveyed by Mr. Albert Zanu, Deputy Managing Director of Scanstyle Mim Ltd., during an exhibition of wood products by Scanstyle in the nation's capital, Accra. Prior to the collaboration between the two firms, saw-dust from the company's mills were discarded as by-products of little or no economic value. Mr. Zanu explained the value of sawdust has now increased since it is being used as pellets to generate heat in boilers. It has become an important by-product for the generation of electricity in the country.

A director of Scanstyle Mim, Mr. Paul Kwabena Pepra, said the company had planted its concession with a variety of timber species as part of its contribution to afforestation in the country. He said some of the species available in the concessions included dahoma, danta, iroko (odum), candollei, redwood and wawa. He added that a recent survey conducted on Ghana's markets revealed there was great potential in the domestic market that had been neglected for a long time.

Mr. Pepra said Scanstyle intended to change its over reliance on the export market and concentrate more on the domestic market. He also said the company had made a firm commitment to treat its domestic customers with due respect and regard by providing them with the right products at the right time and price. He explained the global economic downturn had provided exporters with a lesson of not being overly reliant on foreign trade at the expense of domestic trade. Mr. Pepra said the company was building a warehouse in Accra to enable its customers to purchase kiln-dried wood products at ex-stock prices. Scanstyle Ghana Ltd. has been the nation's leading exporter of furniture parts to Europe for the past four decades.

### Ghana Log Prices

Ghana logs, domestic	US\$ per m <sup>3</sup>	
	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.)	80-100	110-135
Sapele Grade A	135-150	155-175
Makore (Veneer Qual.) Grade A	125-135	140-166

### Ghana Sawwood Prices

Ghana Sawwood, FOB	€ per m <sup>3</sup>	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up		
Afromosia	855	-
Asanfina	500	560
Ceiba	190	260
Dahoma	330	410
Edinam (mixed redwood)	425	430
Emeri	360	430
African mahogany (Ivorensis)	595	665
Makore	520	610
Niangon	555	640
Odum	645	700
Sapele	540	600
Wawa 1C & Select	260	285

Ghana sawwood, domestic		US\$ per m <sup>3</sup>
Wawa	25x300x4.2m	250
Emeri	25x300x4.2m	335
Ceiba	25x300x4.2m	210
Dahoma	50x150x4.2m	290
Redwood	50x75x4.2m	285
Ofram	25x225x4.2m	330

### Ghana Veneer Prices

Rotary Veneer, FOB	€ per m <sup>3</sup>	
	CORE (1-1.9mm)	FACE (<2mm)
Bombax	320	350
Kyere, Ofram, Ogea & Otie	315	350
Chenchen	315	350
Ceiba	325↑	345
Mahogany	400	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 <sup>3</sup>
Ceiba		245
Chenchen, Ogea & Essa		295
Ofram		312

Sliced Veneer, FOB	€ per m <sup>2</sup>	
	Face	Backing
Afromosia	1.19	1.00
Asanfina	1.50	0.80
Avodire	1.12	0.80
Chenchen	0.80	0.45
Mahogany	1.40	0.79
Makore	1.40	0.90
Odum	1.75	0.95

### Ghana Plywood Prices

Plywood, FOB B/BB, Thickness	€ per m <sup>3</sup>			
	Redwoods		Light Woods	
	WBP	MR	WBP	MR
4mm	560	475	500	375
6mm	340	325	335	285
9mm	365	305	290	270
12mm	300	295	270	255
15mm	310	300	280	270
18mm	300	290	285	250

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 <sup>2</sup>		
	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
Afromosia	13.72	18.22	17.82

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

## Report from Malaysia

### EC and Malaysia in final stages of VPA negotiations

The EC and Malaysia are entering into the final stages of a bilateral Voluntary Partnership Agreement (VPA) in the trade of legally produced and harvested timber, reported *Bernama*. Senior trade negotiators will meet in June or July 2009 to resolve outstanding issues once the technical aspects of the Agreement are approved by both sides.

According to Vincent Picket, Ambassador and Head of Delegation of the European Commission in Malaysia, legal mechanisms were being finalized in the EU to stop the problem of trade in illegally harvested timber and thus it was vital the VPA be agreed upon soon. Malaysia exports up to RM2.8 billion (EUR600 million) worth of timber products to the EU every year.

### PEFC endorses MTCS

On 5 May, the Programme for the Endorsement of Certification (PEFC) announced that the Malaysian Timber Certification Scheme (MTCS) had become the first tropical timber certification scheme in the Asia-Pacific region to be endorsed by the Programme. The MTCS, which is operated by the Malaysian Timber Certification Council (MTCC), is also the only tropical scheme to be endorsed by the PEFC after the Gabonese Forest Certification Scheme, reported *The Daily Express*.

The Chairman of the MTCC, Dato Dr. Freezailah Che Yeom, said the endorsement allows the MTCS to gain mutual recognition with 26 other PEFC-related certification schemes. It also allows MTCS-certified manufacturers and exporters to combine PEFC-certified material from Malaysia with other PEFC-certified material under the PEFC logo.

### MTC sees potential in Middle East amid global exports decline

The Malaysian Timber Council (MTC) continues to believe the Middle East holds much potential for Malaysian timber products in spite of the current global economic slowdown affecting its traditional markets, reported *Bernama*. Malaysia exported RM1.7 billion worth of timber products to the Middle East in 2008, in which the UAE accounted for RM850 million.

*The Star* indicated Malaysian exports of all products continued to fall in March, declining for the sixth month in a row to RM43.6 billion, a 15.6% drop from the same period 2008. Exports contracted 20% to RM121.47 billion and imports declined 28.9% to RM88.8 billion in the first quarter of 2009. Total trade amounted to RM210.27 billion, marking an overall decline of 24%.

### Malaysia Log Prices

Sarawak log, FOB	US\$ per m <sup>3</sup>
Meranti SQ up	229-253↓
Small	211-242↓
Super small	200-224↓
Keruing SQ up	216-228↓
Small	187-218
Super small	162-193
Kapur SQ up	206-231↓
Selangau Batu SQ up	178-215
Pen. Malaysia logs, domestic (SQ) US\$ per m <sup>3</sup>	
DR Meranti	232-251↓
Balau	298-325↓
Merbau	322-357↓
Rubberwood	42-77↑
Keruing	215-231↓

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 <sup>3</sup>
White Meranti A & up	280-311↓
Seraya Scantlings (75x125 KD)	450-465↓
Sepetir Boards	249-271↓
Kesondok 25,50mm	351-369↓
Kembang Semangkok	294-317↓
Malaysian Sawnwood, domestic	
Balau (25&50mm,100mm+)	331-351↓
Merbau	474-525↓
Kempas 50mmx(75,100 & 125mm)	260-300↓
Rubberwood 25x75x660mm up	196-246↑
50-75mm Sq.	237-269↑
>75mm Sq.	259-288↑

### Malaysia Plywood Prices

Malaysia ply MR BB/CC, FOB	US\$ per m <sup>3</sup>
2.7mm	415-477
3mm	392-422
9mm & up	337-409
Meranti ply BB/CC, domestic	
3mm	388-429
12-18mm	322-351

### Other Malaysia Panel Prices

Malaysia, Other Panels, FOB	US\$ per m <sup>3</sup>
<i>Particleboard</i> Export 12mm & up	229-252
Domestic 12mm & up	214-231
<i>MDF</i> Export 15-19mm	284-316
Domestic 12-18mm	273-291

### Malaysia Added Value Product Prices

Malaysia, Mouldings, FOB	US\$ per m <sup>3</sup>
Selagan Batu Decking	547-557
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	563-576
Grade B	514-523

### Malaysia Furniture and Parts Prices

Malaysia, Rubberwood, FOB	US\$ per piece
Semi-finished dining table	
solid laminated top 2.5'x4', extension leaf	58-74
As above, Oak Veneer	65-79
Windsor Chair	57-59
Colonial Chair	55-60
Queen Anne Chair (soft seat)	
without arm	55-63
with arm	55-64
Chair Seat 27x430x500mm	43-48
Rubberwood Tabletop	US\$ per m <sup>3</sup>
22x760x1220mm sanded & edge profiled	
Top Grade	556-588
Standard	541-559

## Report from Indonesia

### India mulls slapping 30% duty on Indonesian particleboard

Indonesian particleboard exports to India, together with those from other countries, may be subject to a safeguard duty of up to 30%, noted *Business Standard*. The Directorate General of Safeguards (DGS) of India has recommended imposing this duty, which is a form of emergency import duty, for a period of up to 200 days as a measure to protect Indian particleboard manufacturers.

A surge in imports from other low-cost producers had led a number of major Indian manufacturers, which account for 60% of domestic production, to file a petition with the Indian government. While the petition requests extending this protection to Indian manufacturers for a period of up to four years, no decision has been made to date.

### Indonesian manufacturing sector contracts in first quarter 2009

*The Jakarta Post* reported on the contraction of the Indonesian manufacturing sector in first quarter 2009, with output easing marginally by 1.6% vis-à-vis fourth quarter of 2008, according to the Central Statistics Agency (BPS) of Indonesia. The timber and non-furniture timber sectors declined 5.1%. Imports of industrial raw materials plunged 42.2% in the first quarter of 2009.

#### Indonesia Log Prices (domestic)

Indonesia logs, domestic prices	US\$ per m <sup>3</sup>
Plywood logs	
Face Logs	186-229
Core logs	167-200
Sawlogs (Meranti)	174-235
Falcata logs	142-176
Rubberwood	36-62▲
Pine	157-196
Mahoni (plantation mahogany)	475-501

#### Indonesia Sawwood Prices

Indonesia, construction material, domestic	US\$ per m <sup>3</sup>
Kampar (Ex-mill) AD 3x12-15x400cm	170-189
KD	193-227
AD 3x20x400cm	218-241
KD	222-247
Keruing (Ex-mill) AD 3x12-15x400cm	234-248
AD 2x20x400cm	220-238
AD 3x30x400cm	200-219

#### Indonesia Plywood Prices

Indonesia ply MR BB/CC, FOB	US\$ per m <sup>3</sup>
2.7mm	404-461
3mm	360-401
6mm	317-381

MR Plywood (Jakarta), domestic	US\$ per m <sup>3</sup>
9mm	254-265
12mm	246-256
15mm	235-249

#### Other Indonesia Panel Prices

Indonesia, Other Panels, FOB	US\$ per m <sup>3</sup>
<i>Particleboard</i> Export 9-18mm	217-228
Domestic 9mm	191-203
12-15mm	182-193
18mm	172-184
<i>MDF</i> Export 12-18mm	254-267
Domestic 12-18mm	234-245

#### Indonesia Added Value Product Prices

Indonesia, Mouldings, FOB	US\$ per m <sup>3</sup>
Laminated Boards Falcata wood	304-316▼
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	496-530▼
Grade B	451-472▼

## Report from Myanmar

### Decline in prices may indicate slump in demand

Despite efforts to maintain previous prices by shifting the amount of supply available, price declines in the April tender indicated a slump in demand. Analysts say the actual situation of price and supply in the markets will be clearer in the next few months. No new contracts on an ex-works basis have been entered into, except for the replacement of outstanding contracts on an FOB basis with an ex-works basis. The next tender sales will be on 22 and 25 May.

#### Myanmar Log Prices (natural forests)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)	
Veneer Quality	Mar	Apr
2nd Quality	-	-
3rd Quality	4,389 (5 tons)	3,585 (4 tons)
4th Quality	3,639 (11 tons)	3,215 (12 tons)
<i>Sawing Quality</i>	Mar	Apr
Grade 1 (SG-1)	2,543 (61 tons)	2,342 (42 tons)
Grade 2 (SG-2)	2,419 (19 tons)	2,393 (39 tons)
Grade 3 (SG-3)	-	-
Grade 4 (SG-4)	2,071 (412 tons)	1,992 (302 tons)
Grade 5 (SG-5)	1,579 (145 tons)	1,714 (111 tons)
Assorted		
Grade 6 (SG-6)	1,305 (85 tons)	1,443 (112 tons)
Domestic		
Grade 7 (ER-1)	1,017 (81 tons)	1,011 (311 tons)
Grade 8 (ER-2)	-	-

Hoppus ton=1.8m<sup>3</sup>. 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

### Brazilian institute develops new technique in timber tracking

The Web Forest Planet Institute has developed a technology to mark trees with electronic chips containing information on species, height and size, reported *Globo Amazônia*. A new system enables the chips to be placed on tree trunks to control forest management areas and combat deforestation. The technique was designed for use in forest management areas where timber extraction has been planned. Using the new technique, it will be possible to control trees being logged through a central monitoring center. After logging, timber can be monitored from harvesting through to processing. The objective is to stop timber fraud in the field and report false volume registration.

The current logging process may be undermined by fraud. Cases are common in which the timber volume logged in a forest management area is increased on paper so that illegal timber logged in other locations, such as federal lands, can be included in the total allowable harvest of the forest management area and be passed as legal. The new control system is said to be capable of identifying each tree being logged, so that the whole process will be electronically tracked, eliminating this type of fraud. However, the initiative requires timber industries to provide for and utilize the technology.

### Pará timber industry closes first quarter with more lay offs

The state of Pará timber industry closed the first quarter of 2009 with a net loss of 1,596 jobs, reported *O Liberal*. According to a study by the Department of Statistics and Socio-economic Studies of Pará (DIEESE-PA), the informal sector of the timber industry in Pará employed 2,127 new people but laid off 3,723 employees during the period between January and March 2009.

The study, based on information from the General Register of Employed and Unemployed (CAGED) of the Ministry of Labor, analyzed several timber employers, including sawmills, veneer manufacturers, wood packagers, among others. The results indicated the forest segment losing the most jobs was the solidwood/sawmilling segment, which suffered a significant loss of 924 jobs, followed by veneer manufacturing, which lost more than 505 jobs.

On the other hand, the Brazilian Association of Furniture Companies (ABIMOVEL) expects a 5% growth in the domestic market this year. For the foreign market, ABIMOVEL believes revenue will be 3% higher than last year. Exports account for 10% of the total production in Brazil.

### Norway reaffirms commitment to Amazon Fund

The Norwegian ambassador in Brazil confirmed Norway's strong commitment to supporting projects in the Amazon to help keep the forests and preserve the way of life of traditional local populations during this recent visit to Pará state. According to news reports in *Agência Brasil*, the ambassador said the government and public and private

institutions of the state could begin preparing their project proposals to gain access to the Amazon Fund being facilitated by the National Bank of Economic and Social Development (BNDES).

The governor of Pará state presented a few environmental programmes developed by the state government of Pará such as the forest restoration programme with commercial value species developed under the '1 Billion Trees for the Amazon' Programme, which involves training, technology, land title regularization and bank credit lines for small farmers. The governor also emphasized the importance of encouraging payment for environmental services.

Norway was the first country to contribute financial resources to the Amazon Fund. On 25 March 2009, the contract was signed with BNDES and funds worth USD125 million had been transferred to the bank. The total financial commitment to the Fund was expected to be USD500 million, but Norway indicated that its contribution could be upward of that amount.

### Brazilian furniture exports tumble more than 29%

Brazilian furniture exports plunged 29.3% from January to March 2009, compared to the same period of 2008. The state of Rio Grande do Sul, however, remained stable, showing an increase of 1.9% in exports.

The countries with the highest amount of increased furniture imports by volume were: Argentina (23%); Uruguay (15%); and Angola (153.4%). Other large furniture importing countries from Rio Grande do Sul were the UK, Chile, Spain, the United Arab Emirates and the US, which reduced their imports by 20.8%, 53.3%, 74%, 85% and 22.7%, respectively. Argentina is the largest importer of the Rio Grande do Sul's furniture exports, followed by the UK, Angola, Uruguay and the US.

### Brazil Log Prices (domestic)

	US\$ per m <sup>3</sup>
Brazilian logs, mill yard, domestic	
Ipê	112
Jatoba	80
Guariuba	53
Mescla (white virola)	58

### Brazil Sawwood Prices

	US\$ per m <sup>3</sup>
Sawwood, Belem/Paranagua Ports, FOB	
Jatoba Green (dressed)	783
Cambara KD	457
Asian Market (green)	
Guariuba	259
Angelim pedra	593
Mandioqueira	228
Pine (AD)	189

	US\$ per m <sup>3</sup>
Brazil sawwood, domestic (Green)	
Northern Mills (ex-mill)	
Ipê	528
Jatoba	406▲
Southern Mills (ex-mill)	
Eucalyptus (AD)	149▲
Pine (KD) 1st grade	194▲

### Brazil Veneer Prices

	US\$ per m <sup>3</sup>
Veneer, FOB (Belem/Paranagua Ports)	
White Virola Face 2.5mm	290
Pine Veneer (C/D)	205

Rotary cut Veneer, domestic (ex-mill Northern Mill)	US\$ per m <sup>3</sup>	
	Face	Core
White Virola	199	166

#### Brazil Plywood Prices

Plywood, FOB	US\$ per m <sup>3</sup>
White Virola (US Market)	
5.2mm OV2 (MR)	458
15mm BB/CC (MR)	395
White Virola (Caribbean market)	
4mm BB/CC (MR)	500
12mm BB/CC (MR)	401

Pine Plywood EU market, FOB	US\$ per m <sup>3</sup>
9mm C/CC (WBP)	266
15mm C/CC (WBP)	242
18mm C/CC (WBP)	237

Plywood, domestic (ex-mill Southern mill)	US\$ per m <sup>3</sup>
Grade MR (B/BB) White Virola 4mm	683
White Virola 15mm	499

Domestic prices include taxes and may be subject to discounts.

#### Other Brazil Panel Prices

Belem/Paranagua Ports, FOB	US\$ per m <sup>3</sup>
Blockboard Pine 18mm 5 ply (B/C)	310
<i>Domestic Prices, Ex-mill Southern Region</i>	
Blockboard White Virola faced 15mm	436
Particleboard 15mm	277

#### Brazil Added Value Products

FOB Belem/Paranagua Ports	US\$ per m <sup>3</sup>
Edge Glued Pine Panel	
Korean market (1st Grade)	632
US Market	483
Decking Boards	
Cambara	592
Ipê	1537

## Report from Peru

### Peruvian army gets involved with indigenous dispute

According to the *BBC*, Peru's armed forces will support local police forces for up to 30 days to ensure road, airports and other services remain open during clashes with indigenous protesters. Over 65 indigenous groups have been protesting the government's handing over indigenous territories to multinational companies without adequate consultation with the groups. The indigenous groups seek greater involvement in the development process of the territories being released to the companies for extractive industrial use.

### Peru could compensate Indian communities for protecting the Amazon

Peru's Ministry of Environment has been developing a system of compensation to Indian communities that would help protect the forests of the Peruvian Amazon. The state would pay S/5.00 (USD1.70) for every hectare of preserved forest. The Minister of Environment, Antonio Brack, noted the programme would enable the communities to receive about S/55 million (USD18.3 million) from the year 2010.

Peru has 11 million hectares of forests that have been allocated to various native villages. The funds are also expected to help achieve other development objectives on health and education. Brack also said the program might be financed with the resources of the state and grants for international cooperation. Brack confirmed the resources needed for the initiative would be included in the public budget for fiscal year 2010. He noted native communities

in Peru currently receive USD30,000 in total from international cooperation funding to preserve their forests.

### Peru signs FTA with China

After a year of negotiations, Peru and China signed a Free Trade Agreement (FTA) to grow the Peruvian export market to the Asian giant, as well as stimulate further Chinese investment in Peru. According to the Vice Minister of Foreign Trade, Eduardo Ferreyros, the agreement will allow Peru to export USD805 million in various non-traditional products. China is expected to increase its investments to Peru up to USD4.5 million. Ferreyros also noted that total exports to China have significantly expanded during the last few years, growing 149% between 2004 and 2007.

### Bozovich Wood sees year of minor growth

Bozovich Wood, a company dedicated to the utilization and marketing of wood, announced its forecasts for 2009 and expected minor growth in exports for the remainder of the year. Between January and March 2009, the company generated 39% less in revenues than the same period in 2008. Due to the company's losses, it has had to reduce its workforce by 20%.

Although 80% of its products have been exported to traditional market destinations, the company will revamp its strategy to offset losses and move more products to the internal market. Their goal is to redirect to the internal market more than 10% of a variety of its flooring products (laminated and parquet), which will be exhibited in home improvement shops.

#### Peru Sawnwood Prices

Peru Sawnwood, FOB Callao Port	US\$ per m <sup>3</sup>
Mahogany S&B KD 16%, 1-2" random lengths (US market)	1722-1798
Spanish Cedar KD select	
North American market	918-922
Mexican market	897-921
Pumaquiro 25-50mm AD Mexican market	485-515

\*Cheaper and small-dimension sawnwood for this market.

Peru Sawnwood, FOB Callao Port (cont.)	US\$ per m <sup>3</sup>
Virola 1-2" thick, length 6'-8' KD	
Grade 1, Mexican market	315-362
Grade 2, Mexican market	269-296
Cumaru 4" thick, 6'-11' length KD	
Central American market	788-814
Asian market	768-789
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	509-549
Dominican Republic	558-569
Marupa (simarouba) 1", 6-11 length Asian market	366-388

Peru Sawnwood, FOB Iquitos	US\$ per m <sup>3</sup>
Spanish Cedar AD Select Mexican market	887-909
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	299-323
Grade 2, Mexican market	266-280
Grade 3, Mexican market	145-165
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	226-237

Peru sawnwood, domestic	US\$ per m <sup>3</sup>
Mahogany	940-961
Virola	46-61 ↓
Spanish Cedar	298-344
Marupa (simarouba)	60-74 ↓

### Peru Veneer Prices

	US\$ per m <sup>3</sup>
Veneer FOB	
Lupuna 3/Btr 2.5mm	189-202
Lupuna 2/Btr 4.2mm	203-217
Lupuna 3/Btr 1.5mm	211-221

### Peru Plywood Prices

	US\$ per m <sup>3</sup>
Peru plywood, FOB (Mexican Market)	
Copaiba, 2 faces sanded, B/C, 15x4x8mm	318-347
Virola, 2 faces sanded, B/C, 5.2x4x8mm	398-405↓
Cedar fissilis, 2 faces sanded 4x8x5.5mm	745-755
Lupuna, treated, 2 faces sanded, 5.2x4x8mm	348-359
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.	368-388

	US\$ per m <sup>3</sup>
Lupuna Plywood BB/CC, domestic (Iquitos mills)	
122 x 244 x 4mm	415
122 x 244 x 6mm	397
122 x 244 x 8mm	403
122 x 244 x 12mm	383
(Pucallpa mills)	
122 x 244 x 4mm	439
122 x 244 x 6mm	439
122 x 244 x 8mm	416
122 x 244 x 12mm	419

### Other Peru Panel Prices

	US\$ per m <sup>3</sup>
Peru, Domestic Particleboard	
1.83m x 2.44m x 4mm	282
1.83m x 2.44m x 6mm	230
1.83m x 2.44m x 12mm	204

### Peru Added Value Product Prices

	US\$ per m <sup>3</sup>
Peru, strips for parquet	
Cabreuva/estoraque KD12% S4S, Asian market	1323-1411
Cumaru KD, S4S Swedish market	655-708
Asian market	924-967
Cumaru decking, AD, S4S E4S, US market	778-867
Pumaquiro KD # 1, C&B, Mexican market	388-444
Quinilla KD, S4S 2x10x62cm, Asian market	477-523
2x13x75cm, Asian market	617-680

## Report from Bolivia

### Bolivia Sawnwood Prices

	\$ Avg un. val. per m <sup>3</sup>
Sawnwood 1-3"x3x5"x7-19', FOB Arica Port	
Ipe (Spain and Chile markets)	1260-2000
Caviuna (Asian markets)	1615↑
Mara/Mahogany (US market)	1725-1740
Cedro (US, Argentina, Chile mkt)	890-903

### Bolivia Added Value Product Prices

	Avg \$ per piece
Doors 13/4"x36"x96", FOB Arica Port	
US market Mara macho/Tornillo (FSC)	195↑
Cambara	135
Oak (US market)	190-240

	\$ Avg Per piece
Chairs FOB Arica Port	
Ipe (US market)	47-129↓
Roble/Oak (UK market)	71-94↓
Parquet Flooring 3/4"x3-5"x1-7', FOB Arica Port	
Jatoba (US market)	1035-1215↓
Ipe (EU and Asia market)	1550-1800↓
Cumaru (FSC) (China mkt)	1755-1930

## Report from Mexico

### World Bank studies threats of climate change to Mexico

*La Jornada* reported on the results of a World Bank study explaining the effects of climate change in the Latin America and Caribbean regions. In the specific case of Mexico, the study noted that climate change would threaten the production of about 85% of agricultural operations in the country.

One of the three authors of the study, Mr. Pablo Fajnzylber, noted climate change would represent a wider threat to the country's development. He explained that the Latin American and Caribbean regions would need to undertake actions to mitigate the effects of climate change through energy efficiency; the reduction of deforestation; improvements in public transport; generation of renewable energy; development of low cost biofuels; and improving the handling of sold residues.

## Report from Guyana

### Prices show continued resilience over previous fortnight

Log prices have surged for the period 16-31 April 2009 against the corresponding fortnight for 2008, with changes evident in prices for purpleheart logs. (235/170 USD). Sawnwood prices have also soared compared to the same period of 2008, while plywood prices have remained fairly stable. A quarterly comparative export price analysis is summarized below for Guyana's main forest products:

YEAR / MARKET	Jan to Mar 2008 Price levels	Jan to Mar 2009 Price levels	Change over 2008 Jan to Mar
PRODUCT	US\$ (FOB)	US\$ (FOB)	%
Logs	143	163	13
Sawnwood**	498	566	14
Dressed	604	655	8
Undressed	438	498	14
Roundwood	193	286	48
Splitwood***	703	904	29
Plywood	387	411	6

Chart 1: Guyana's comparative export prices, January-March 2008-2009 (Source: GFC)

\*\* Row indicates combined average for Dressed and Undressed Sawnwood

\*\*\* Splitwood Export prices refer to mill-produced Splitwood, mainly Shingles

Export of shingles, windows and builders joinery products jumped by over 21% in value, with the largest revenue generated from sawnwood followed by plywood. There has been a notable increase in production over the first quarter 2009 compared to 2008, particularly for splitwood (shingles) and logs.

Guyana's newly implemented log export policy has successfully helped lower the volume of logs exported in the first quarter of 2009. Quarterly analysis shows that prices have firmed for all products over a range of 6% to 48%, with significant price rises seen in roundwood (for



which the US is the largest market); shingles (splitwood); and lumber prices (for which the largest market is the Caribbean market).

### Guyana gains from saw doctoring training

A training project executed by the Guyana Forest Commission on saw doctoring techniques came to a close on 4 May 2009 at a ceremony hosted by the Ministry of Agriculture in Guyana. This project was executed under the Canadian Cooperation Fund of the Public Works and Government Services, Canada (PWGSC) and specifically addresses various aspects of training in saw doctoring in Guyana.

This project sought to provide training to persons engaged in saw doctoring in the wood processing sector, which involves maintaining saws and relevant tools in sawmilling operations to ensure maximum production and efficiency. The initiative trained 60 stakeholders in the sector to improve efficiency, productivity and quality of end products. With the successful completion of this project, it was expected that milling efficiency and competency would improve the quality of lumber.

The Minister of Agriculture, in the closing ceremony, expressed the Government's recognition of the important role which the forest sector played in small and medium size industries. Minister Persaud emphasized that forest products must be optimally utilized to recognize the full potential of the sector. He noted that despite the size of operations, efficiency is an outcome that must be pursued, since forest resources and natural tropical forest products are experiences higher demand and scarce supply in many regions.

### Guyana Log Prices

Logs, FOB Georgetown	SQ - \$ Avg unit value per m <sup>3</sup>		
	Std	Fair	Small
Greenheart	140	130	120▲
Purpleheart	235▲	215	205
Mora	110	100	90

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

### Guyana Sawwood Prices

Sawwood, FOB Georgetown EU and US markets	\$ Avg unit val. per m <sup>3</sup>	
	Undressed	Dressed
Greenheart	Prime -	615-636
	Select/Standard 488-869▲	550-912▲
Purpleheart	Prime -	652-692
	Select/Standard 650	636-1135▲
Mora	Select 424-450▼	-

### Guyana Plywood Prices

Plywood, FOB Georgetown Port		\$ Avg unit val. per m <sup>3</sup>	
Baromalli	BB/CC	5.5mm	-
		12mm	370▼
Utility		5.5mm	-
		12mm	-

## Report from Japan

### Projections show lower Japanese demand in second and third quarters

Japan Lumber Journal (JLJ) reported on projections for Japan's demand of timber imports for the second and third quarters of 2009. The projections were announced during a meeting held by the Forestry Agency, where participants were provided with an overview of the figures for these

quarters, which showed decreasing demand in the Japanese economy with overall declines in housing starts and domestic timber demand. Both domestic and foreign timber was expected to fall 10-20% compared to the same period in the previous year. The chart below shows the projections in supply and demand for Southsea logs and lumber and plywood in Japan in the second and third quarters of 2009:

	2008	2008	2009	2009
	2Q	3Q	2Q	3Q
<b>SOUTHSEA LOGS</b>				
Supply	158	176	150	170
Demand	219	187	151	152
(for lumber)	26	25	21	22
(for plywood)	193	162	130	130
Stock	209	198	167	185
<b>SOUTHSEA LUMBER</b>				
Supply	84	91	80	85
Demand	86	93	80	80
Stock	46	44	53	58
<b>PLYWOOD</b>				
Demand (imported)	1,598	1,638	1,290	1,420
Stock	890	963	750	850

Chart 1: Expected demand for Southsea logs and lumber and all plywood to Japan, 2Q and 3Q of 2008 and 2009 (1000 m<sup>3</sup>) (Source: Forestry Agency, note: 2Q and 3Q of 2009 are estimates)

### Sanshin Lumber Co. to sell silver ash wood from PNG

Japan Lumber Journal (JLJ) reported on Sanshin Lumber Co.'s new sales of silver ash wood products from PNG. To obtain the wood, the company signed a contract with Rimbulan Hijau Group, which has its head office in Malaysia and manufactures and exports wood products from PNG. Silver ash (*Flindersia achottiana*) is a scarce variety of wood and is easy to process. It is commonly sold as a high-value item in Europe, the US, and Australia for use in furniture and flooring.

### Surge in wood pellets production in Japan

Wood pellet production in Japan was 16 times higher than in 2004, reported JLJ. As expectations that wood pellet use would be on the increase in factories and in households, nearly 40,000 tons of wood pellets were produced in 2008. The number of factories producing wood pellets also jumped to 51. Wood pellets have become particularly utilized in boilers and stoves/headers as an alternative to fossil fuels.

### Log and Sawwood Prices in Japan

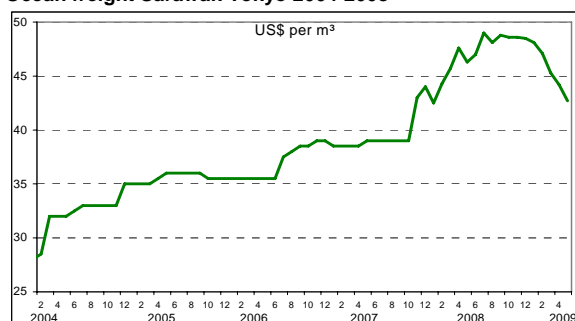
Logs for Ply Manufacture, CIF	Yen per Koku
Meranti (Hill, Sarawak)	(Koku=0.278 m <sup>3</sup> )
Medium Mixed	7,700▼
Standard Mixed	7,800▼
Small Log (SM60%, SSM40%)	6,700▼
Taun, Calophyllum, others (PNG)	7,600
Mixed light hardwood, G3/4 grade (PNG)	-
Keruing MQ & up (Sarawak)	12,000
Kapur MQ & up (Sarawak)	9,300▼

Logs for Sawmilling, CIF Melapi (Sarawak) High Select Agathis (Sarawak) High Select	Yen per Koku 11,500 -
Lumber, FOB White Seraya (Sabah) 24x150mm, 4m, Grade 1 Mixed Seraya, Sngi 24x48mm, 1.8-4m, S2S	Yen per m <sup>3</sup> 145,000 53,000

#### Wholesale Prices (Tokyo)

Indonesian & Malaysian Plywood	Size (mm)	Apr		May	
		¥ per sheet		¥ per sheet	
2.4mm (thin plywood, F 4star, type 2)	920 X 1830	360	360		
3.7mm (med. Thickness, F 4star, type1)	910 X 1820	470 ↓	460 ↓		
5.2mm (med. Thickness, F 4star, type 1)	910 X 1820	580 ↓	570 ↓		
11.5mm for sheathing (F 4star, type 2)	910 X 1820	900	900		
12mm for foundation (F 4star, special)	910 X 1820	960 ↑	950 ↑		
12mm concrete-form ply (JAS)	900 X 1800	820	820		
12m coated concrete-form ply (JAS)	900 X 1800	960	960		
11.5mm flooring board	945 X 1840	1150 ↓	1100 ↓		
3.6mm baseboard for overlays (OVL)	1230 X 2440	700	700		
<b>OSB (North American)</b>					
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](http://www.n-mokuzai.com)

## Report from China

### China exports drop significantly in first quarter

Affected by the global economic crisis, China's foreign trade in major forest products tumbled considerably in the first quarter of 2009. This is mainly due to shrinking markets of developed economies such as Europe, the US and Japan, which are the main export markets of China. The statistics from China Customs have shown China's total import and export trade value of major forest products declined for two successive quarters to only USD11.768 billion in the first quarter of 2009, down 18.9% from the same period of last year. Of the total, the country's import value was USD4.829 billion, down 27.8%, and the export value was USD6.939 billion, down 11%. The favorable trade balance continued to climb, however, and reached USD2.11 billion, up USD968 million compared with USD1.142 billion in the same period of last year.

#### 1.1 Imports

##### Logs

A total of 5.6 million m<sup>3</sup> of logs were imported by China in the first quarter of 2009 valued at about 793.94 million US dollars, down 34% by volume and 43% by value from the same period last year. Of the total, softwood imports were 3.877 million m<sup>3</sup> valued at USD433.4 million, accounting for 69.2% and 54.6% of the total, respectively. Hardwood imports were 1.72 million m<sup>3</sup> valued at

USD360.5 million, amounting to 30.8% and 45.4% of the total, respectively. During the same period, tropical log imports increased by 32.6% to reach 1.37 million m<sup>3</sup>, making up 24.5% of the total imports.

The top five suppliers of logs to China were: Russia (3.34 million m<sup>3</sup>, accounting for 59.7% of the total); New Zealand (531,500 m<sup>3</sup>, 9.5%); PNG (380,900 m<sup>3</sup>, 6.8%); Solomon Islands (333,000 m<sup>3</sup>, 5.9%); and Gabon (236,600 m<sup>3</sup>, 4.2%). Russia was still the largest supplier, but its export volume declined 43% and its share of total imports from China dropped by 9.4 percentage points from the same period last year.

##### Sawnwood

A total of 1.536 million m<sup>3</sup> of sawnwood was imported in the first quarter of 2009 and valued at USD373.43 million, up 0.55% by volume and down 12.82% by value, respectively, from the same period of last year. The major suppliers of sawnwood to China were Russia (529,600 m<sup>3</sup>, amounted to 34.5% of total); Canada (319,300 m<sup>3</sup>, 20.8%); the US (142,900 m<sup>3</sup>, 9.3%); Thailand (137,100 m<sup>3</sup>, 8.9%); and New Zealand (56,400 m<sup>3</sup>, 3.7%). The sawnwood imports from these five countries reached 1.1853 million m<sup>3</sup>, amounting to 77% of total sawnwood imports in China.

##### Wood-based panels

The imports of wood-based panels continued to decline in the first quarter of 2009. Of the total, plywood imports were 33,400 m<sup>3</sup>, valued at USD19.33 million, down 57% by volume and 56% by value from the same period of last year. The import volume and value of fiberboard was 57,000 tons and USD23.80 million, respectively, down 32% by volume and 32% by value. The import volume and value of particleboard was 49,700 tons and USD16.15 million respectively, declining 23% by volume and 34% by value. Veneer imports were 10,500 tons valued at USD13 million, down 44% by volume and 47% by value from the same period last year.

##### Wood pulp and waste paper

Imports of both pulp and paper continued to increase during this period. However, import values fell considerably. Wood pulp imports reached 3.1 million tons valued at USD1.465 billion, up 27% by volume and down 15% by value from the same period last year. Waste paper imports were 5.93 million tons valued at USD658.27 million, up 0.29% by volume and down 49.73% by value.

##### Paper board and paper products

A total of 674,400 tons of paperboard and paper products was imported, valued at USD748.73 million, down 24% by volume and 25% by value, respectively, from the same period last year.

##### Wooden furniture

Import of wooden furniture both by volume and value fell during the first quarter of 2009. A total of 790,900 pieces of wooden furniture was imported and valued at USD69.173 million, down 7% by volume and 1% by value from the same period last year.

### Wood chips

A total of 217,200 tons of wood chips were imported valued at USD28.24 million, down 27% in volume and 39% in value from the same period last year.

### 1.2 Exports

#### Wooden furniture

A total of 52.60 million pieces of wooden furniture (including wood frame seats, bedroom furniture, office furniture, kitchen furniture and other wooden furniture) were exported valued at USD2.3 billion, down 4.7% by volume and 2% by value from the same period last year. Wooden furniture is an extremely important component of China's forest products exports, accounting for one-third of the total export value of forest products in the country.

#### Paperboard and paper products

A total of 1.16 million tons of paperboard and paper products were exported and valued at USD1.44 billion, down 31% in volume and 16.8% in value from the same period of last year. Accounting for 21% of total export value of forest products in China, paperboard and paper products remain the second largest exported forest product.

#### Other wood products

A total of USD649.2 million of other wood products (including wooden doors and windows, flooring, wooden handicrafts and wooden packages) were exported in the first quarter of 2009, down 11% from the same period last year.

#### Plywood

Plywood exports continued to decline dramatically in the first quarter of 2009 to 959,600 m<sup>3</sup> (USD462.18 million), down 41% by volume and 38% by value from the same period of last year.

#### Fiberboard and particleboard

Exports of both fiberboard and particleboard continued to decline markedly in the first quarter of 2009. Fiberboard exports were 219,900 tons (USD137.96 million), down 56% and 46% from the same period last year. During the same period particleboard exports were 17,400 tons (USD7.766 million), down 41% by volume and 17% by value from the same period last year.

#### Sawnwood

In the first quarter of 2009 sawnwood exports continued to drop and amounted to 134,500 m<sup>3</sup> (USD85.4 million), down 17% in volume and 4% in value from the same period of last year.

### Guangzhou City Imported Timber Market

Logs		Yuan per m <sup>3</sup>
Lauan (50-60cm)		1900-2400
Kapur		1900-2450
Merbau 6m, 79-100cm diam.		4300-5300
Teak		11000-16000
Wenge		6500-7000
Sawnwood		
Teak sawn grade A		8500-9500
US Maple 2" KD		8800-11000
US Cherry 2"		14000-14200
US Walnut 2"		16000-16800
Lauan		3500-4000

### Shanghai Furen Wholesale Market

Sawnwood		Yuan per m <sup>3</sup>
Beech KD Grade AB		2500-3000
US Cherry, 25mm		7800-9500↓
US Red Oak, 50mm		9800-10500
Sapele 50mm FAS (Congo)		
KD (2", FAS)		5700-5900↑
KD (2", grade A)		3500-4200↓

### Shandong De Zhou Timber market

Logs		Yuan per m <sup>3</sup>
Larch	6m, 24-28cm diam.	1150↓
White Pine	6m, 24-28cm diam.	1230
Korean Pine	4m, 30cm diam.	1450
	6m, 30cm diam.	1550

### Hebei Shijiazhuang Wholesale Market

Logs		Yuan per m <sup>3</sup>
Korean Pine 4m, 38cm+ diam		1900↑
Mongolian Scots Pine	4m, 30cm diam.	1300↑
	6m, 30cm+ diam.	1380↑
Sawnwood		
Mongolian Scots Pine	4m, 5-6cm thick	1500↑
	4m, 10cm thick	1550↑

### Zhejiang Jiashan Kaihua International Timber Market

Logs		Yuan per m <sup>3</sup>
Okoume 80cm+		2800-3400
Sapele 80cm+		6000-6500
Wenge 80cm+		13000-14000
Plywood		
US Black Walnut 4x8x3 mm		6000-8000
Beech 4x8x3 mm		6000-8000
Teak 4x8x3 mm		6000-8000
Poplar (4x8x3-5 mm)		3000-4000

For more information on China's forestry see: [www.forestry.ac.cn](http://www.forestry.ac.cn)

**Europe signs of economic improvement in Europe may be temporary**

Indicators of economic conditions in the EU for the first quarter of 2009 - just published - were dire. However various 'softer' survey-based indices of business confidence suggest that the pace of contraction may have slowed in the second quarter. Two of the most closely watched, Germany's Ifo business confidence and the eurozone purchasing managers' indices, suggest a marked deceleration in the pace of economic contraction in coming months.

But there is great uncertainty as to whether the European economy really has hit bottom or whether the recent slightly more positive surveys are just a temporary blip as de-stocking has been extensive recently, allowing industrial production to rebound briefly without necessarily leading to a sustained recovery.

Industrial production in the 16 countries sharing the euro was 20.2 % lower in March than the same month in 2008 - the steepest year-on-year drop since records began in 1991, according to Eurostat, the European Union's statistical office. The level of production in March was the lowest since November 1997.

While March eurozone production data suggests very poor conditions throughout the euro-zone, some areas were much more badly afflicted than others. The figures were dragged particularly low by weak Italian, French and Spanish performances. Gloomy conditions have also set in throughout much of Eastern Europe with the Baltics taking a particular pounding. The collapse of the Spain's construction sector with the bursting of a large property bubble has also left that country particularly exposed. Spanish unemployment has soared to more than 17% of its labor force - the highest for more than a decade.

On the other hand, German industry appears closer to returning to growth - helped by a pickup in demand for its exports. Indeed, a contraction of just 0.4% in German industrial production in March compared with February meant the eurozone fall of 2% over the same period was the smallest since August last year.

In line with the production data, Eurozone first quarter gross domestic product figures due to be released on 15 May are expected to show a significantly faster pace of contraction than the already steep 1.6% fall reported in the final three months of 2008. Economists predict a fall in excess of 2% - significantly larger than in the US. Outside the euro-zone, on 14 May the Bank of England cut its growth forecasts for the UK on the back of the weaker-than-expected first quarter. The consensus view among institutions such as the International Monetary Fund and European Commission is that Europe will not see recovery until 2010 - and even then it will be only gradual.

**Short term rebound in hardwood orders during fortnight**

Mirroring the economic conditions, the vast majority of European hardwood traders contacted for this report - many of which were visiting the Interzum show in Cologne for suppliers to the furniture industry - reported very bleak market conditions. There are reports of large scale closures of furniture and joinery companies, with those still operating now only working short shifts. Lack of credit due to the restricted lending policies of the banks has added to the difficulties created by declining consumption.

Another pernicious problem is the severe difficulties now experienced by many European wood-based companies to obtain credit insurance. The absence of such insurance, designed to protect businesses from the risk of customers defaulting on payments, effectively makes it too risky for companies to provide goods on credit. The result is that more companies are insisting on trading on a cash-only basis or introducing much more restrictive payment terms, further discouraging consumption.

There are a few reports of a brief flurry of forward orders for hardwood sawn lumber during late April and early May as some importers, concerned about reports of extremely low logging levels and mill closures in key supply regions and having bought very little over the last six months, took the opportunity to restock. However, the volumes involved are relatively small with few operators willing to make speculative purchases and most focused merely on riding out the storm by reducing stocks and operating costs.

**Credit crunch may encourage switch from real wood**

One Italian importer interviewed at the Interzum show in Cologne suggested that one disturbing impact of the credit crunch is that it seems to be encouraging some European furniture and joinery manufacturers to switch away from real wood products in favor of alternatives. The long lead times between ordering of some wood products (particularly from the tropics) combined with the current difficulties of assessing future consumption levels, means that ordering these products is seen as particularly risky under current market conditions. So manufacturers are being encouraged to switch to materials which can be more easily supplied on a little-and-often basis and more easily adapted at short notice to changing consumption patterns. So for example, Italian kitchen furniture manufacturers are being encouraged to switch away from solid hardwood surfaces in favor of laminates.

However, this trend is not necessarily universal. For example in North-western Europe, where the hardwood importing sector is more consolidated, the presence of companies operating very large concentration yards, particularly in the Benelux region, has helped to mitigate the problem of long lead times for manufacturers. And in Italy itself, one message from the recent Milan Salone de Mobile show was that the European furniture sector is, if anything, increasing its emphasis on high quality, high value design-led production as a means of countering the emerging threat from Chinese and other non-European



manufacturers. The continuing use of high quality solid hardwood lumber and real wood veneer seems to be very much part of this high end strategy for many manufacturers, given the strong fashion now for 'natural materials' and for products that are more 'timeless' and durable. In Milan, if something looked like wood, it really was wood. There was little or no use of wood look-a-like products.

#### **Interzum show in Germany provides snapshot of trends**

The Interzum show in Cologne Germany also provided a useful snapshot of current trends affecting the European hardwood market. Interzum press releases suggest that the show this year is at least as large as the previous show in 2007 and the organizers were also optimistic numbers would hold up well. However there was a strong feeling amongst exhibitors interviewed on the first couple of days of the show that visitor numbers this year were down and that new business opportunities were much more limited than usual. There were 7 Halls at the show, the hardwood sector, particularly sliced veneers, dominating Hall 5 devoted to 'Natural Materials'.

Interviews with veneer manufacturers at Interzum suggested that oak is still hugely dominant in the European sliced market, accounting for over 50% of sales. Tropical hardwoods, which were widely displayed in Hall 5, are believed to account for perhaps 10-15% of the market. Among tropical hardwoods, various species of Rosewood are currently particularly popular for surfacing high end furniture products. These species are valued for providing a richly colored and strong and interesting grain. It was noted that veneer manufacturers tend to respond to client requirements – so the key to increasing demand for tropical hardwood sliced veneers is to engage directly with designers.

The design oriented approach to marketing was particularly well illustrated by the American Hardwood Export Council (AHEC) at Interzum. AHEC had a large stand at the show, a key focus of which was to illustrate a wide range of architectural and furniture projects where world-renowned designers had made copious use of American hardwoods, showing off their strengths and influencing design and fashion trends. An example is Sclera Pavillion designed by David Adjaye in American tulipwood for the London Design Festival.

Unlike in Milan, there was very heavy promotion of FSC and PEFC certification at Interzum. Most of the leading veneer manufacturers and lumber suppliers at the show made a point of prominently displaying one or other logo on their stands. A well attended press conference organized by FSC-Germany and Inter-African Forest Industries Association highlighted the recent significant progress to expand FSC certification in the Congo Basin.

One particularly interesting anecdote from the Interzum show – which might be an indication of where the international veneer sector is headed in the furniture – is that Turakhia Overseas Pvt. Ltd, one of India's largest decorative veneer manufacturers participating at the show

for the first time, won an Interzum Award for High Product Quality. It seems that European manufacturers – that have traditionally dominated the world's decorative veneer sector – face mounting competition from new emerging supply sources.

#### **European Parliament begins vetting proposals for illegal timber law**

On 23 April 2009, the European Parliament voted in favor of proposals to introduce a law designed to reduce risk of illegal wood entering EU supply chains. There are still several hurdles before the proposal eventually becomes law. The legislation still faces the more challenging prospect of having to be endorsed by the European Council of Ministers. Should this process eventually come to fruition, the law could have a profound impact on the European wood supply chain and to alter the relative competitiveness of different supply regions.

The European Parliamentary vote followed on from European Commission proposals released in October 2008 for a law that would require individual European operators engaged in the trade and production of wood products to implement a 'due diligence' management system to minimize the risk of any illegal wood entering their supply chains.

Prior to voting on the law, the European Parliament's Environment Committee made very far-reaching alterations to the text which, taken together, completely alter the proposed scope and nature of the controls that would be imposed on the European wood trade.

The original proposal issued by the European Commission would require European companies to first implement a risk assessment system and then to introduce extra measures to verify the legality of products only from those suppliers considered high risk from the perspective of illegal logging. The risk assessment procedures were seen as proportionate to a situation in which only around 5% of wood consumed in the EU is at potential risk of being derived from an illegal source. The aim was to focus limited time and resources only on those supply regions where illegal logging is deemed to be a problem, to give a market incentive for adoption of FLEGT Voluntary Partnership Agreements in these regions, and to avoid imposing extra costs and bureaucracy on suppliers in areas that are low risk with respect to illegal logging.

The risk assessment procedures were also intended to avoid the profound difficulties associated with 'proving legality' in the wood supply chain which often involves considerable mixing and recombining of wood raw material from numerous supply sources during grading, processing and manufacturing. These difficulties are particularly pronounced when raw material derives from small non-industrial forest owners.

In contrast, the legislative text agreed by the European Parliament introduces a new requirement that 'operators shall ensure that only legally harvested timber and timber products are made available on the market'. This amounts to a reversal of the burden of proof, implying that

prosecutions could be brought against European wood trading companies because they are unable to prove the legality of a timber product. Furthermore, the Parliamentary text proposes that, in order to prove legality, operators would have to employ a full traceability system and third party verification. This requirement would be imposed irrespective of the level of risk of illegal wood supply.

The Parliament's text also proposes that if an operator is 'presumed to have infringed these requirements', government authorities should have powers to seize timber products and to order the operator to immediately cease commercial activities pending a full investigation. Therefore, according to this text, an operator may be closed down on the basis of a suspected failure to meet its obligation to demonstrate the legality of all wood supplies.

Unlike the European Commission's text, the Parliament's text proposes that the requirements be imposed immediately. A two-year bedding-in period proposed by the Commission is dropped, with no time to be allowed to develop the necessary competence, capacity or procedures.

The legislative proposal, including both the EC's original text and the Parliament's amendments is due to be put before the European Council of Ministers in the next few weeks. The Swedish government which holds the European Presidency during the second half of 2009 is likely to be primarily responsible for navigating the legislation through the Council. Quoted in a recent Euractiv.com article, Swedish government officials say they are hoping to finalize the new timber legislation during their EU presidency but that the negotiating difficulties are considerable.

Another member-state source told EurActiv.com that the Council are taking a very different line compared to the Parliament, being more concerned with the technical issues in the draft text, such as how to make the monitoring and compliance systems work. This source also noted that 'the Parliament's approach is more ideological' and also acknowledged that the obligation for all operators to check the origin of their timber would place a heavy burden on the industry.

#### The Netherlands Sawwood Prices

	USD per m <sup>3</sup>
FOB (Rotterdam)	
Sapele KD	883↑
Iroko KD	1006↑
Sipo KD	1073↑
DRM Bukit KD	847
DRM Seraya KD	847
DRM Meranti KD Seraya MTCC cert.	883
Merbau KD	1116
Sapupira (non FSC) KD	877
Sapupira (FSC) KD	1384
Anti-slip decking AD C&F Rotterdam	
Selangan batu	1328

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

	€ per m <sup>3</sup>
FOB plus commission	
N'Gollon (khaya) 70cm+ LM-C	310-340
Ayous (wawa) 80cm+ LM-C	220-230
Sapele 80cm+ LM-C	270-310
Iroko 80cm+ LM-C	290-320

#### UK Sawwood Prices

	Pounds per m <sup>3</sup>
FOB plus Commission	
Framire FAS 25mm	425-450
Sipo FAS 25mm	655-670
Sapele FAS 25mm	500-530
Iroko FAS 25mm	610-640
Wawa No.1 C&S 25mm	290-310
CIF plus Commission	
Tulipwood FAS 25mm	310-330
Meranti Tembaga Sel/Btr (KD 2"boards)	540-570
Balau/Bangkirai Decking	850-900
White Oak	480-530

#### UK Plywood and MDF Prices

	US\$ per m <sup>3</sup>
Plywood Panels 8x4", CIF	
Brazilian WBP BB/CC 6mm	500-515
Malaysian WBP BB/B 6mm	490-510
China (hardwood face, eucalyptus core) 18mm	330-340
China (hard face, poplar core) 18mm	320-340

### 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.**

Avoided deforestation and reforestation with native tree species were rated the most desirable forestry projects for generating offset credits, in a survey of potential buyers in the voluntary carbon market. The survey, The forest carbon offsetting survey 2009, was conducted by EcoSecurities, Conservation International, ClimateBiz and the Climate, Community and Biodiversity Alliance (CCBA).

<http://www.carbonpositive.net/viewarticle.aspx?articleID=1532>

Cambodia is nearing its Millennium Development Goal of maintaining 60 percent of its forest coverage by 2010, the Forestry Administration said. Despite its apparent success, the Forestry Administration says it will ramp up both its planting and conservation efforts to help save Cambodia's forests.

<http://www.phnompenhpost.com/index.php/2009042725523/National-news/Cambodia-on-track-to-reach-60-percent-forest-coverage.html>

Can't see the wood for the trees when it comes to your investments? Well take a step back and consider investing in exactly that – woods and trees. Forestry investing is becoming more popular and more accessible for the average individual investor.

<http://www.whatinvestments.co.uk/making-money/alternative-investments/guides/1021142/your-guide-to-investing-in-forestry.shtml>

In Guatemala, few organizations sponsor and carry out environmental education to promote sustainable use of natural resources. Disintegrated education efforts are commonly the rule and are more obvious in indigenous regions.

<http://www.guatemala-times.com/environment/1079-mayas-and-scientists-protect-guatemalas-model-forest-lachua-part-2.html>

In the last decade, Asian farmers have cleared tens of thousands of square miles of forests to accommodate the world's growing demand for palm oil, an increasingly popular food ingredient. Ancient peatlands have been drained and lush tropical forests have been cut down. As a result, the landscape of equatorial Asia now lies vulnerable to fires, which are growing more frequent and having a serious impact on the air as well as the land.

<http://www.sciencecentric.com/news/article.php?q=09050235-nasa-study-says-climate-adds-fuel-asian-wildfire-emissions>

A new report by the Asian Development Bank (ADB) provides a review of the economics of climate change in the Southeast Asian region. It confirms that the region is highly vulnerable to climate change and demonstrates that a wide range of adaptation measures are already being applied.

[http://csr-asia.com/weekly\\_detail.php?id=11680](http://csr-asia.com/weekly_detail.php?id=11680)

The United Nations Forum on Forests concluded its biennial meeting this weekend on the brink of the upcoming climate change negotiations in Copenhagen, which will focus for the first time on a substantial approach to addressing forests and climate change.

[http://news.xinhuanet.com/english/2009-05/06/content\\_11319846.htm](http://news.xinhuanet.com/english/2009-05/06/content_11319846.htm)

The US Senate Foreign Relations Committee unanimously passed S. 345, the Tropical Forest and Coral Conservation Reauthorization Act of 2009 originally introduced by US Senator Dick Lugar (R-IN), the Committee's ranking Republican, and Committee Chairman John Kerry (D-MA). The bill would further the cause of tropical rain forest conservation and broaden the initiative to protect coral reefs.

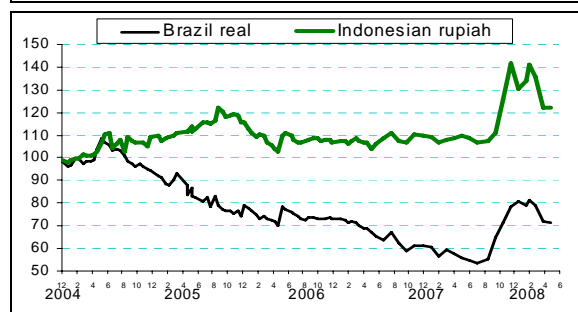
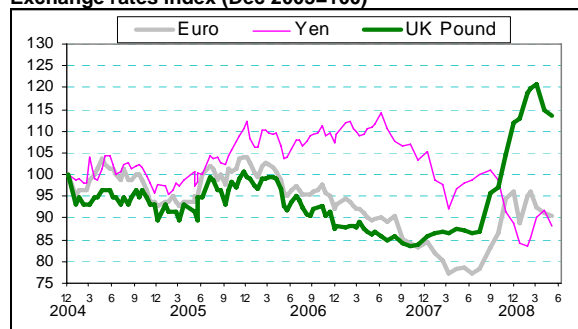
<http://www.americanchronicle.com/articles/view/101464>

## Main US Dollar Exchange Rates

As of 15 May 2009

Brazil	Real	2.1030	↓
CFA countries	CFA Franc	486.195	↓
China	Yuan	6.8250	↑
EU	Euro	0.7412	↓
Indonesia	Rupiah	10,395.00	↑
Japan	Yen	95.13	↓
Malaysia	Ringgit	3.5499	↑
Peru	New Sol	3.0239	↑
UK	Pound	0.6593	↓

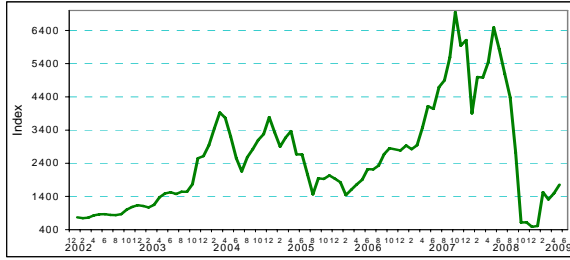
### Exchange rates index (Dec 2003=100)



## 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 <sup>3</sup>
Koku	0.278 m <sup>3</sup> 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

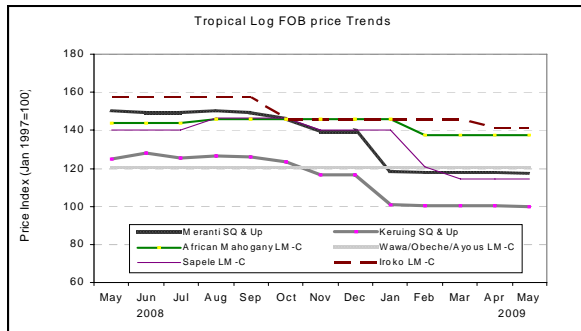
## Ocean Freight Index



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.

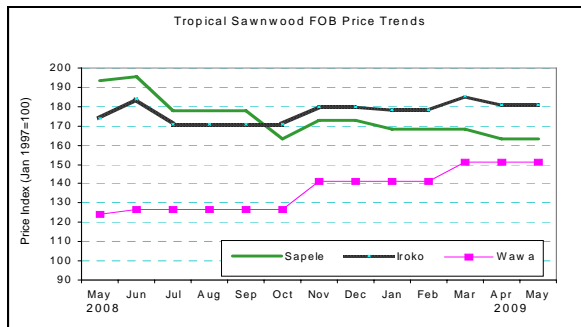
## Appendix. Tropical Timber Price Trends

### Tropical Log Price Trends



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

### Tropical Sawwood Price Trends



### Tropical Plywood Price Trends

