Tropical Timber Market Report since 1990

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Snapshot

Prices in Malaysia and Indonesia were in a slump as the timber business had not improved in recent weeks. Exporters in West Africa were not optimistic about an upturn in business through the end of the third quarter. China's forest products trade showed an 18% drop during the first five months of 2009. Japan's plywood imports and housing starts continued to drop in May 2009. Brazil reported a slump in timber and furniture exports through the first half of 2009.

Asmindo, the Indonesian furniture exporter, announced efforts to stem the trend of declining prices and exports of Indonesian furniture products. Ghana's Vice President also assured businesses that the government was taking steps to improve the growth prospects of local business. The government of India introduced measures to raise the central excise levy on plywood.

Other measures to reduce emissions from deforestation and degradation were discussed during the G8 meeting in July 2009 and the UN Framework Convention on Climate Change Subsidiary Body on Scientific and Technological Advice's session in June 2009. Trade representatives on a recent trip to Malaysia also applauded the Malaysian timber industry's efforts to comply with EU regulations.

Contents

Headlines

Report from Central/West Africa

Few changes in log prices as slow business continues

There have been few changes in the market situation since the beginning of the month as Asian demand and price stability has been maintained. There have been increases in log prices for some species because of competition for the same species from India, China and Vietnam. Okan and padouk logs showed modest price gains. Buyers from the Netherlands boosted demand for azobe logs and the UK strengthened its demand for azobe sawn timber.

Overall, Europe has been very quiet, with very low demand for logs and sawn lumber of any species. Italy has stayed in the market much more consistently in the past two months or so than almost any other European country and has been enquiring for sawn, kiln dried okoume as well as sawn iroko. A few orders for sapele are in hand in special sizes for the Benelux buyers.

Okoume logs gained two or three euros per cubic meter on steady demand from China. Vietnam was strongly in the market for tali in logs and lumber, although the supply of tali is quite limited. Okan was back in some favor and log prices for the species increased slightly. India remains a regular force in the current market with ongoing demand for padouk, tali, sapele and belli.

Sawn lumber prices are unchanged. The small gains in the past month have held while the species that lost ground, sipo in particular, have not recovered.

Gabon is preparing for the election of a new President and a large number of candidates have stepped forward. The timber industry has been carefully watching the election process as it is usually the President who determines wood processing and other industrial priorities. Cameroon will also hold presidential elections next year.

As the level of trade has held steady over the past two to three months, some of the previous pressures to curtail production have been reduced thanks to the stable prices coupled with firm demand from Asian destinations.

Exporters do not believe there will be any substantial revival in European buying through to the end of the quarter and the prospects for the fourth quarter do not appear bright. Possibly the best that can be expected from Europe will be small, regular volumes in selected species of sawn lumber, leaving the main business, as now, for China, India and Vietnam.

West Africa Log Prices

West Africa logs, FOB	€ per m^3		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	205	205	153
Ayous/Obéché/Wawa	190	190	145
Azobe & Ekki	200↑	200↑	122
Belli	215↑	215↑	-
Bibolo/Dibétou	150	135	
Bubinga	533	457	381
Iroko	257	250	200
Okoume (60% CI, 40% CE, 20% CS) (China only)	160↑	-	-
Moabi	270	270	206
Movingui	170	140	137
Niove	130↓	130↓	-
Okan	180	180	122
Padouk	300↑	290↑	235
Sapele	225	220	150
Sipo/Utile	260	240	215
Tali	220	220	114

West Africa Sawnwood Prices

West Africa sawnwood, FOB		€ per m^3
Ayous	FAS GMS	300
	Fixed sizes	360
Okoumé	FAS GMS	290
	Sel. & Bet. GMS Italy	215
	Sel. & Bet. fixed sizes	-
Sipo	FAS GMS	486
	FAS fixed sizes	-
	FAS scantlings	500
Padouk	FAS GMS	540
	FAS scantlings	555
	Strips	390
Sapele	FAS Spanish sizes	390
	FAS scantlings	460
Iroko	FAS GMS	455
	Scantlings	455
	Strips	350
Khaya	FAS GMS	380
	FAS fixed	420
Moabi	FAS GMS	480
	Scantlings	490
Movingui	FAS GMS	300-320

Report from Ghana

Government assures businesses in midst of recession

Ghana's Vice President John Mahama announced at a roundtable discussion organized by the Graphic Communications Group Limited (GCGL) in Accra that the government was determined to tackle the global economic recession head on. He said this would be done through prudent fiscal and financial measures, to limit its negative impact on businesses and ensure quick recovery of the economy. In the Vice President's speech, he said some of the measures being adopted include cuts in public expenditure and robust resource mobilization. He clearly emphasized that government would be careful to ensure that the approaches do not harm the growth prospects of businesses and put the economy on sound footing for growth. Mr. Mahama said a key lesson from the crisis was the need for government through its institutions to perform oversight responsibilities adequately, adding that the performance of the task should not interfere with the growth prospects of businesses.

A tax advisor at the Ministry for Finance and Economic Planning, Dr. Joseph Amoako Tuffuor, said because the country's economy was vulnerable to external shocks, there was a need to develop gate keeping measures to mitigate any possible negative impacts on the local economy. As a solution, he suggested streamlining domestic tax revenue mobilization measures in order to broaden the tax base and minimize tax deductions. It would be recalled an at ITTO conference in Ghana last month (see *TTMR* 14:12), the Vice President announced the planned removal of taxes on timber and sawnwood in an effort to boost the timber industry

In another development, Governor of the Bank of Ghana (BoG) Dr. Paul Acquah, said the economy was recovering from economic challenges of the previous year. Meanwhile, at the end of the second quarter, the Monetary Policy Committee (MPC) of the BoG maintained its prime rate at 18.5%.

Ghana Log Prices

Ghana logs, domestic	US$ per m^3	
	Up to 80cm	80cm+
Wawa	110-120	125-155
Odum Grade A	160-170	175-185
Ceiba	90-100	105-120
Chenchen	70-95	100-120
Khaya/Mahogany (Veneer Qual.)	90-100	110-135
Sapele Grade A	135-150	155-175
Makore (Veneer Qual.) Grade A	125-135	140-166

Ghana Sawnwood Prices

Ghana Sawnwood, FOB	€ per m^3	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	855	-
Asanfina	500	555
Ceiba	195	260
Dahoma	330	410
Edinam (mixed redwood)	425	430
Emeri	360	415
African mahogany (Ivorensis)	595	665
Makore	520	610
Niangon	510	625
Odum	645	720
Sapele	540	600
Wawa 1C & Select	260	285

Ghana sawnwood, domestic		US$ per m^3
Wawa	25x300x4.2m	242
Emeri	25x300x4.2m	325⬇
Ceiba	25x300x4.2m	215⬆
Dahoma	50x150x4.2m	280⬇
Redwood	50x75x4.2m	290
Ofram	25x225x4.2m	330

Ghana Veneer Prices

Rotary Veneer, FOB	€ per m^3	
	CORE (1-1.9mm)	FACE (<2mm)
Bombax	320	350
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^3
Ceiba	245
Chenchen & Ogea	295
Essa	285
Ofram	312

Sliced Veneer, FOB	€ per m^2	
	Face	Backing
Afrormosia	1.19	1.00
Asanfina	1.50	0.90
Avodire	1.20	0.80
Chenchen	1.00	0.55⬆
Mahogany	1.40	0.79
Makore	1.45⬆	1.00
Odum	1.80⬆	1.02⬆

Ghana Plywood Prices

Plywood, FOB	€ per m^3			
B/BB, Thickness	Redwoods		Light Woods	
	WBP	MR	WBP	MR
4mm	560	475	500	370
6mm	340	325	335	285
9mm	365	305	290	270
12mm	300	295	270	280
15mm	310	300	280	280
18mm	300	290	285	260

Grade AB/BB would attract a premium of 5%. BB/BB would be 5% less, C/CC 10% less and CC/CC 15% less.

Ghana Added Value Product Prices

Parquet flooring 1st	FOB € per m^2		
	10x60x300mm	10x65-75mm	14x70mm
Apa	12.00	14.47	17.00
Odum	7.80	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

European trade representatives applaud Malaysia's timber industry

A visiting delegation of European timber trade representatives to Sarawak called attention to the progress made by the Malaysian timber industry to comply with EU regulations. According to *Bernama*, the trip was organized by the Sarawak Timber Industry Development Corporation (STIDC) and the Malaysian Timber Council (MTC).

Rachel Butler, head of sustainability for the UK Timber Trade Federation, commended the Malaysian timber sector for fast-tracking its compliance with EU requirements for timber certification. She said current standards and practices for sustainable production of timber in Malaysia had placed the country a step ahead of a number of tropical countries. Michele Eleoli, representing the Italian Timber Federation, recommended Italian companies to invest and set up factories in Malaysia in view of the difficulties in finding skilled workers in Italy. Bert Kattenbroek, representing the Dutch Association of Joinery Companies, commented that its 250 member companies consume about 120,000 m³ of tropical timber a year, with 40% to 50% coming from Malaysia.

Green Furniture is key component of SIRIM's industrial research

SIRIM Bhd, a wholly government-owned company involved in industrial research and development is gearing up production of its 'green furniture' line as an alternative to tropical timber furniture. Several prototypes of the products had been developed under its advanced polymer and composite programme, which utilizes a minimum of 60% of rice husk and rice straw bio-composite. *Bernama* noted the target markets for SIRIM's Green Furniture will be North America, Europe and the Far East and production would be commercialized by 2010.

Morocco seen as attractive market for Malaysian furniture

Citing the popularity of Malaysian furniture in Morocco, Mr. Othman Samin, Malaysian Ambassador to Morocco, said Malaysian companies should consider participating in the Moroccan construction and housing sectors. He called attention to the ample opportunities for Malaysian timber products manufacturers, reported *Bernama*. Total trade between Morocco and Malaysia in 2008 was almost RM234.2 million (USD65 million), with total Malaysian exports reaching RM182.2 million (USD50.6 million).

Malaysian prices continue to fall

Malaysian timber prices remain depressed even as the two economic stimulus packages announced earlier this year have yet to make any impact on the local economy. The spring remodelling and construction season in the northern hemisphere has commenced, but many Malaysian timber products manufacturers are still waiting for orders to come in. Some manufacturers complained they have not had any new orders for more than four months.

Malaysia Log Prices

Sarawak log, FOB	US$ per m^3
Meranti SQ up	227-251
Small	211-242
Super small	200-224
Keruing SQ up	216-228
Small	187-218
Super small	162-193
Kapur SQ up	206-231
Selangan Batu SQ up	178-215
Pen. Malaysia logs, domestic (SQ)	US$ per m^3
DR Meranti	231-250
Balau	297-326
Merbau	319-352
Rubberwood	42-77
Keruing	214-230

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

Malaysia Sawnwood Prices

Malaysia Sawnwood, FOB	US$ per m^3
White Meranti A & up	280-311
Seraya Scantlings (75x125 KD)	440-453⬇
Sepetir Boards	249-271
Sesendok 25,50mm	346-364⬇
Kembang Semangkok	294-317

Malaysian Sawnwood, domestic		US$ per m^3
Balau (25&50mm,100mm+)		325-345⬇
Merbau		461-512⬇
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^3
2.7mm	410-472⬇
3mm	387-417⬇
9mm & up	333-405

Meranti ply BB/CC, domestic	US$ per m^3
3mm	383-424⬇
12-18mm	317-346⬇

Other Malaysia Panel Prices

Malaysia, Other Panels, FOB		US$ per m^3
Particleboard	Export 12mm & up	227-250
	Domestic 12mm & up	212-229
MDF	Export 15-19mm	282-314
	Domestic 12-18mm	271-289

Malaysia Added Value Product Prices

Malaysia, Mouldings, FOB	US$ per m^3
Selagan Batu Decking	533-543⬇
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	548-561⬇
Grade B	501-510⬇

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^3
22x760x1220mm sanded & edge profiled		
Top Grade		551-583⬇
Standard		536-554⬇

Report from Indonesia

Indonesia and EU to sign new bilateral agreement

The Indonesia-European Union bilateral consultation forum in Yogyakarta, Indonesia finalized a partnership cooperation agreement (PCA) between the two partners. According to *Antara News*, the PCA is the first bilateral agreement signed between Indonesia and the EU. Apart from promoting trade cooperation, the agreement also covers environmental issues such as climate change. The PCA will be signed before the end of this year.

The objective of the broader forum was to discuss several areas of cooperation since the two trade partners' last meeting in Brussels in September 2008. Bilateral trade between Indonesia and the EU stood at about EUR20 billion. In addition, Indonesia and the EU agreed to lay the ground work for the upcoming climate change negotiations in Copenhagen in December 2009.

Asmindo to address export decline

A 20% decline in the exports of Indonesian furniture in the first half of 2009 has prompted the Indonesian Furniture Entrepreneurs Association (Asmindo) to stem the decline in exports during the fourth quarter of 2009. Exports of wood and rattan furniture declined from USD300 million in the first half of 2008 to USD240 million during the same period this year, noted *The Jakarta Post*.

The chairman of Asmindo, Mr. Ambar Tjahyono, expected the value of exports of wooden and rattan furniture to be worth USD372 million in the last quarter of this year. Asmindo plans to improve results in the fourth quarter by promoting sales in October, November and December, the high season for furniture sales. Revenues for the Christmas season are expected to double or triple.

Certified wood and rattan furniture are expected to add on another 10% to sales prices. However, buyers are asking for similar pricing regardless of certification. Only 160

Indonesian furniture exporters have obtained certification out of a pool of 2,400 businesses. It takes up to six months for a company to obtain certification, plus at a cost of Rp. 60 million (USD6,000) to Rp. 100 million (USD10,000).

Indonesia prices expected to hold steady

The early July bombings of two 5-star hotels in Jakarta are not expected to erode prices of Indonesian timber products further. Although corporate stock prices and the Indonesian currency had declined as a result of the tragedy, Indonesian timber prices are expected to hold for the time being. Most buyers are staying away from the country presently. But with Indonesian timber prices at a record low, Indonesian timber products are expected to maintain a favorable position in the international market place. With renewed commitment by the Indonesian government to address and maintain public and national security, buyers are expected to return to the country by the fourth quarter of 2009.

Indonesia Log Prices (domestic)

Indonesia logs, domestic prices	US$ per m^3
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)	468-494

Indonesia Sawnwood Prices

Indonesia, construction material, domestic		US$ per m^3
Kampar (Ex-mill)	AD 3x12-15x400cm	170-189
	KD	193-227
	AD 3x20x400cm	217-240
	KD	221-248
Keruing (Ex-mill)	AD 3x12-15x400cm	233-247
	AD 2x20x400cm	219-237
	AD 3x30x400cm	199-218

Indonesia Plywood Prices

Indonesia ply MR BB/CC, FOB	US$ per m^3
2.7mm	399-456⬇
3mm	355-396⬇
6mm	312-376⬇

MR Plywood (Jakarta), domestic	US$ per m^3
9mm	251-262⬇
12mm	243-253⬇
15mm	232-246⬇

Other Indonesia Panel Prices

Indonesia, Other Panels, FOB		US$ per m^3
Particleboard	Export 9-18mm	214-225⬇
	Domestic 9mm	191-203
	12-15mm	182-193
	18mm	172-184
MDF	Export 12-18mm	250-263⬇
	Domestic 12-18mm	232-243⬇

Indonesia Added Value Product Prices

Indonesia, Mouldings, FOB	US$ per m^3
Laminated Boards Falcata wood	299-311
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	487-521⬇
Grade B	442-463⬇

Report from Myanmar

Plantation initiatives begin in Myanmar

The Ministry of Forestry announced its plan to establish 12,500 acres of plantations during fiscal year 2009-2010, with a view to protect the environment. The announcement, as reported in the *Seven Day News*, said the measures would reduce soil erosion and siltation and would sustain the availability of water in dams and reservoirs in the watershed areas. The Ministry of Forestry planted 21,650 acres of trees in these areas during fiscal year 2008-2009. The Forest Department and the Dry Zone Greening Department, both part of the Ministry of Forestry, are jointly carrying out the plantation, protection and conservation initiative.

Hardwood exports improve to India

The teak market is reported to be improving in India. Other markets areas also show some signs of recovery, though somewhat slight. Most analysts are cautious and say it would be premature to make optimistic projections at this juncture.

The pyinkado market is also reported to be good in India and Vietnam, judging by Myanmar's shipments to these countries. In contrast, padauk and tamalan is generally shipped to China and Japan. Availability of these species is limited and therefore prices are usually competitive.

Myanmar Log Prices (natural forests)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)	
Veneer Quality	Jun	Jul
2nd Quality	-	-
3rd Quality	-	4,407 (5 tons)
4th Quality	3,329 (21 tons)	3,413 (10 tons)
Sawing Quality	Jun	Jul
Grade 1 (SG-1)	2,431 (73 tons)	2,231 (38 tons)
Grade 2 (SG-2)	1,774 (35 tons)	2,083 (38 tons)
Grade 3 (SG-3)	-	-
Grade 4 (SG-4)	1,684 (172 tons)	1,798 (218 tons)
Grade 5 (SG-5) Assorted	1,538 (149 tons)	1,498 (152 tons)
Grade 6 (SG-6) Domestic	1,372 (89 tons)	1,260 (94 tons)
Grade 7 (ER-1)	1,024 (87 tons)	1,072 (57 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.

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

Logs, FOB	€ Avg per Hoppus Ton (traded volume)
Pyinkado (export)	425 (398 tons)
Gurjan (keruing-exp)	164 (342 tons)
Tamalan	649 (117 tons)
Taungthayet	--

Report from India

MDF duties create challenges for importers

India's fiscal budget, presented on 6 July, introduced new provisions to increase the central excise levy on plywood from 4% to 8%, making imported plywood more expensive. An anti-dumping duty on imported MDF (as described below) will also remain in force. The following duties on imported wood and wood products apply for fiscal year 2009-10: timber logs, 9.35%; sawn timber, 14.71%; and plywood, veneer, fiberboard, softboard and MDF, 24.42%.

The Government of India has provisionally imposed anti-dumping duties on all imports of plain MDF boards of 6.0 mm and up thickness. Imports are mostly from Malaysia, Thailand, New Zealand, Sri Lanka, and China. India has three factories manufacturing MDF boards mostly producing 6.0 mm and above thickness. Local production was reported to be about 100,000 m³ of which imports were 98,602 m³.

Investigations by government had shown that local industry was not able to compete with imported quality because many local factories had old technology in place. The plant size of local factories is also much smaller compared to the modern factories of other countries. Due to significant increase in demand for plain MDF in the country and with expectations of increasing profits, some producers are also planning to establish new factories in India.

Green Ply Limited representatives have recently said in the June 2009 issue of *Wood News* that they have launched India's largest MDF board plant with an annual capacity of 180,000 m³ at a cost of USD53.20 million. This will be the first continuous line and will be manufacturing plain MDF and prelaminated MDF in thicknesses ranging from 2.5 mm to 30 mm with a range of dimensions. Currently, MDF of 2.5 mm up to 5.5 mm is only supplied by imports. The trial production is expected to commence by the end of December 2009. It is expected that this unit will reduce dependence on imports. The factory will be located at Pant Nagar in Uttarakhand State of India.

Another development involves new wood-based industries using plantation grown timber for their raw material requirement. This has given a boost to the establishment of new plantations, which in addition to increasing raw material availability will also improve the environment.

One industrial company, ITC Limited, plans to be self-sufficient in meeting raw material requirements in manufacturing paper and related products. It manufactures about 500,000 tons of paper and from 100,000 hectares of eucalypts, su babul (*Lucaena leucocephala spp.*) and casuarina. As at 30 June 2009, the company has about 95,000 hectares of plantations and is planning to expand by 5,000 hectares. Currently, ITC imports about 130,000 tons of pulp but aims to be self-sufficient in pulp in the next two years with raw material supplied by plantations. The company has focused on expanding the plantations with farmers and other communities for their mutual benefit.

According to *DNA Money*, the company has been approved by the United Nations Framework Convention on Climate Change (UNFCCC) to receive carbon credits under the project. The company has decided to pass on these credits estimated at Rs.40 million to the farmers and local communities participating in the project. This is expected to generate an additional Rs.5000 per acre in income for farmers.

Besides the efforts by the private sector, central government is also encouraging the extension of forest cover by releasing afforestation funds to States by utilizing a compensatory afforestation fund management and planning authority funds. The guidelines envisage a three-tier system involving central as well as state representatives, reported the *Economic Times*. The Supreme Court's order will unlock Rs.11200 in funds for compulsory afforestation after a seven-year deadlock. It is hoped that the differences between central and state governments will be resolved soon and afforestation will accelerate.

The Indian Prime Minister's visit to Malaysia and meetings with Malaysian government officials has cleared obstacles delaying the finalization of free trade agreements among ASEAN countries and it was decided in principle to proceed with a free trade pact. Effective 1 January 2010, the free trade agreements will include 4,000 items on which tariffs will be reduced progressively over a period of six years. The ten members of ASEAN are: Brunei, Singapore, Cambodia, Laos, Indonesia, Malaysia, Myanmar, Philippines, Vietnam and Thailand.

India Sawnwood Prices (domestic)

Indian sawnwood (Ex-mill)	Rs. per ft^3
Teak (AD)	
Plantation Teak A grade	1800-3250
Plantation Teak B grade	1650-2800
Plantation Teak C grade	900-1350

India Sawnwood Prices

Sawnwood, (Ex-mill) (AD)	Rs. per ft^3
Merbau	1500
Balau	1250
Kapur	850
Red Meranti	700
Bilinga	650
Radiata Pine (AD)	350-450

Sawnwood, (Ex-warehouse) (KD)	Rs per ft^3
Beechwood	1200
Sycamore	1250
Oakwood	1300
American Walnut	2250
Hemlock clear grade	950
Hemlock AB grade	800⬆
Western Red Cedar	1250

India Plywood Prices

Plywood, (Ex-warehouse) (MR Quality)	Rs per ft^2
4 mm	20⬆
6 mm	29⬆
12 mm	42⬆
15 mm	51⬆
18 mm	61⬆

Report from Brazil

Furniture sales plummet in Northern Mato Grosso

According to *Só Notícias*, furniture companies of Northern Mato Grosso closed the first semester with a 50% fall in the volume of traded furniture. The decline was due to the effects of the global economic crisis, which has affected different sectors of the economy since the end of 2008. In the second half of the year, it is anticipated that furniture sales will improve. In recent years, the furniture sector has progress in various areas including rising sales. According to research by the Brazilian Micro and Small Enterprises Bureau (SEBRAE), the average revenue of companies increased about 44% between 2006 and 2007. The SEBRAE announced that the average income of companies jumped from BRL 5.4 million to more than BRL 7.8 million between 2006 and 2007.

INPA study points to overexploitation of commercial species

The high value of some Amazonian timber species, such as mahogany, cedar and ipe, are damaging the forest and wasting its economic potential, alerts the National Institute for Amazonian Research (INPA). According to *Globo Amazônia*, which reported on the INPA study, at least 150 timber species with commercial value have already been identified for sustainable extraction. However, as there is only a market for 15 of these commercial species, they have been overexploited. Many of these species are already scarce. There are many trees with commercial potential that are still under utilized. The existing number of 150 exploitable trees is still small. In total, there are about 3,000 timber species catalogued.

Brazil's exports show no sign of improvement

Brazil's wood products exports for June 2009 (except pulp and paper) plunged 41% by value compared to the same period in 2008 similar to results published in May 2009,. The charts below show the volume and value of Brazil's exports for June 2009 compared to the same month a year earlier:

Brazil's exports by value, June 2008 and 2009 (USD million)

	June 2008	June 2009	% change
Solid wood*	292.6	173.2	(40.8)
Tropical plywood	14.2	5.8	(59.2)
Pine sawnwood	16.0	11.4	(21.4)
Tropical sawnwood	34.1	18.6	(45.5)
Pine plywood	36.8	17.4	(52.7)
Wood furniture	65.2	42.1	(35.4)

*Figures for solid wood exclude pulp and paper exports

Brazil's exports by volume, June 2008 and 2009 (000 m³)

	June 2008	June 2009	% change
Tropical plywood	22.5	11.0	(51.1)
Pine sawnwood	49.6	39.0	(21.4)
Tropical sawnwood	67.6	40.4	(40.2)
Pine plywood	119.1	81.7	(31.4)

Alta Floresta's exports drop 48%

Exports from timber companies of Alta Floresta were 48.1 lower by product volume during the January to May 2009 period compared to the same period of last year. Timber shipments, which in 2008 totaled USD8.4 million, were USD4.3 million, according to the Ministry of Development, Industry and Foreign Trade (MDIC).

Timber was the main product exported to different countries, reported *Só Notícias*. Exports of sawnwood and wood sheets (thickness greater than 6 mm) were USD187,600, or 82.4% less than the January to May 2008 period. Nevertheless, this trend was reversed for exports of doors, frames and sills, which increased 385.8%, up from USD14,800 to USD71,900. The export of 'ipe' sawnwood increased from USD43,100 to USD68,900, or a 59.8% increase.

The largest importers of raw material from Alta Floresta were the US (USD2.3 million), followed by Canada (USD703,600), and Spain (USD424,200).

Rio Grande do Sul's furniture exports show continous drop

Updating figures from TTMR 14:13, furniture export statistics from the state of Rio Grande do Sul (the largest furniture producing state) fell 34.2% in the first half of 2009 from the same period in 2008, reaching USD91.0 million. At the national level, the drop was 33.2%, totaling USD314.6 million.

According to *MDIC-SECEX – CGI Moveleiro*, Cuba was posted one of the highest percentage increases in imports of Brazilian furniture, although this destination represented only 3% of total furniture exports from Brazil. Cuba increased its imports from Brazil by 85.5% over the period and Rio Grande do Sul was the largest exporting state to that country.

The US was the major destination of the Brazilian furniture, receiving 15% of Brazil's total exports. The US imported the equivalent of USD38.2 million, reducing its imports to from Brazil by 48% from the same period in 2008. Argentina also reduced its furniture imports from Brazil by 45.3%.

In June 2009, Brazilian exports of timber, pulp and paper were worth USD540.65 million, an increase of 16.8% compared to May 2009, when exports were USD462.88 million. The total value of Brazilian exports in June 2009 was USD131 million, representing a 2% decrease compared to May 2009.

Brazil Log Prices (domestic)

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	131⬆
Jatoba	93⬆
Guariuba	62⬆
Mescla (white virola)	68⬆

Brazil Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB		US$ per m^3
Jatoba Green (dressed)		781
Cambara KD		456
Asian Market (green)	Guariuba	259
	Angelim pedra	590
	Mandioqueira	227
Pine (AD)		189

Brazil sawnwood, domestic (Green)		US$ per m^3
Northern Mills (ex-mill)	Ipé	613⬆
	Jatoba	471⬆
Southern Mills (ex-mill)	Eucalyptus (AD)	170⬆
	Pine (KD) 1st grade	220⬆

Brazil Veneer Prices

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

Rotary cut Veneer, domestic	US$ per m^3	
(ex-mill Northern Mill)	Face	Core
White Virola	229⬆	192⬆

Brazil Plywood Prices

Plywood, FOB	US$ per m^3
White Virola (US Market)	
5.2mm OV2 (MR)	455
15mm BB/CC (MR)	393
White Virola (Caribbean market)	
4mm BB/CC (MR)	498
12mm BB/CC (MR)	399

Pine Plywood EU market, FOB	US$ per m^3
9mm C/CC (WBP)	265
15mm C/CC (WBP)	242
18mm C/CC (WBP)	237

Plywood, domestic (ex-mill Southern mill)		US$ per m^3
Grade MR (B/BB)	White Virola 4mm	786⬆
	White Virola 15mm	575⬆

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)	309
Domestic Prices, Ex-mill Southern Region	
Blockboard White Virola faced 15mm	503⬆
Particleboard 15mm	322⬆

Brazil Added Value Products

FOB Belem/Paranagua Ports		US$ per m^3
Edge Glued Pine Panel		
Korean market (1st Grade)		631
US Market		482
Decking Boards	Cambara	591
	Ipê	1533

Report from Peru

Peru to contribute USD43 million to forest conservation

Peru's Minister of the Environment Antonio Brack recently noted that the Council of Ministers had approved a project that plans to compensate native communities to conserve forests in the total amount of USD43 million. The programme is expected to be implemented beginning August or September of 2009. Brack noted that through this new programme native communities will be trained in the care and monitoring of protected areas. He also proposed the establishment of scholarships for university studies as part of the project.

Trujillo and Arequipa to act as hosts to furniture industry fair

The cities of Trujillo and Arequipa will act as the hosts of the FIMAT Furniture Industry Suppliers' Fair. Part of the fair will take place in the city of Trujillo, from 13-15 August, and the city of Arequipa, from 20-22 August. As the cities have been considerable growth markets for wood products, they are well-suited to host the events, the first time a sectoral exposition will be held both in the north and south of Peru and directed at small, medium and large scale industries. The fair will aim to promote a variety of products, services and technology in the timber sector, during which a variety of organized conferences and technical meetings will be held.

Peru Sawnwood Prices

Peru Sawnwood, FOB Callao Port		US$ per m^3
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	497-527⬆

*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	315-362
Grade 2, Mexican market	269-296
Cumaru 4" thick, 6'-11' length KD	
Central American market	794-822
Asian market	772-794
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^3
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^3
Mahogany	935-951
Virola	46-61
Spanish Cedar	275-328
Marupa (simarouba)	57-69

Peru Veneer Prices

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

Peru Plywood Prices

Peru plywood, FOB (Mexican Market)		US$ per m^3
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	341-350
	B/C 9x4x8mm	345-350
	B/C 12x4x8mm	350-360
	B/C 8x4x15mm	410-419
	C/C 4x8x4mm	380-388
Lupuna plywood B/C 8x4x4mm Central Am.		368-388

Lupuna Plywood BB/CC, domestic	US$ per m³
(Iquitos mills)	
122 x 244 x 4mm	438↑
122 x 244 x 6mm	397
122 x 244 x 8mm	409↑
122 x 244 x 12mm	399
(Pucallpa mills)	
122 x 244 x 4mm	455↑
122 x 244 x 6mm	439
122 x 244 x 8mm	430
122 x 244 x 12mm	429

Other Peru Panel Prices

Peru, Domestic Particleboard	US$ per m³
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

Peru, strips for parquet		US$ per m³
Cabreuva/estoraque KD12% S4S, Asian market		1344-1433↑
Cumaru KD, S4S	Swedish market	655-708
	Asian market	966-988↑
Cumaru decking, AD, S4S E4S, US market		778-867
Pumaquiro KD # 1, C&B, Mexican market		388-444
Quinilla KD, S4S 2x10x62cm, Asian market		496-538↑
	2x13x75cm, Asian market	626-688↑

Report from Bolivia

Business Roundtable to be held at the World Forestry Congress in Argentina

The XIII World Forestry Congress, organized by the Government of the Argentina under the auspices of the Food and Agricultural Organization (FAO), will take place from 18 - 23 October 2009 in Buenos Aires, Argentina. Within the Congress, a Business Roundtable will be held for the benefit of the private sector, which is expected to provide a lively venue for the improvement of trade relations in the forestry sector. The Business Roundtable, which will be organized by FAO and the Forestry Chamber of Bolivia, will take place on Wednesday, 21 October 2009, at La Rural in Buenos Aires and is expected to attract around 400 businessmen and representatives of forestry organizations from over 30 countries.

The objective of the event is to promote trade relations to provide greater value to wood and other manufactured goods. The event seeks to facilitate business contacts between private sector actors from around the world. It is anticipated that there will be significant participation in the event by the forest and timber industry, including private companies, machinery and equipment suppliers, finance institutions, forestry and business development organizations, consultants, business chambers and small producers and other investors. Online registration is available on the conference website under the section 'Business Events' (www.cfm2009.org).

Until 17 August, the registration fee for the Roundtable is USD100, and USD 150 from 18 August onwards. Participants registered to attend the whole week of the WFC have free entrance to the business events and should only fill in a registration form to attend the Roundtable. For more information, please call + 591 3 333 2699 or skype rondadenegocios or e-mail: rondadenegocios@cfm2009.org .

Bolivia Sawnwood Prices

Sawnwood 1-3"x3x5"x7-19', FOB Arica Port		$ Avg un. val. per m³
Ipe	(Argentina and Uruguay)	402-593↓
Caviuna	(Italian markets)	1800↑
Oak	(Argentina mkt)	470↓
Cedro	(US, Argentina, Chile mkt)	593-720↓

Bolivia Added Value Product Prices

Doors 13/4"x36"x96", FOB Arica Port		Avg $ per piece
US market	Mara macho/Tornillo (FSC)	170
	Cambara	177↑
	Oak (US market)	159

Chairs FOB Arica Port		$ Avg Per piece
Ipe (US market)		74-184↑
Roble/Oak (UK market)		71-94
Parquet Flooring 3/4"x3-5"x1-7', FOB Arica Port		$ Avg un. val. per m³
Jatoba	(US market)	1185-1525↑
Ipe	(US market)	805-1800
Cumaru	(FSC) (China mkt)	1620-1735↓

Report from Mexico

BECC to fund environmental projects in Mexico

On 22 July, the Board of Directors of the Border Environment Cooperation Commission (BECC) and the Development Bank of North America (NADB) announced that the Bank is fully capitalized and can now develop a greater number of environmental projects in Mexico. The BECC is an international organization established by the governments of Mexico and the US works to support the preservation, protection and improvement of the environment in the US/Mexico border region to increase the welfare of the population of both countries. The development and implementation of the projects will be conducted through a process of transparent binational certification in a close coordination with the NADB, international, federal, state and local governments, the private sector and civil society.

Report from Guyana

Prices increase for popular log species

Prices have increased positively for greenheart, purpleheart and mora logs (standard, fair and small sawmill) over the 1-15 July 2009 period on average by USD5 as compared to the 16-30 June 2009. Average prices for undressed sawnwood greenheart (812/ 785) were favorable, while prices for dressed sawnwood have declined during the same period (1–15 July 2009) as compared to the previous fortnight (16-30 June 2009). Splitwood and roundwood prices have revealed stability in the comparative period. The contribution of value-added products, which includes doors, furniture and prefabricated houses revealed positive export earnings during the 1-15 July 2009 period with prices remaining relatively stable, but highly favorable for the category of prefab houses.

FPDMC to implement new work plan

In response to feedback obtained during a recently concluded stakeholder meeting, the Forest Products Development and Marketing Council (FPDMC) has adopted a work plan comprising several program areas aimed to take into account the feedback received. They include efforts to make the forest sector 'market ready'; establish quality and legality assurance; promote markets utilizing market intelligence research; develop lesser used species; conduct training activities; and support initiatives aimed at avoiding deforestation by promoting and monitoring environmental and ecological services.

A survey is being conducted among individual stakeholders to determine their market and product development capabilities. The data from the survey will be processed and presented where possible in synch with the deliverables identified in the Council's work plan. Commencing next week, FPDMC officials will be visiting operators within the industry to ensure the circulated stakeholder questionnaires are properly completed.

The Council, a government of Guyana not-for-profit organization, is overseen by a Board of Directors comprising of an equal number of representatives from the private sector, stakeholder groups and government agencies and an independent Chairperson. An Executive Director manages the FPDMC's operations.

Guyana Log Prices

Logs, FOB Georgetown	SQ - $ Avg unit value per m³		
	Std	Fair	Small
Greenheart	145⬆	135⬆	125⬆
Purpleheart	180-235⬇	215⬆	205⬆
Mora	120	115⬆	110⬆

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

Guyana Sawnwood Prices

Sawnwood, FOB Georgetown		$ Avg unit val. per m³	
EU and US markets		Undressed	Dressed
Greenheart	Prime	-	-
	Select/Standard	475-812⬆	551-806⬇
Purpleheart	Prime	-	-
	Select/Standard	649⬇	594-806⬇
Mora	Select	424-500⬆	-

Guyana Plywood Prices

Plywood, FOB Georgetown Port			$ Avg unit val. per m³
Baromalli	BB/CC	5.5mm	-
		12mm	370⬇
	Utility	5.5mm	-
		12mm	-

Report from Japan

May plywood imports and housing starts continue to slow

In May 2009, Japan's plywood imports fell 40.7% by volume from the same month in 2008 (Figure 1), reported *Japan Lumber Reports (JLR)*. Housing starts in May were 30.8% less than the same month of 2008 (Figure 2), with wood-based units making up 53% of total units.

Figure 1: Japanese plywood imports, 2006-2009 (000 m³)

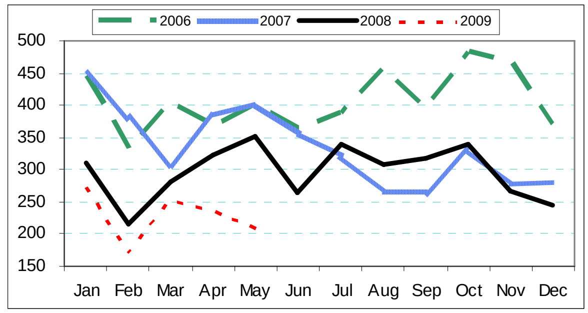
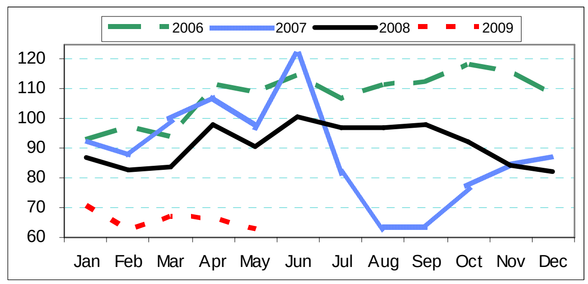


Figure 2: Japan Housing Starts 2006-2009 (000 units)



Sumitomo Forestry to establish joint venture

According to *Japan Lumber Reports*, Sumitomo Forestry has set up a new interior materials joint venture in Indonesia, PT Sinar Rimba Pasifik (SRP). Operations are planned to start in October 2009, with Sumitomo Forestry investing nearly 51% of the capital necessary to construct the plant, with Panca Wana Indonesia (PWI) supplying the remaining 49%. PWI has been involved in the business initiative as it has a history of manufacturing interior fittings for Sumitomo's Forestry housing division. Most of the 180 workers for the new venture will be hired locally in Indonesia, creating new jobs for the local people. The new plant will specialize in the manufacturing of interior materials from maple and teak, flooring and stairs and counters.

Log and Sawnwood Prices in Japan

Logs for Ply Manufacture, CIF	Yen per Koku
Meranti (Hill, Sarawak)	(Koku=0.278 m³)
Medium Mixed	7,100⬇
Standard Mixed	7,300⬇
Small Log (SM60%, SSM40%)	7,100⬇
Taun, Calophyllum, others (PNG)	7,600
Mixed light hardwood, G3/4 grade (PNG)	-
Keruing MQ & up (Sarawak)	10,800⬇
Kapur MQ & up (Sarawak)	9,000⬇

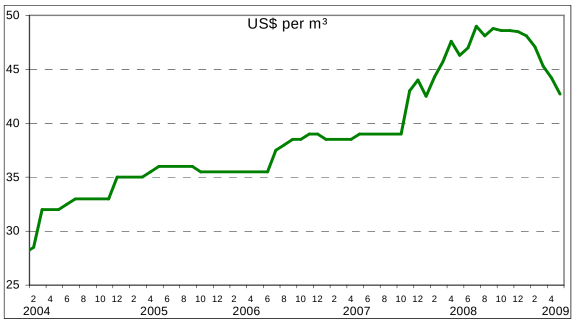
Logs for Sawmilling, CIF	Yen per Koku
Melapi (Sarawak) High Select	11,500
Agathis (Sarawak) High Select	-

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)	Jun (¥ per sheet)	Jul
2.4mm (thin plywood, F 4star, type 2)	920 X 1830	320 ↓	310 ↓
3.7mm (med. Thickness, F 4star, type1)	910 X 1820	440 ↓	440
5.2mm (med. Thickness, F 4star, type 1)	910 X 1820	550 ↓	550
11.5mm for sheathing (F 4star, type 2)	910 X 1820	860 ↓	850 ↓
12mm for foundation (F 4star, special)	910 X 1820	900 ↓	880 ↓
12mm concrete-form ply (JAS)	900 X 1800	800 ↓	780 ↓
12m coated concrete-form ply (JAS)	900 X 1800	940 ↓	920 ↓
11.5mm flooring board	945 X 1840	1100	1050 ↓
3.6mm baseboard for overlays (OVL)	1230 X 2440	700	700
OSB (North American)			
12mm foundation of roof (JAS)	910 X 1820	1000	1000
9mm foundation for 2 by 4 (JAS)	910 X 2440	1050	1050
9mm conventional foundation (JAS)	910 X 2730	1250	1250
9mm conventional foundation (JAS)	910 X 3030	1350	1350

Ocean freight Sarawak-Tokyo 2004-2008



More information on Japan in www.n-mokuzai.com

Report from China

China's forest products trade falls nearly 18%

According to China's latest Customs statistics, foreign trade of China's forest products in the first five months showed a year-on-year general downturn. The total value of foreign trade of China's forest products in the first five months was USD21.19 billion, a year-on-year decrease of 17.7%, accounting for 2.8% of the total value of national foreign trade. Of the total, the value of China's forest products imports fell 25% to USD8.93 billion, making up 2.6% of the total value of national imports. The value of China's forest products exports declined 12% to USD12.26 billion, accounting for 2.9% of the total value of national exports.

Value of China's wood products outputs jumps in 2008

The total output value of China's forest products industry in 2008 reached RMB1.44 trillion yuan, up 15% from 2007. The total value of foreign trade of China's forest products topped USD70 billion. China has maintained its position as a major global production and trade center. The output value of the forest industry in the first, second and third quarters rose 15%, 13% and 27% from 2007 to RMB635.9 billion yuan, RMB683.8 billion yuan and RMB120.9 billion yuan respectively.

Timber output

The timber output in 2008 totaled 81 million m³, over 17 million m³ more than in 1997, up 16% from 2007 and a record high. Of the total, the output of industrial logs rose 13% to 73.57 million m³. The output of fuelwood grew 55% to 7.51 million m³.

Sawnwood production

The production of sawnwood in 2008 totaled 28.41 million m³, up 0.42% from 2007. Of the total, the production of tropical sawnwood was 1.27 million m³ by volume, or 4.5% of the total.

Wood-based panel production

The production of wood-based panels in 2008 totaled 94.10 million m³, up 6% from 2007. Of the total, the output of plywood fell 0.58% to 35.41 million m³, accounting for 38% of the total wood-based panel outputs. The production of fiberboard rose 6% to just over 29 million m³, making up 31%. The production of particle board grew 38% to 11.42 million m³, accounting for 12% of total output. The output of other wood-based panels rose 6% to 18.2 million m³ (72% was block board), making up 19%. In addition, the output of decorative panels was 227 million m². The output of veneer was 22.84 million m³.

Wood flooring production

The output of wood flooring in 2008 totaled 377 million m², up nearly 10%. Of the total, the output of solid wood flooring came to 123 million m², accounting for 33%. The output of wood composite flooring amounted to 79 million m², making up 21%. The output of impregnated paper laminate flooring was 116 million m², accounting for 31%. The output of bamboo wood composite flooring came to 13.68 million square meters, or 4% of total output. The largest output of wood flooring was in Zhejiang Province.

Bamboo production

The output of bamboo in 2008 totaled 1262 million pieces, down 10% from 2007. Of the total, the output of Mao bamboo came to 860 million pieces.

The sales prices for major forest products

The average price for timber is RMB667 yuan per m³, up 4% from 2007. The average price for sawnwood rose 8% to RMB1084 yuan per m³. The average price for wood chips fell 8.57% to RMB640 yuan per m³. The average price for wood flooring fell 7% to RMB119 yuan per square meter. The average price for plywood fell 4% to RMB1834 yuan per m³. The average price for wood chips fell 8.57% to RMB640 yuan per m³. The average price for MDF rose 4% to RMB1409 yuan per m³. The average price for particle board fell 7% to RMB1098 yuan per m³. The average price for Mao bamboo is RMB11 yuan per piece, keeping the same level as the previous year.

Imports of redwood fall by half through Guangxi Port

According to the report from Nanning Customs, in the first half of 2009 the value of redwood imports through Guangxi Port fell 52% to USD18.38 million. Of the total, both redwood logs and sawnwood imports fell dramatically 76% and 96% to USD6.21 million and USD0.14 million respectively.

However, redwood furniture imports through the port skyrocketed. The value of redwood bedroom furniture imports rose 110% to USD3.29 million. The value of other redwood furniture imports soared 190% to USD3.22 million. According to the analysis of Nanning Customs, the main reason for the sharp increase was that redwood furniture of good quality and high added value were very popular in China.

Guangzhou City Imported Timber Market

Logs	Yuan per m^3
Lauan (50-60cm)	1900-2400
Kapur	1900-2450
Merbau 6m, 79-100cm diam.	4300-5200
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”	15800-16800⬇
Lauan	3350-4000

Shanghai Furen Wholesale Market

Sawnwood		Yuan per m^3
Beech KD Grade AB		2500-3000
US Cherry, 25mm		9500-10000
US Red Oak, 50mm		9800-10500
Sapele 50mm FAS (Congo)		
	KD (2”, FAS)	5600-5700
	KD (2”,grade A)	5200-5300

Shandong De Zhou Timber market

Logs		Yuan per m^3
Larch	6m, 24-28cm diam.	1100
White Pine	6m, 24-28cm diam.	1200
Korean Pine	4m, 30cm diam.	1400
	6m, 30cm diam.	1500

Hebei Shijiangzhuang Wholesale Market

Logs		Yuan per m^3
Korean Pine 4m, 38cm+ diam		1800
Mongolian Scots Pine	4m, 30cm diam.	1300
	6m, 30cm+ diam.	1400
Sawnwood		
Mongolian Scots Pine	4m, 5-6cm thick	1450
	4m,10cm thick	1500

Zhejiang Jiashan Kaihua International Timber Market

Logs	Yuan per m^3
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

Report from Europe, the UK and Russia

G8 signal strong support for REDD and SFM initiatives

The G8 meeting held in Europe during July 2009 provided another strong indication that concern for climate change has driven tropical forestry issues to the very top of the international political agenda. It confirmed that the idea of financially rewarding tropical countries for implementing measures to reduce emissions from deforestation and degradation (REDD) is gaining traction. Furthermore, there was clear acknowledgement that these measures should look beyond a narrow focus on forest preservation for carbon storage to include sustainable forest management (SFM).

The very first commitment in the ‘Declaration on Energy and Climate Change’ issued by the G8 leaders includes the following statement: ‘We will take steps nationally and internationally, including under the [climate change] Convention, to reduce emissions from deforestation and forest degradation and to enhance removals of greenhouse gas emissions by forests, including providing enhanced support to developing countries for such purposes’.

Another ‘Declaration on Responsible Leadership for a Sustainable Future’ explicitly combines the commitment to reduce emissions from deforestation with a statement of support for the ‘promotion of sustainable forest management globally’. It also talks about the need to ‘consider the inclusion of financial mechanisms [for REDD] within the future global agreement on climate change’ and to ‘encourage cooperation and the use of synergies between the UN Framework Convention on Climate Change (UNFCCC) and other international forest-related processes’.

The other major political forestry-related issue of recent times – illegal logging – is also referenced in the G8 Declaration. The G8 will ‘enhance cooperation with partner countries to combat illegal logging and trade in illegally-harvested timber’. The G8 reaffirmed their intention ‘to promote transparent timber markets and trade in legal and sustainably produced timber’ and ‘to reinforce international cooperation and information sharing for sustainable forest management, including use of forest resources, prevention and management of forest fires and monitoring of pests and diseases’.

Scientific consensus that SFM has a key role to play in climate change mitigation

The G8 Declarations build on an emerging consensus view within the scientific community that sustainable tropical forest management can play a significant role to reduce the risk of catastrophic human-induced climate change while also helping to protect biodiversity and to satisfy the immediate and pressing social and economic needs of rural populations.

In March this year, the Subsidiary Body for Scientific and Technological Advice (SBSTA) to the UNFCCC met with the intent of drawing up draft text for a proposed decision on REDD at the UNFCCC Copenhagen summit scheduled for December 2009. An opening paragraph of the SBSTA draft text notes ‘the importance of promoting sustainable management of forests and co-benefits - including biodiversity - that may complement the aims and objectives of national forest programmes and relevant international conventions and agreements’.

The SBSTA’s draft text goes on to call for development of specific guidance for effective engagement of indigenous peoples and local communities in REDD monitoring and reporting and also calls on countries to establish robust and transparent national forest monitoring systems to determine greenhouse gas emissions by sources and removals by sinks. SBSTA propose that these systems should use a combination of remote sensing and ground-based forest carbon inventories, that they should be transparent, and that their results should be open to independent review.

Remaining challenges for REDD

Therefore, recent developments in the policy framework are looking very positive from the perspective of financing for REDD projects that include sustainable tropical forest management. However, further meetings held in Bonn during June in preparation for the UNFCCC Summit scheduled at the end of this year highlighted significant political and technical obstacles to overcome if the REDD commitments are to be translated into serious concerted action on the ground.

The June meetings in Bonn aimed to elaborate specific proposals for the final text of a possible new international agreement in Copenhagen to replace the existing Kyoto Protocol which is due to expire in 2012. In the event, negotiators were only partly successful. While consensus is emerging around certain specific elements of a possible international framework to tackle climate change – the REDD component being a notable example – other much more fundamental issues remain unresolved. These issues have potential to derail the whole process and may yet prove an insurmountable obstacle to finalization of an international agreement at Copenhagen.

For example, countries are still divided between those, mainly developed, countries favoring a legally binding outcome to the negotiations and those, mainly developing, countries that prefer non-legally-binding obligations for parties. It is still very difficult to predict what legal form any agreement will ultimately take in Copenhagen and beyond.

Nor is there any consensus on whether a successor agreement to Kyoto should include specific emission reduction targets. Most developing countries believe the underlying idea behind the Kyoto Protocol, which set specific emission-reduction targets for developed countries, should be retained. In contrast, most developed countries insist on the need to avoid the Kyoto experience where targets were defined before rules had been developed on issues such as accounting for carbon changes, market mechanisms, and land use change and forestry. Most developed countries are essentially looking for a new protocol to get rid of binding quantified emission limitation and reduction objectives and instead to take on softer targets.

How to finance REDD?

An international consensus has emerged over the value of REDD mechanisms, but the June 2009 meeting in Bonn indicated that divisions remain over how best to finance these mechanisms. Some countries have advocated that forest management projects should be integrated into global carbon markets. A strong signal that this is the favoured approach of the US is contained in the Waxman-Markey cap-and-trade bill which is currently being considered for adoption by the US government. The measure would allow US companies to offset six billion tons of carbon dioxide emissions by investing in forest conservation projects between now and 2025.

Other countries, notably Brazil, argue that wealthy nations should reward developing countries for curbing deforestation by paying into funds that the developing countries themselves control. Their reasons have partly to do with sovereignty concerns and partly to do with the belief that allowing forests into carbon markets would let developed nations off the hook when it comes to cutting their own emissions. But some REDD advocates hold that a fund-based system will be subject to political whims of nations and would not generate the kind of money needed to reduce deforestation at the scale and pace necessary to meet emission-reduction targets.

How to measure progress to reduce deforestation?

There are also remaining technical obstacles to REDD. The development of reliable, efficient and credible national carbon monitoring and accounting system which fully accommodate forest stock changes will be extremely challenging. Reports from the SBSTA meetings in March 2009 suggest that there is not yet scientific consensus on how best to measure a nation's progress in curbing deforestation. Rather than making firm recommendations on this point, the SBSTA only went so far as to identify and comment on the two available approaches.

One approach would consider current deforestation rates against historical rates, which has the advantage of simplicity but would also penalize developing countries with low deforestation rates in the past. Another approach would be to compare actual deforestation rates against 'expected' rates generated using computer models which analyze factors such as changes in population growth, GDP growth, and demand for commercial crops. Obvious difficulties with this approach are the high quality of socio-economic data required – which is often lacking - and the numerous assumptions that have to be made.

Environmental groups against including SFM and REDD

At the same time, the environmental groups are now campaigning vigorously against the idea of any recognition for sustainable forest management in REDD projects and to steer the agenda back to forest preservation. A coalition of around 50 environmental groups, including Greenpeace, Rainforest Action Network, Friends of the Earth, FERN and Global Witness, issued a statement to coincide with the June meetings in Bonn demanding that any climate deal 'immediately ends deforestation, industrial scale logging in primary forests and the conversion of forests to monoculture tree plantations'. They also demanded that 'any policies intended to reduce deforestation and forest degradation include measures to reduce consumption of forest products, especially in the industrialized North'.

Global Witness also issued a more detailed report attempting to undermine support for sustainable forestry projects in the REDD framework. In this report Global Witness claim that ‘a growing body of scientific literature demonstrates that even when industrial logging follows best practice guidelines to reduce its impact, immediate and substantial carbon emissions are caused by removing the largest trees and killing surrounding trees and vegetation through collateral damage’. Global Witness challenge studies comparing carbon emissions from Reduce Impact Logging with a business as usual scenario and argue that comparisons should only be made against the carbon dynamics of the intact forest. They suggest that ‘industrial logging puts the remaining forest on a path towards further degradation from fire, drought, pests and disease, illegal logging, poaching, and conversion to other land uses such as industrial agriculture’.

Global Witness also suggest that ‘old-growth primary forests retain a vigorous carbon sequestering capacity for centuries and are much greater carbon stores than previously thought’, while ‘claims that industrial logging can play a role in sustainable forest management in tropical forests appear to be based on faith and vested interests rather than on facts or scientific evidence’. Global Witness are critical of industry efforts to ensure harvested wood products (HWP) are recognized as carbon stores, claiming that ‘simple life cycle analysis exposes the HWP argument as a myth, showing that the amount of carbon stored in wood products derived from natural tropical forests is negligible compared with the total emissions they entail’.

The Global Witness report can be challenged on a number of issues. It does not acknowledge the significant role of sustainable timber production in creating rural employment opportunities and providing other social services. It takes no account of the considerable population pressure on forests in many developing countries implying that the opportunity costs of total preservation will be extremely high. It does not consider that the imposition of stringent restrictions on forest use in certain areas will significantly increase the potential for leakage of deforestation into surrounding areas. There are contrasting scientific views on the long term potential of ‘old growth’ forests to absorb CO_2. And while Global Witness dismisses the value of HWPs as carbon stores, no account is taken of the much more significant carbon mitigation benefits of substituting wood in manufacturing and construction for other more energy intensive products.

It is becoming clearer that REDD has real potential to boost prospects for funding of sustainable forest management programmes in the tropics. However recent environmental campaigns indicate that there is no room for complacency. Some interests are determined that the REDD issue should be used an argument against continued support for any form of timber extraction – whether or not sustainable - in tropical forests. There is a need now to harness and build on the available scientific research which shows that increased use of HWPs can, through substitution of less energy-efficient products, make a major contribution to reduced carbon emissions in the construction sector.

Some recent environmental campaigns also reveal a worrying level of ignorance over what the practice of SFM actually means in the tropics. For some of them, SFM is simply equated with conversion of natural forests over to plantations. As REDD ups the stakes, the need for marketing campaigns to rectify such misconceptions is more critical than ever.

The Netherlands Sawnwood Prices

FOB (Rotterdam)	USD per m^3
Sapele KD	921⬆
Iroko KD	1048⬆
Sipo KD	1117⬆
DRM Bukit KD	841⬆
DRM Seraya KD	841⬆
DRM Meranti KD Seraya MTCC cert.	877⬆
Merbau KD	1109⬆
Sapupira (non FSC) KD	889⬆
Sapupira (FSC) KD	1402⬆
Anti-slip decking AD C&F Rotterdam	
Selangan batu	1345⬆

UK Log Prices

FOB plus commission		€ per m^3
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 Sawnwood Prices

FOB plus Commission		Pounds per m^3
Framire FAS 25mm		460-490⬆
Sipo FAS 25mm		610-650⬆
Sapele FAS 25mm		510-540⬆
Iroko	FAS 25mm	590-630⬆
Wawa	No.1 C&S 25mm	280-300⬆
CIF plus Commission		
Tulipwood FAS 25mm		230-250⬇
Meranti Tembaga Sel/Btr (KD 2”boards)		450-480
Balau/Bangkirai Decking		820-880
White Oak		390-410⬇

UK Plywood and MDF Prices

Plywood Panels 8x4”, CIF	US$ per m^3
Brazilian WBP BB/CC 6mm	500-515
Malaysian WBP BB/B 6mm	490-510
China (hardwood face, eucalyptus core) 18mm	320-340
China (hard face, poplar core) 18mm	310-340

Report from North America

Harwood flooring market expected to remain quiet in second half

Demand for hardwoods in North America will remain subdued for the second half of 2009 according to the *Hardwood Review Weekly*[1]. Demand and price reports are confusing, changing weekly and lacking a clear trend. A very slow recovery of the market is expected in the fourth quarter of 2009. For tropical imports, the outlook is equally pessimistic. While residential home construction appears to stabilize, worsening conditions in non-residential construction, including offices and hotels, affect the flooring and architectural millwork industries that are key consumers of tropical hardwoods. Canadian flooring plants have extended summer shutdowns, and bamboo flooring imports continue to rise at the expense of wood flooring. Some flooring manufacturers' hardwood requirements are reportedly down by as much as 50% from the same time last year. Currency exchange rates and particularly the strength of the US dollar are the biggest unknown factors affecting North American prices and hardwood imports throughout the second half of 2009.

The US House of Representatives recently passed the '21st Century Green High-Performing Public School Facilities Act', which will make investments to modernize, repair and build schools across the US. Currently the legislation is in the US Senate. For the wood flooring industry an amendment to the bill is of great interest. It requires agencies receiving grant funds to disclose whether any flooring installed in schools was made from sustainable and renewable materials (such as wood). The bill also requires the majority of funds (100% by 2015) to be used for projects that meet green building standards. However, the bill requires the use of manufactured goods produced in the US. The National Wood Flooring Association and the Hardwood Federation supported the bill and the drafting of the amendment, according to *PRNewswire*. The Congressional Budget Office estimates that USD6.4 billion will be spent in 2010 and similar amounts from 2011 to 2015 to modernize and repair schools, while USD100 million per year from 2010 to 2015 will go towards repairing schools damaged by hurricanes Katrina and Rita and to construct new schools.

Canada's retail trade shows slight growth

According to data just released by Statistics Canada, retail trade increased by 1.2% in May. The largest increase was in sales of new cars, but the building and outdoor home supplies stores sector also saw sales increase (1%) by double the rate of the previous month. Furniture, home furnishings and electronics stores had their sales rise 0.5%, the first increase in this sector since July 2008. Sales at home furnishings stores led the increase in May (+2.5%) and have been outperforming the other types of stores in this sector. A major part of the revenue of home furnishings stores comes from the sales and installation of products related to home renovation and building, such as floor coverings.

Central bank anticipates growth in Canada's economy

Canada's central bank expects Canada's economy to begin growing this summer after nine months of stagnation. The bank forecasts 1.3% growth this summer on an annualized basis and 3% growth in the last quarter of 2009. The Bank of Canada's governor said at a July 23 press conference that the economy remains dependent on the bank's commitment to keep the interest rates at a historic low of 0.25% until June 2010. A stronger and more volatile Canadian dollar is a significant risk to inflation and economic recovery.

New legislation in US aims to limit greenhouse gas emissions

The US House of Representatives narrowly passed the US's first legislation that would limit greenhouse gas emissions. Also known as the Waxman-Markey bill after its authors, the bill must still pass the Senate where it is being modified. The legislation would require the United States to reduce carbon dioxide and other greenhouse gas emissions by 17% from 2005 levels by 2020 and by about 80% by 2050. The main component of the bill is a cap-and-trade plan for greenhouse gases, but it also includes a renewable electricity standard, increases in energy efficiency for buildings, home appliances and electricity generation, modernization of the electrical grid and production of electric vehicles. There has been strong criticism of the bill, but all sides agree that it will increase the cost of energy for industry and consumers.

One controversial provision in the legislation could impose tariffs on imports from countries that do not make similar cuts. China criticized the provision, calling it an attempt to increase trade protectionism under the pretext of action against climate change.

The forest industry in the United States could benefit under the new legislation from the required greater use of renewable energy sources, which includes wood pellets and other forest biomass. The American Forest & Paper Association (AFPA) is concerned, however, that the increase in energy cost will hurt the industry's competitiveness. The National Association of Homebuilders (NAHB) criticized the stringent requirements for energy efficiency in new home construction. Necessary materials and equipment for increased energy efficiency would be in short supply in the near term, driving up the cost of new homes.

REDD (Reducing Emissions from Deforestation and Forest Degradation in Developing Countries) is part of the bill in its current form. According to the Forest Carbon Portal, entities covered by the cap-and-trade plan would be able to offset up to two billion tons of emissions annually by using domestic and international offset credits approved by the Environmental Protection Agency (EPA). This could significantly reduce the cost of compliance in some industry sectors. REDD is listed as the only eligible project type for international forest carbon activities.

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[1] *Hardwood Review Weekly*, Vol. 25, Issues 42 & 43

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.

Ambitious plans to grow 24 million trees to soak up carbon dioxide and restore the rainforest have got underway in Ghana. The first million seedlings are being planted in a pilot scheme in an area that has been heavily logged in recent years. The trees are all tropical hardwoods, mostly indigenous, and it is believed this project could eventually become the largest of its kind.
http://news.bbc.co.uk/2/hi/science/nature/8139351.stm

El Niño is making a comeback, bringing with it an increased threat of droughts, floods and crop failure. According to the National Oceanic and Atmospheric Administration (NOAA), the eastern Pacific Ocean has warmed nearly 2 degrees Fahrenheit at the surface and just over 7 degrees 500 feet below.
http://www.thetrumpet.com/index.php?q=6339.4796.0.0

Finalizing the United Nations' forest conservation scheme is an obvious and critical step to agreeing a new global climate change pact, an economist at the United Nations Environment Programme (UNEP) said. The G8 and other major economies agreed to restrict global warming to 2 degrees Celsius (3.6 Fahrenheit).
http://www.reuters.com/article/homepageCrisis/idUSLF570063._CH_.2400

In a city that has long ignored notions of 'green' in its vigorous development projects, every morsel of attention given to environmental sustainability is a baby step toward real change. It was not until last year that the phrase 'green building' or 'green architecture' entered the vocabulary of stakeholders in Jakarta's urban development, whether government officials, property developers, architects or building consultants.
http://www.thejakartapost.com/news/2009/07/14/step-green-step.html

The Tropical Botanic Garden and Research Institute (TBGRI), Palode, is all set to launch a unique eco-restoration project in 10 tribal settlements in the Peppara forest area. Reeds, rattans and bamboos will be planted on deforested and barren lands, medicinal plants as an inter-crop in cultivated areas, and vetiver grass will be planted to prevent soil erosion at the Peppara dam site.
http://www.expressbuzz.com/edition/story.aspx?Title=TBGRI+to+launch+eco-restoratio&artid=ooJyTR|oKyI=&SectionID=lMx/b5mt1kU=&MainSectionID=lMx/b5mt1kU=&SEO=&SectionName=tm2kh5uDhixGlQvAG42A/07OVZOOEmts

Thousands of years ago, South Americans of the Amazon Basin began using charred animal waste and wood to make what the Portuguese called 'terra preta' (black earth). The terra preta soil they created remains fertile for thousands of years without the use of any fertilizer, thereby increasing agricultural yields and further reducing harmful emissions.
http://ecosystemmarketplace.com/pages/article.news.php?component_id=6915&component_version_id=10488&language_id=12

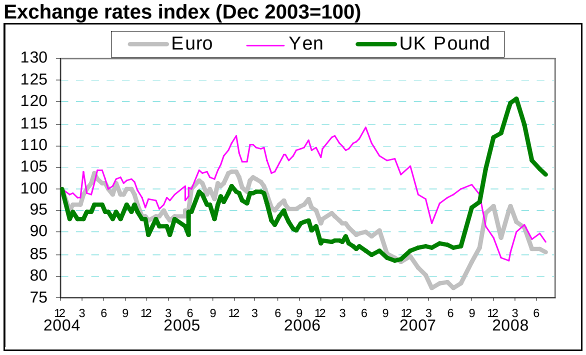
Two scarcely noticed events occurred in Nigeria and Botswana that signal the growing speed and strength of a new 'scramble for Africa' among the world's big powers, who are tapping into the continent for its oil, iron ore, timber, gold, diamonds and other natural resources.
http://www.sundayherald.com/international/shinternational/display.var.2520769.0.0.php

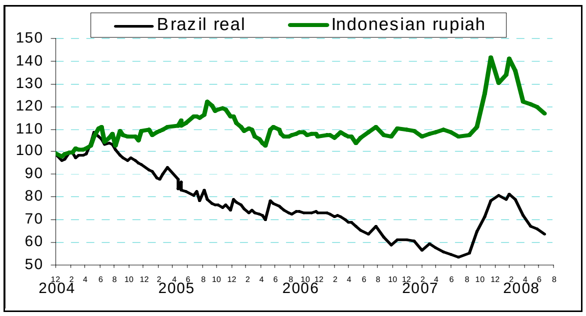
Main US Dollar Exchange Rates

As of 31 July 2009

Brazil	Real	1.8660	⬇
CFA countries	CFA Franc	460.219	⬇
China	Yuan	6.8321	⬆
EU	Euro	0.7016	⬇
Indonesia	Rupiah	9,921	⬇
Japan	Yen	94.62	⬆
Malaysia	Ringgit	3.5224	⬇
Peru	New Sol	2.9851	⬇
UK	Pound	0.5986	⬇

Exchange rates index (Dec 2003=100)

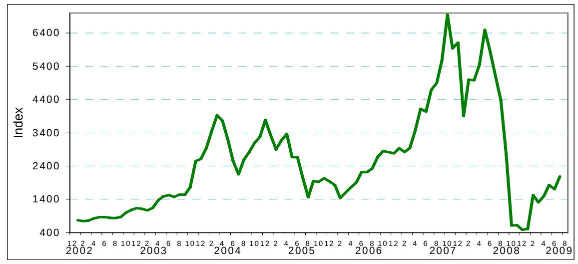




Abbreviations and Equivalences

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

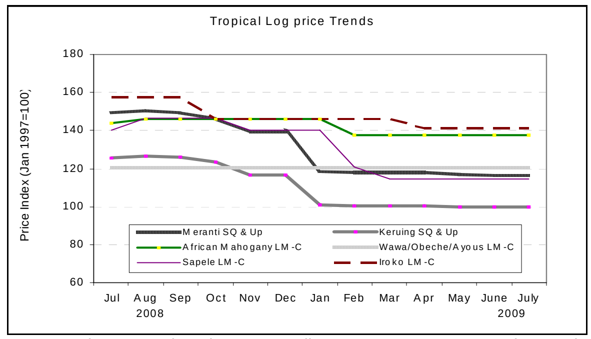
Ocean Freight Index



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.

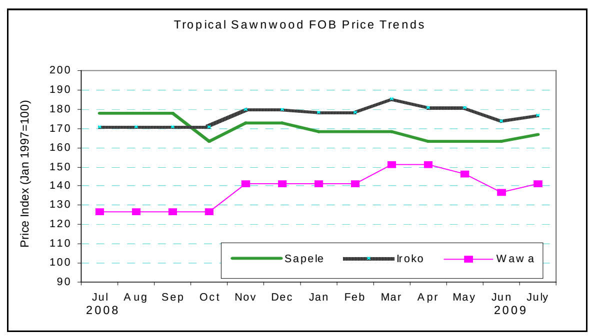
Appendix. Tropical Timber Price Trends

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



Tropical Plywood Price Trends