Tropical Timber Market Report since 1990

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Snapshot

Reports over the last fortnight indicated slow business as the summer holidays in Europe continued. Further results from the first half of 2009 showed the impacts of the financial crisis.

Brazil's northern state of Pará reported a 53% drop in exports of solidwood products during the first half of 2009. China indicated a 21% fall in forest products imports and an 11.7% decline in exports of forest products during the same period. US imports of tropical timber during the January to May 2009 period slid to about half their value from the same period in 2008.

Nevertheless, Canada reported a slight upturn in its housing market. India also reported new government measures for the housing market in early August, which are expected to boost the construction and wood-working industries. In addition, Myanmar reported some recovery in sales of its popular species.

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Prices hold steady in West Africa

There is no change in the market since the end of July. Sustained business with China, Vietnam and India continues to hold export prices and volumes steady, a trend similar to the past two months. Trade with European buyers is still very slow and neither exporters nor importers appear to be expecting a sustained improvement in business with Europe in the short to medium term. The modest price gains for some species in July have held and there are reports that demand for okoume logs has been particularly high.

The ongoing demand for the very selective number of favorite species is not likely at this stage to tempt producers into any prompt reactivation of logging. The emphasis on so few species does tend to mask the lack of interest in other species available in most forest concession areas, forcing loggers to log very selectively, resulting in a rise in the cost of extraction. Although most world stock markets have made some gains in the past two weeks, economists continue to warn that the underlying market prospects remain very fragile and recovery to normal trade conditions is many months if not years away.

This is certainly the view of many in the West African timber industry as the boom years in building construction in consumer countries such as Spain, Portugal, the US and UK are over and unemployment is climbing. Some timber trade representatives have recently commented that the tropical hardwood trade may not decline further from the present low level, but it is not likely to return to the volumes traded in the past three or four years.

For the present, West African log and lumber exporters have survived through a very difficult 12 months, thanks to continued demand from the Asian market. It is anticipated that if these markets hold, the companies benefiting from this trade will continue to do so through the third and fourth quarters. The expectation remains that 2010 will bring some revival in European business.

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

Ayum sets pace for best timber practices

Ayum Forest Products Ltd, a forest resource concession holder in the Asunafo North Municipality of the Brong Ahafo Region, has committed about USD500 million towards a reforestation project in the degraded Amama Forest Reserve at Atronie, near Sunyani. Since the programme began in 2003, the company has planted over five million indigenous tree species. According to *The Daily Graphic*, the new initiatives are designed to show the company's best timber practices. The tree species planted in the degraded areas, covering about 42.28 square kilometers, include cedrela, ofram, ceiba, mahogany, edina, wawa, utile, emirem chenchen, koto, kokrodua, mansonia, asanfina, makore, akasaa and otie.

Currently, the company sources about 80% of all wood material input from its own concession areas and its current forest management practices are in line with the laws and regulations of the Forestry Commission (FC) as well as its logging manual. In addition, the company is highly committed to forest restoration in degraded areas and reclamation of log siding in productive forest areas using indigenous species. As one of the largest timber companies and a leader in timber products from Ghana, Ayum has the opportunity to positively influence the Ghanaian landscape through its commitment to responsible forestry practices to become a leader in the sub-regional forest products industry.

Recently, the company joined the Global Forest and Trade Network – West Africa, thereby committing its forest concessions to be responsibly managed, including through the use of credible certification systems. In addition to the forest concessions under the company's management, Ayum also agreed to implement responsible procurement policies for the timber entering sawnwood, veneer and plywood mills. The company's forest reserves are crucial to the conservation and protection of biodiversity in the Guinean Moist Forest Eco-region, which is considered the most biodiverse region in West Africa. At a press briefing, Ayum's Director of Operations Mr. Akufo Owoo hinted the company adopted a waste management system to ensure proper management and disposal of waste at all levels of the company's operations. Ayum is also a beneficiary of an ITTO pilot scheme on timber tracking.

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	300↓	390↓
Edinam (mixed redwood)	420↓	430
Emeri	330↓	400↓
African mahogany (Ivorensis)	595	665
Makore	520	610
Niangon	495↓	640↑
Odum	645	720
Sapele	540	590↓
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	415↑	450

The above prices are for full sized panels, smaller sizes minus 15%. Thickness below 1mm would attract a 5% premium.

Rotary Veneer, FOB Core Grade 2mm & up	€ per m^3
Ceiba	245
Chenchen & Ogea	295
Essa	285
Ofram	312

Sliced Veneer, FOB	€ per m^2	
	Face	Backing
Afrormosia	1.19	1.00
Asanfina	1.50	0.88↓
Avodire	1.20	0.80
Chenchen	1.00	0.55
Mahogany	1.40	0.85↑
Makore	1.45	0.85↓
Odum	1.80	1.40↑

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	265↓
15mm	310	300	280	275↓
18mm	300	290	285	255↓

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

Trade event expected to draw about 50,000 visitors

Organizers of the Malaysia International Commodity Conference & Showcase (MICCOS), to be held from 13-16 August 2009, expect the event to draw up to 50,000 visitors. The Malaysian Timber Council will be organizing a major business-matching session during the event, which will include at least 49 delegates from 35 companies from 16 countries including China, Germany, Greece, Hungary, India, Pakistan, Poland, United Arab Emirates and Uzbekistan. According to *The Star Online*, about 100 business representatives from 61 Malaysian timber-based companies will also be participating in the business-matching session at MICCOS. The president of the National Smallholders Association (NASH), Datuk Aliasak Ambia said the event would provide small businesses a good opportunity to be updated on the latest market information on cash crops such as palm oil and rubber.

Malaysian furniture manufacturers will also be participating in the Furniture China trade exhibition to be held at the Shanghai International Exhibition Centre (SIEC) and the Redstar Macalline Global Furnishing Trade Center (RMGFTC) from 9-12 September 2009. *Furniture Today* reported the trade show will feature 1,800 exhibitors occupying 2.3 million square feet at the SIEC and another 500 exhibitors occupying about 1.8 million square feet at the RMGFTC.

New Zealand seen as model for Malaysia's plantation development

The Malaysian Deputy Ministry of Plantation Industries and Commodities Hamzah Zainuddin said that Malaysia should emulate the management practices of forest plantations in New Zealand in order to stimulate research and development in the timber sector. According to *Bernama*, the Deputy Minister was leading a delegation from Malaysia to New Zealand to discuss cooperation between the two countries in the timber sector.

Drought and haze hit Sarawak

Bernama reported that timber logging activities in Sarawak were being reduced as a combination of drought and haze has covered the state of Sarawak. The drought brought about by the El Niño effect has been depriving timber logging camps of drinking water and sanitation. The drought has also created extremely dry conditions in the forests, making it very susceptible and vulnerable to fires. Deputy Chief Minister Mr. George Chan, who is also the chairman of the state Disaster Management and Relief Committee, has activated disaster operations across the state. The situation may create a temporary shortage of logs that will arrest any decline in prices for timber products in Sarawak. However, prices are unlikely to strengthen as there are adequate supplies of raw logs and other timber products in Sarawak.

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	188-219⬆
Super small	164-195⬆
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	42-79⬆
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)		439-452⬇
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		460-511⬇
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	388-418⬆
9mm & up	334-406⬆
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	531-541⬇
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	546-559⬇
Grade B	499-508⬇

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

Sengon used as alternative to raw materials from production forests

Timber products manufacturers in Java are increasingly turning to sengon wood as an alternative raw material, reported *The Jakarta Post*. As a result, its price has quadrupled to Rp 800,000 (USD79) per m³ over the last four years. Sengon wood is preferred by many manufacturers as the tree is highly adaptable to most soil conditions and has a 5 to 10 year gestation period. The physical properties of the wood also meet the requirements of manufacturers for a wide range of timber products.

With some companies utilizing up to 80% of sengon wood as raw material, competition for the wood has become keen. Prices of the wood of a higher quality are anticipated to hit Rp. 1 million per m³. As such, some companies have resorted to buying other lesser-used species such as coconut and oil palms as a source of raw material. However, sengon wood remains a favorite among timber products manufacturers in Java which are reported to have processed and used up to 4 million m³ of the wood over the last three years.

New certification system to take effect in September

The Jakarta Post reported that by 1 September 2009, a new certification system would be in place for the country's log and wood products produced by local companies. The Institute of Independent Evaluators and Verifiers (LPVI) will be responsible for issuing certificates for these products as well as standardization documents to licensed holders of forest management units, production forests and community forests. The system will apply to Indonesian products sold domestically and internationally. Until now, the Board for the Revitalizing the Forest Industry (BRIK) has been in charge of issuing certification documents for exported products and will continue to do so until LPVI is ready to take over BRIK's responsibilities. Unlike BRIK, LPVI will comprise more non-governmental, independent and professional experts.

Ministries wrangle over rattan quotas

Uncertainty continues to prevail over quotas imposed on rattan exports involving the Indonesian Trade Ministry and the Industry Ministry, reported *The Jakarta Post*. The quotas imposed under a new regulation, which constitutes the fourth revision of a 2005 regulation, have remained unchanged despite mounting calls to reduce or completely ban rattan exports in order to address the acute shortage of the raw material. However, Industry Minister Mr. Fahmi Idris indicated that the quotas could be amended as the new regulation was still undergoing further revision.

The Industry Ministry reveals that the country produces 600,000 tons of raw rattan annually, which represents 75% to 80% of the world's total production. Sumatra, Kalimantan, Sulawesi and Papua are the main rattan-producing regions in Indonesia. The Indonesian Furniture Entrepreneurs Association (Asmindo) said the local annual demand for the commodity amounts to 300,000 tons.

The Industry Ministry and Asmindo, which represents rattan producers and craftsmen, have called on the Trade Ministry to curtail raw rattan exports further, while the Indonesian Rattan Furniture and Craft Association (AMKRI) is demanding that the Trade Ministry should cease issuing export permits for the commodity. AMKRI Chairman Hatta Sinatra commented that the country might not be able to meet local demand, estimated at up to USD300 million, if the government did not curtail exports of rattan.

Indonesia Log Prices (domestic)

Indonesia logs, domestic prices	US$ per m^3
Plywood logs	
Face Logs	187-229⬆
Core logs	169-202⬆
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	356-397⬆
6mm	314-378⬆

MR Plywood (Jakarta), domestic	US$ per m^3
9mm	252-263⬆
12mm	244-254⬆
15mm	233-247⬆

Other Indonesia Panel Prices

Indonesia, Other Panels, FOB		US$ per m^3
Particleboard	Export 9-18mm	215-226⬆
	Domestic 9mm	192-204⬆
	12-15mm	183-194⬆
	18mm	173-185⬆
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

Active purchasing points to market recovery

Export products from Myanmar such as freshly cut teak, pyinkadoe and gurjan have been selling in reasonable quantities. Buyers say grading and pricing are the key elements to bringing the market back to normal. Insofar as pricing is concerned, Myanmar Timber Enterprise (MTE) is reluctant to adjust prices downward, while grading has been reviewed to accommodate the needs of the day. Given the current trading patterns in Myanmar, it seems to be an optimistic time for some and buyers hope positive trends will continue in the months ahead.

Timber transport by road to Yangon is most feasible

The *Bi-Weekly Eleven* journal and *Myanmar Post* noted the discussion of a paper presented recently at a meeting of the Myanmar Timber Entrepreneurs' Association. The paper discussed the pros and cons of relying on various methods of transport in the country including by river, rail and road. The paper stressed the need to observe ASEAN standards for axle load, weight and dimension limits to reduce wear and tear on existing roads and highways. The paper also indicated that transport of logs to Yangon was most feasible by trucks.

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

Indian housing sector gets a boost from government stimulus measures

The beginning of August showed positive results for India's realty sector. The Ministry of Finance announced incentives to the building industry, extended tax breaks for realtors by three years and offered individual buyers of homes subsidies on the interest on loans up to Rp.1 million per year provided the purchase price of the home is not more than Rp.2 million. The government earmarked about Rp.10 billion for these provisions, which are expected to offer benefits to low and middle-income families.

The Ministry also proposed an amendment to the Income Tax Act, whereby profits from housing projects approved by a local authority between 1 April 2007 and 31 March 2008 would be tax free if completed by 31 March 2012. The government has urged the builders to pass on the benefit to the consumers. There is an immense shortage of dwelling units in the country, as it is expected that about 47.4 million new dwelling units in rural areas and 26.5 million in urban areas will be needed by 2012.

The measures announced by the government have been well-received by the construction industry and are expected to give a boost to wood working industries as well. Plywood alone accounts for 78% of the wood panel market in India, with the rest being composed of engineered panels such as MDF and particleboard. For the housing interiors industry, the Indian market is still dominated by plywood and blockboard. However, the trend is gradually changing with a growing market share for plywood and blockboard and an increasing share of particleboard and MDF.

With the housing sector getting a boost, interior wood products comprised of decorative panels, wooden floorings and ready made furniture also gets a lift. India is a net importer of furniture. Small quantities of furniture are being exported representing not more than 0.25% of the global furniture industry. At present, the furniture sector is predominantly in the hands of unorganized small units. Fortunately, large corporate houses have started taking interest in production of modern furniture and prominent names like Godrej and Wipro have entered the furniture manufacturing business.

The government has also extended tax breaks to industrial parks. Companies working from industrial parks can now plan for the long-term with tax breaks extended for two years, until 31 March 2011. Profits from development, operation and maintenance of industrial parks will continue to be tax-free. The Federation of Indian Chambers of Commerce and Industry have welcomed these measures that should give new momentum to the economic recovery currently under way.

Corporate results for 2008-2009 have shown positive growth for most companies, including plywood and woodworking producers. The overwhelming consumer needs from urban and rural areas have sustained demand for tropical hardwoods like balau, merbau, and keruing from Malaysia and Myanmar and also teak from Myanmar, Tanzania, Nigeria, Ghana and Central American and South American countries. However, the Sabah state government in Malaysia has restricted log and sawn exports to India. This will make prices of logs suitable for the plywood industry more competitive. India substantially depends on imported hardwoods like gurjan and keruing for plywood faces. Other than face veneers for core material, Indian factories are able to get local hardwoods from agroforestry and plantations in the country.

India's forest cover stands at 23.6% of the total geographical area. Sustained efforts by the government and the local community are improving the forest cover. It is estimated that by the end of 2010 total forest cover could reach 25% and 30% by the end of 2012. The Indian government also has set a long-term target of increasing the country's forest cover to 33%. Private and forest department tree planting is expanding.

In post-independence India, a new festival 'Van Mahotsav', has been introduced. The season for Van Mahotsav, which literally means 'Festival of Forests', is a week in July. During this period, every state in the country plants large number of trees. The forest department also helps local communities and village-level panchayats to plant millions of saplings, which are mostly distributed free of cost. For planting in urban areas, the saplings are distributed at nominal charge of about Rp. 1 per sapling. Many social organizations bear these costs and urge the people to take away the saplings free and plant as many trees as they can in and around their dwellings.

Teak prices on an upward trend

Prices for local teak have been showing an upward trend. Despite the monsoon season, most timber offered for sale is sold. Imports are also steady, augmenting supplies to a great extent. Besides helping housing and industrial infrastructure, the imports help forest conservation efforts in the country. The current prices for imported teak of various origins are as follows:

Imported teak origin	***Price (per m^3-C&F Indian ports)***
Côte d'Ivoire	USD450-500
Thailand	USD400-450
Papua New Guinea	USD400-425
Ghana	USD375-400
Benin	USD360-375
Togo	USD350-375
Ecuador	USD325-350
Costa Rica	USD300-325
Panama	USD275-300

Table 1: Prices of teak logs from various origins through Indian ports (USD per m^3)

Different measurement systems are used by exporters from different countries and if the importer is not well versed he loses profits. The reactivated Teaknet is planning to take up the matter of uniform specifications, measurement systems and allowances for sapwood and bark and some guidelines on uniform price vis-à-vis classifications.

In India, the local practice is to measure the logs under the sap, regardless of the species. Even in African countries, timber such as padauk is measured under sap. For the protection of buyers and consumers, the ideal system would be to measure the logs under the sap so the question of allowance for sapwood and barkwood would not arise. Teaknet is expected to take up this matter in due course, possibly at its next international seminar planned for the month of November 2009.

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

Brazil offers national forests for auction

By the end of 2010, over 2.7 million hectares of national forests in Brazil will be offered for auction, according to the estimate of the Brazilian Forest Service (SFB in Portuguese), the agency responsible for the auction process. Thus, the timber supply from legal and sustainable sources is estimated to reach a total of 840,000 m^3.

The Annual Plan for Forest Concession (PAOF) 2010, which defines the concession areas for sustainable harvesting was signed in Brasilia by the Minister of Environment, reported *MMA/ASCOM*. The measure will contribute to revenue generation of nearly BRL430 million to both the government and the industry - in addition to 12,000 direct and indirect jobs. Until now, some 90,000 hectares in the country had been auctioned within a single Conservation Unit, the Jamari Flona (National Forest) in the Northern state of Rondônia.

According to SFB, the concessions will expand the sustainable forest area for harvesting and provide an opportunity to the timber sector to purchase legal products. To the Ministry of the Environment (MMA), the creation of sustainable economic activities is an important alternative to combating deforestation, since the supervision of forest management and penalties for inappropriate harvesting are not sufficient to control the destruction of the forests.

This year, nearly 1 million hectares will be offered for bidding in three auctions. One has already opened, the Saracá-Taquera Flona, which covers 140,000 hectares. Later this year, auctions of the Amana and Crepori National Forests, in the state of Pará, will be announced. Among the possible buyers of the concessions are companies that consume wood raw materials, forest service providers, machinery companies, equipment and forest suppliers and communities living around the concession areas.

Minas Gerais' stands to gain from federal programme

Even with the slowdown of furniture sales in the first half of 2009, the Minas Gerais' furniture sector foresees a promising year, reported *O Tempo*. Compared to 2008, a 7% growth in revenue amounting to BRL190 million is expected in 2009. Additionally, with the completion of the first house under the federal programme 'My House, My Life' in 2010, the prospect for increased sales in such homes is 30%, according to the Ubá Inter-Municipality Union of Furniture Industry (INTERSIND).

The Union represents 400 furniture companies in the regional cluster. It expects domestic sales to expand next year and have a positive impact on revenues from investments in the real estate market. In the first half of 2009, furniture exports fell 50% compared to the same period of 2008. With the slump in exports, especially due to the global economic crisis, the industry is increasingly targeting the domestic market. The 'My House, My Life' programme is expected to boost sales, as those who buy new homes also need new furniture.

According to the Minas Gerais Furniture Merchants and Representatives Association, furniture sales in the first two months of 2009 were low as result of consumers' limited interest in purchasing home furniture. To avoid the worst, companies worked to maintain minimum sales. As the crisis appears to be coming to an end, companies need to continue their work, considering that the domestic market is expanding and offering an opportunity to grow.

Exports of Brazilian solidwood products tumble amid global financial crisis

Brazilian exports of solidwood products have been declining since 2007, and the situation has become even more serious for the sector since the beginning of the financial crisis. According to *Agência Brasil / O Liberal*, the crisis has affected exports from traditional solidwood producing regions in Brazil. According to the Paraná

Wood Industry Union, in the first six months of 2009, solidwood exports from the country fell 43% by volume compared to 2008. In Paraná, the fall in sales in the last 20 months was 54%, which included lumber, pine and tropical plywood, door and solidwood product sales from other segments. The state employs about 600,000 workers in the timber industry comprising 1,200 companies affiliated to the Union. As companies have made adjustments following the financial crisis, nearly 6% of the workers have been laid off in the first half of the year.

In the Northern state of Pará, exports of solidwood products in the first half of 2009 plummeted 52.9% by value compared to the same period of 2008, according to the Pará Timber Exporters Association (AIMEX). Although exports by volume rose 1.7% from May to June 2009, the devaluation of the Brazilian real against the US dollar hurt producers, with revenues dropping 2.3% over the period, resulting in a loss of nearly USD 660,000.

The main factors contributing to the poor performance of the industry are high tax burdens; low demand from external markets; fierce competition with other tropical countries such as Malaysia and Indonesia; high interest rates for small and medium producers; and the fluctuation of exchange rates. The recovery of timber exports, according to AIMEX, is expected to occur from October 2009. The expectation is that the crisis will start to slowdown and the civil construction industry abroad will strengthen, consequently improving prospects for exports of Brazilian solidwood products.

High costs deter forest product certification

Although it has become a condition for some companies to access external markets, certification of wood and non-wood products is still resisted by some small and medium sized companies, reported *Folha de São Paulo*. As observed by the Forest Stewardship Council in Brazil, companies' reasons for not certifying include the high cost of certification and the process of compliance with environmental and labor standards.

At times, the costs for adjusting forest management areas and chain of custody are higher than the cost of certification itself. Nevertheless, the Brazilian companies that do invest in certification confirm having benefited from greater opportunities to exports.

In addition, the INMETRO (The National Institute of Metrology, Normalization and Industrial Quality) also certifies forest companies that operate in a sustainable way. The CERFLOR (Brazilian Program of Forest Certification) was established in 2002 by INMETRO under which more than 1 million hectares of natural and planted forests nationwide have been certified.

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 (ex-mill Northern Mill)	US$ per m^3 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

FTA can boost Peruvian exports to the EU

EU representatives anticipate growth in Peru's agricultural exports to the EU, if the EU and Peru were to sign a Free Trade Agreement (FTA). Rupert Schlegelmilch, chief negotiator for the EU, commented that Peruvian products, particularly certified wood and other popular agricultural products, have a high potential to enter the European market under preferential tax rates, since they are in high demand in the region. Schlegelmilch hopes to finalize the FTA by the next meeting of the two groups in Brussels during September 2009 and for the FTA to be signed by the end of this year.

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	302-355⬇
Grade 2, Mexican market	255-275⬇
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	290-316⬇
Grade 2, Mexican market	256-269⬇
Grade 3, Mexican market	138-155⬇
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	211-222⬇

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 m^3
(Iquitos mills)	
122 x 244 x 4mm	441⬆
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	458⬆
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 m^3
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 m^3
Cabreuva/estoraque KD12% S4S, Asian market		1344-1433
Cumaru KD, S4S	Swedish market	655-708
	Asian market	969-996⬆
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

Bolivia Sawnwood Prices

Sawnwood 1-3"x3x5"x7-19', FOB Arica Port		\$ Avg un. val. per m^3
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 m^3
Jatoba	(US market)	1185-1525
Ipe	(US market)	805-1800
Cumaru	(FSC) (China mkt)	1620-1735

Report from Mexico

Mexico aims to restore degraded land

Over the past seven years, Mexico has worked to conserve and restore soil quality covering about 600 thousand hectares in the country. During the period 2001-2007, the National Forest Agency, with the support of owners of forest land, restored 596 thousand hectares of land and soil in the country, involving an investment exceeding 540 million pesos. The states suffering from a greater degree of deterioration of soil and forest resources are considered priority areas. They include Oaxaca, Chiapas, Quintana Roo, Jalisco, the state of Mexico, Chihuahua and Durango.

CONAFOR, through ProTree, has promoted various activities to prevent soil degradation through: reforestation and soil enrichment; construction and land restoration; maintenance; and soil conservation. Mexico is working through some 29 federal entities to promote sustainable management of agricultural and forest lands. To strengthen efforts toward the sustainable management of soils, many institutions also took part in drafting the National Strategy for Sustainable Land Management, aimed at developing public policies that support sustainable management of land. The Strategy will be issued in the coming months and will be presented as a tool to tackle the problem of land degradation.

Report from Guyana

Prices for popular log species mark further gains

Log prices for greenheart have further improved, with mora prices remaining relatively stable for the period 16-31 July 2009 as compared to the previous period of 1–15 July 2009. Prices for purpleheart undressed sawnwood (812/649) have been positive, while greenheart dressed sawnwood (1165/806) and purpleheart (1126/806) have showed significant price increases over the same period. Prices for plywood in the BB/CC and utility category for the period 16–31 July 2009 were also favorable. Prices for splitwood (2344/975) and roundwood have showed gains during the same period. Value-added products, such as doors, mouldings and outdoor furniture have also recorded higher average prices for the end of July compared to the first half of July, with outdoor furniture gaining export value earnings significantly.

Local producer receives top award for innovative activities

In recognition of its innovative contributions to local business, Bulkan Timber Works was awarded the country Prize during the 2009 Pioneers of Prosperity Caribbean Awards Competition, according to the *Stabroek News*. The will now compete with entrepreneurs from The Bahamas, Barbados, Belize, Haiti, Jamaica and Trinidad & Tobago for the regional prize this September in Jamaica.

Receiving the prize on behalf of the company was Managing Director, Howard Bulkan, who has been involved in the business for approximately 38 years. Bulkan Timber Works Inc. was formed in 1997, manufacturing and exporting value-added wood products specifically for overseas markets. Currently the business has over fifty employees. As the country winner, Bulkan Timber Works will receive a grant from the Inter-American Development Bank's (IADB) Multilateral Investment Fund of USD40,000 to be invested in training and technical infrastructure for the company.

The Pioneers of Prosperity Programme is sponsored by the IADB's multilateral investment fund, the John Templeton Foundation, and the Social Equity Venture Fund (S.E. VEN Fund). The programme seeks to inspire a new generation of entrepreneurs in emerging economies by identifying, rewarding and promoting outstanding businesses to serve as role models for the community. According to the Programme's website, the winners are chosen on their ability to: create unique value for customers through innovative products and/or services; generate a sustainable profit for owners/shareholders commensurate with the risks taken by investing in them; invest in their employees through training; create safe working conditions; increase salaries; and protect the future by strengthening local and global environments and communities.

Guyana Log Prices

Logs, FOB Georgetown	SQ - $ Avg unit value per m^3		
	Std	Fair	Small
Greenheart	155⬆	145⬆	135⬆
Purpleheart	240⬆	220⬆	210⬆
Mora	110⬇	110-115⬇	90-110⬇

*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 m^3	
EU and US markets		Undressed	Dressed
Greenheart	Prime	-	-
	Select/Standard	535-806⬆	551-1165⬆
Purpleheart	Prime	-	-
	Select/Standard	787-812⬆	636-1126⬆
Mora	Select	500⬆	-

Guyana Plywood Prices

Plywood, FOB Georgetown Port			$ Avg unit val. per m^3
Baromalli	BB/CC	5.5mm	-
		12mm	413⬆
	Utility	5.5mm	-
		12mm	362-397

Report from Japan

Log and Sawnwood Prices in Japan

Logs for Ply Manufacture, CIF	Yen per Koku
Meranti (Hill, Sarawak)	(Koku=0.278 m^3)
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⬇

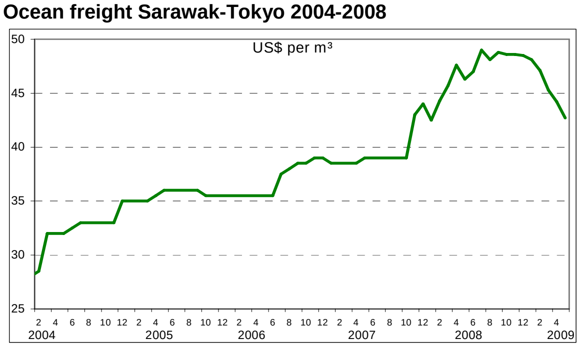
Logs for Sawmilling, CIF	Yen per Koku
Melapi (Sarawak) High Select	11,500
Agathis (Sarawak) High Select	-

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)	Jul (¥ per sheet)	Aug
2.4mm (thin plywood, F 4star, type 2)	920 X 1830	310 ⬇	320 ⬆
3.7mm (med. Thickness, F 4star, type1)	910 X 1820	440	450 ⬆
5.2mm (med. Thickness, F 4star, type 1)	910 X 1820	550	560 ⬆
11.5mm for sheathing (F 4star, type 2)	910 X 1820	850 ⬇	850
12mm for foundation (F 4star, special)	910 X 1820	880 ⬇	880
12mm concrete-form ply (JAS)	900 X 1800	780 ⬇	790 ⬆
12m coated concrete-form ply (JAS)	900 X 1800	920 ⬇	930 ⬆
11.5mm flooring board	945 X 1840	1050 ⬇	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 trade in major forest products dips in first half of 2009

Affected by the global financial crisis, China's imports and exports of major forest products during the first half of 2009 continued to drop compared to the same period 2008. Despite the overall drop, a slight upward trend was seen in the second quarter. Data from customs agencies shows the total trade value of forest products in China reached about USD26 billion in the first half of 2009, down 16% from the first half of 2008. Imports by value were USD11.1 billion, down 21% from the previous year. Exports by value were USD14.9 billion, down 12% from last year. However, exports by value during second quarter rose 15% over the first quarter.

Statistics data shows that China's trade of major forest products fell from 2008, but a rising trend was seen from the first to second quarters. Import values for the first half of 2008 and 2009 are shown below:

Products	Import value (US$ million)	Proportion (%)	Change (%)
Total forest products	11 122	100.0	-21.2
Pulp	3 201	28.8	-10.8
Logs	1 809	16.3	-35.4
Waste paper	1 638	14.7	-42.7
Sawnwood	9 48	8.5	-1.5
Subtotal	75 96	68.3	-25.6

Table 1: Imports of major forest products in first half 2008-2009

A total of 13.29 million m³ of logs were imported in China in the first half of 2009, valued at about 1.8 billion US dollars, down 19% by volume and 35 % by value from the same period of 2008. However, compared with that in the first quarter, import volume in the second quarter reached 7.69 million m³. Of the total log imports, softwood imports were 9.72 million m³, valued at USD1.036 billion, down 1% and 15% respectively from last year. Imports of hardwood were 3.572 million m³, valued at USD773 million, down 45% and 51% respectively. Compared with the first quarter, hardwood imports in the second quarter rose 7% by volume and 14% by value. Among the imports of hardwood, tropical log imports amounted to 2.71 million m³, down 35% from last year.

Russia remained the largest supplier of logs to China, A total of 7.675 million m3 of logs were imported from Russia, valued at USD885 million, accounting for 58% and 49% of the total respectively. Other suppliers of logs to China were New Zealand (1.87 million m3, accounting for 14%), PNG (0.75 million m3, 6%), Solomon Islands (0.58 million m3, 4%) and Gabon (0.51 million m3, 4%). A total of 11.38 million m³ of logs were imported from the above five countries, representing 86% of China's total logs imports. A total of 2.7 million m³ of tropical logs were imported in the first half of this year, down 35% from last year.

A total of 4.11 million m³ of sawnwood was imported during the first half of 2009, valued at USD948 million, up 20% by volume and down 1.5% by value from the same period of last year. Of the total imports of sawnwood (excluding sleepers), coniferous sawnwood imports were 2.68 million m³, broadleaved sawnwood imports were 1.42 million m³, accounting for 65% and 35% of the total respectively. The major suppliers of sawnwood to China were Russia (1.448 million m³), Canada (0.91 million m³), Thailand (0.382 million m³), the US (0.35 million m³), and New Zealand (0.178 million m³). A total of 3.268 million m³ of sawnwood were imported from these five countries, representing 80% of China's total sawnwood imports.

A total of 76,600 m³ of plywood were imported, valued at USD40.59 million, down 52% by volume and 55% by value. A total of 136,800 tons of fiberboard were imported, valued at USD54.48 million, down 17% by volume and 23% by value from the same period of last year. China imported 142,900 tons of particleboard, valued at USD42.93 million, up 18% in volume and down 8.5% from the same period of last year.

China imported about 7 million tons of pulp (including some non-wood pulp), valued at USD3.2 million, up 40% by volume and down 11% by value from the same period of last year. A total of 0.83 million tons of wood chips were imported, valued at UD106 million, up 42% by volume and 8% by value from the same period of last year.

Table 1 above and Table 2 below show that among total trade of forest products, the import value of pulp, logs, waste paper and sawnwood accounted for 68% of the total imported forest products by value in the first half of 2009. The export value of wooden furniture, paper and board, wooden products and plywood amounted to 72% of total export value of forest products during the same period.

Products	Export value (US$ million)	Proportion (%)	Change (%)
Total forest products	14 922	100.0	-11.7
Wooden furniture	5 041	33.8	-3.7
Paper and board	3 284	22.0	-10.1
Wooden products	1 394	9.3	-11.3
Plywood	1 099	7.4	-36.5
Subtotal	10 815	72.5	-11.3

Table 2: Exports of major forest products in first half 2008-2009

A total of 113.51 million pieces of wooden furniture were exported in the first half of 2009, valued at USD5.0 million, down 3.9% in volume and 3.7% in value from the same period of last year. A total of 2.65 million tons of paper, paperboard and paper products were exported, valued at USD3.284 billion, down 17% in volume and 10% in value from the same period of last year. The value of other wooden products exports, including doors, windows, handicrafts, tableware and packing material amounted to USD1.391 billion, falling 11% from the same period of last year.

A total of 2.4 million m³ of plywood was exported in the first half of 2009, valued at USD1.1 billion, down 36% in volume and 36% in value from the same period of last year. A total of 554,500 tons of fiberboard was exported in the first half of 2009, valued at USD341 million, down 46% in volume and 39% in value. Exports of particleboard fell 49% in volume to 32,900 tons from January to June of 2009 valued at USD14.25 million, down 39% in value from the same period of last year.

Sawnwood exports amounted to only 288,300 m³ in the first half of 2009, valued at USD180.35 million, down 19% in volume and 11% in value from the same period of last year.

A total of 130,600 tons of resin and its products were exported in the first half of 2009, valued at USD150 million, down 40% in volume and 38% in value form the same period of last year.

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"	13800-14200↓
US Walnut 2"	15800-16800
Lauan	3500-4000↑

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		1700↓
Mongolian Scots Pine	4m, 30cm diam.	1250↓
	6m, 30cm+ diam.	1350↓
Sawnwood		
Mongolian Scots Pine	4m, 5-6cm thick	1400↓
	4m,10cm thick	1400↓

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

Market slows during summer holidays

Recent reports suggest little change in overall market sentiment in Europe. If anything, demand for both tropical logs and lumber has slowed further with the onset of the summer vacation period, following the substantial fall in consumption across all major European markets beginning early 2008. Lack of credit insurance for many key customers of the importing sector remains a significant problem. Although many importers will still supply customers lacking such insurance, the situation has considerably increased the financial risks associated with transactions and further deepened the trend toward smaller orders and just-in-time trading. Customers' unwillingness to commit to purchases of larger volumes creates day-to-day uncertainty. This further discourages moves by importers to enter the forward market despite emerging signs of shortfalls in landed stocks in certain specifications and long lead times between ordering and arrival in the EU. For example, lead times of 4 to 5 months are now common for new orders from African sawmills. In current conditions of very low consumption and supply, prices for both logs and lumber on offer to European buyers are generally holding steady at relatively low levels.

European veneer producers operating at 50-70% capacity

The German trade journal *EUWID* reports that European demand for veneers has stagnated at a low level in recent months. Most Central European manufacturers report double digit percentage falls in turnover during the first half of 2008 compared to the same period the previous year. *EUWID* anticipates overall turnover in the sector this year may be as much as 30% down on last year. Overall European veneer manufacturers are operating at around 50-70% capacity and many operators are planning long shutdowns over the summer months. The downturn has affected all end-using sectors. The downturn in Spain's large door industry is mentioned as particularly severe. On the other hand, demand has held up better at the higher quality end of the market. In addition to the downturn in overall consumption, *EUWID* suggests real-wood veneer's market share is coming under increasing pressure from replacement products such as wood imitation plastics.

Plywood prices poised to make gains

There is limited forward ordering of tropical hardwood plywood in Germany, France and the Benelux countries and orders in the UK remain very slow. In recent months, the market for tropical hardwood plywood in the EU has remained finely balanced between very low consumption and limited supply, keeping forward prices broadly level. However, key Asian suppliers are now looking to push up CIF prices on the back of much reduced production levels in East Asia, improved demand in a few markets, notably Japan and the Middle East, and rising freight rates. Freight rates for a 40 ft container between China and Europe increased from around USD700 in March to USD1100 in July and are expected to rise again to around USD1300 in early September. Overall, the rise in freight rates has already increased costs of importing by around USD20/m³.

France at heart of okoume business

France lies at the heart of the European okoume plywood business and currently hosts five major manufacturers of this product. Most have production plants in Gabon in addition to France. In 2007, they imported 165,000 m³ of okoume logs: with a 60% yield this represents about 110,000 m³ of okoume plywood. In addition 148,000 m³ of manufactured okoume plywood were imported. Together this represents some 258,000 m³ of okoume plywood supply in France during 2007 of which about 55% was exported (104,000 m³). The Netherlands is a major export destination and accounts for about 55% of French exports (58,000 m³). Italy is the second biggest market, but only accounts for 15% of exports.

Okoume plywood is strongly valued in these European markets due to its versatility, high level of durability, visual aspects, good dimensional stability, resistance to wearing and excellent strength to weight ratio. In addition to general joinery applications, okoume plywood is also used extensively for yacht building, train and van floors and inside panelling. Access to specific markets is now heavily dependent on conformance to the EN 636 standard and the French NF-EXTERIEUR CTB-X standard set by the FCBA, which guarantees that a plywood product meets required specifications set by the building industry for external applications. Okoume plywood panels that are certified by NF-EXTERIEUR CTB-X have a ten-year guarantee in terms of durability.

Despite its natural assets and wide market presence, okoumé plywood has been steadily losing share in the European market for the past 10-15 years against a variety of competing materials. These include Malaysian meranti plywood, temperate hardwood and softwood plywoods, and Chinese look-a-like products comprising a poplar substrate to which is added two very thin 3mm faces of okoume veneer. Various alternative products are also now entering the market including Trespa (a composite material combining a woodfiber base and melamine resins used both for internal and external applications) and Rockpanel (manufactured from mineral wool fibers compressed under high pressure and used for external cladding).

Factors driving substitution include: the substantial price gap separating okoume plywood from alternative products; the high euro exchange rate, particularly in relation to the Chinese yuan; architects' perception (particularly in the Netherlands) of high maintenance requirements for okoume in external cladding; and demand for FSC or PEFC certification in some sectors (which has tended to favor birch and softwood plywood alternatives).

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⬇

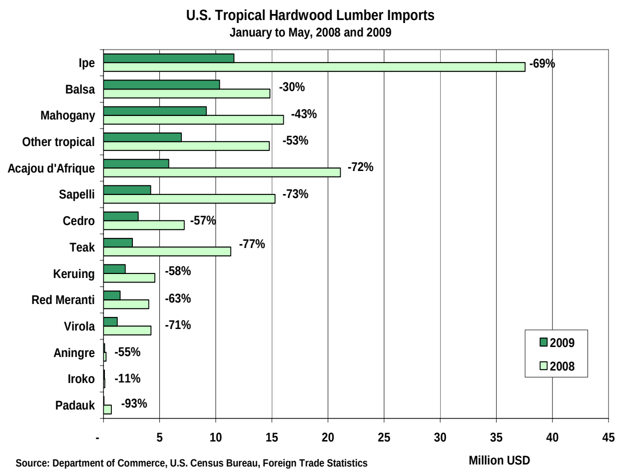
UK Plywood and MDF Prices

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

Steep decline seen in US tropical timber imports

Low demand along with the credit crisis and higher costs has had a severe impact on tropical timber imports. US import statistics for January to May 2009 show a steep decline in almost all tropical timber products compared with the same period last year. The value of lumber imports fell by 60-70% for most species. Imports of ipe lumber dropped by 69% compared with 2008 figures, mahogany by 43%, khaya by 72%, and sapele by 73%. Import values and changes for other species are shown in the figure below.



US imports of tropical veneer between January and May 2009 fell by half to just over USD10 million. Tropical plywood imports decreased by 54% to USD77 million. Spanish cedar face plywood imports were USD1.7 million (-43%), while mahogany face plywood imports totaled only USD915,000 (-26%). Only tropical log imports increased compared to 2008 and stood at USD216,000 in May (year-to-date).

Of the three largest exporters of tropical lumber, veneer and plywood to the US, Brazil was the most affected by the drop in US imports in January to May 2009. Imports from Brazil fell by 71%, from China by 37% and from Indonesia by 53%. Ecuador had a relatively low decline of 38%, while Malaysia (-72%), Cote d'Ivoire (-60%), Ghana (-67%), Cameroon (-83%) and Peru (-69%) all saw severe drops. However, imports of value-added products such as flooring, decking and furniture are not included in the above trade figures.

Continued growth predicted for wood-plastic composites and plastic lumber in outdoor products

Freedonia has published an updated market study on wood-plastic composite and plastic lumber (*Wood-Plastic Composite & Plastic Lumber to 2013*, published July 2009). In 2008, the U.S. market for wood-plastic composite and plastic lumber was worth USD3.8 billion. The most important end uses were decking (38%), moulding and trim (28%), fencing (15%), and landscaping and outdoor products (11%).

Wood-plastic composites blend wood or other cellulosic fiber with plastic resins such as polyethylene, polypropylene or PVC. Consumers accept these products as a replacement for wood because of their long life span, minimal maintenance requirements, resistance to degradation caused by insect attack and exposure to the elements, and workability similar to wood. Wood-plastic composites and plastic lumber are also perceived as environmentally friendly products because they often contain recycled plastics.

By 2013, the market size for wood-plastic composites and plastic lumber will be USD5.6 billion according to Freedonia's forecasts. Freedonia expects wood-plastic composite lumber to expand more rapidly than plastic lumber, growing 11.1% per year to USD2.4 billion in 2013. Growth in demand for plastic lumber is expected to rise 8.2% per year to USD2.9 billion in 2013.

Decking and fencing markets will see above-average gains in the years to 2013, Freedonia predicts. While decks made from wood-plastic composites or plastic lumber are relatively high-priced, they can cost less in the long term because of reduced maintenance. Moulding and trim will remain a key market for composite and plastic lumber, but will see below-average growth, as plastic lumber has already attained substantial market penetration. Demand for composite and plastic lumber in windows and doors, landscape and outdoor products, and other applications will also increase as consumers increasingly perceive the products to be maintenance-free, ecologically friendly while having similarities with natural wood.

A number of factors could dampen the optimistic growth forecast by Freedonia. Principia Partners, who publish wood-plastic composite market studies, expects discretionary remodeling projects like decking to take a back seat to projects that improve the energy efficiency and structural integrity of homes. Moreover several class action lawsuits were launched against composite decking manufacturers because of fungi and mould growth, and injury from substandard product quality.

US company refuses to stock wood-composite decking

While the market share of wood-composite in decking is expected to continue its recent growth, not everybody is convinced that the composite material is better than wood, especially than tropical species. Advantage Trim & Lumber, based in Buffalo, New York, announced that they will not sell or distribute composite decking materials. Customers have increasingly inquired about composite decking, but the company advises that the quality and look of tropical hardwood decking such as ipe, is superior to composite materials. Advantage Trim & Lumber also point out that a deck from ipe lasts longer than composite decking, and that composite materials are not environmentally friendly since they are petroleum-based products.

Worst may be over for Canadian housing market

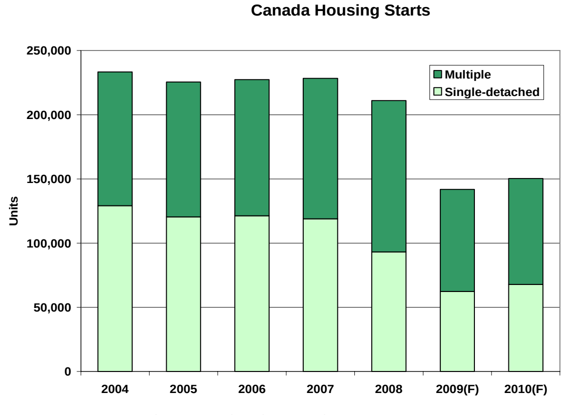
Both housing starts and building permits increased in June 2009, indicating that the worst may be over for Canada's housing market. The value of building permits (residential and non-residential) increased by 1% from May 2009 according to Statistics Canada. In the residential sector, construction intentions for single-family homes rose.

Canada Mortgage and Housing Corporation released data that showed house construction was up by 8% from May. The seasonally adjusted annual rate of housing starts increased to 137,800 units in June. The increase was in both single-detached homes and units in multi-family homes. Western Canada showed the strongest growth. Compared to the relatively high levels in the first six months of 2008, year-to-date housing starts decreased by about 43%.

Three key factors moderate demand for new homes: strong growth in house prices between 2002 and 2007 has lessened home ownership demand, particularly in Western Canada; record high levels of homes for sale listed have increased the competition from the existing home market; and uncertainty about the economic outlook contributes to overall lower demand for home ownership.

For 2009, Canada Mortgage and Housing Corporation expects housing starts between 125,000 and 160,000 units, and between 130,000 and 180,000 units in 2010. Analysts are optimistic about the Canadian market despite the fact that new construction is far below the 200,000-plus figure the market has seen for the past seven years. There is relief that the decline in construction has not been as severe as in the US where the new home market dropped by about 80% from its peak.

Multi-family housing (row, semi-detached, and apartment units) continues to grow in popularity as house prices have increased. Units in multi-family homes account for over half of all Canadian housing starts now, with the majority built in the large urban centres of Toronto, Vancouver and Montreal.



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.

EU-funded researchers in Spain and the UK have found that ecological restoration measures taken in areas where environmental degradation is rife can help reverse global biodiversity losses. The study, published in the journal *Science*, also showed that conservation efforts are more effective than restoration when ensuring the quality of 'ecosystem services' such as food, drinking water and carbon storage.
http://cordis.europa.eu/fetch?CALLER=EN_NEWS&ACTION=D&SESSION=&RCN=31091

Financial crisis aside, Russian forests are not commercially attractive to international timber companies, which would need to invest more than 1 billion euros (USD1.4 billion) to build a single large paper plant in a forest-rich area. Faced with such hurdles, companies tend to choose tropical timber markets, where denser biomass provides a bigger profit margin and facilities do not have to be heated during the winter.
http://www.moscowtimes.ru/article/600/42/380151.htm

Halting deforestation is essential to preventing dangerous global warming, the energy and climate change secretary, Ed Miliband, has told indigenous tribesmen and women on a visit to the heart of the Amazon rainforest. Cutting down trees causes 17% of global carbon emissions — more than global transport — and much of it happens in the Amazon.
http://www.guardian.co.uk/environment/2009/aug/03/ed-miliband-amazon-deforestation

It is a question that arouses a mixture of melancholy and hope. When it was proclaimed a national park in 1960, Gorongosa was teeming with wildlife. The first scientific studies found 14,000 buffaloes, 5,500 wildebeests, 3,000 zebras and huge herds of eland, sable and hartebeest. The headquarters, Chitengo Safari Camp, had two swimming pools, a bar, restaurant, nightclub, post office and petrol station. With over 20,000 visitors a year, it was one of the most popular wildlife destinations in Africa.
http://www.southernafricadirect.com/news/entries/2009-08-04/mozambiques-gorongoza-park-comes-back-to-life.html

A major genetic discovery is set to revolutionize Western Australia's multi-million dollar sandalwood industry. Researchers have discovered the gene which kick-starts oil production in both native and tropical varieties of sandalwood, one of the world's most fragrant and expensive timbers.
http://www.abc.net.au/rural/news/content/200907/s2642182.htm

A reforestation project on the Plateau of Bateke in the Democratic Republic of Congo will generate important environmental benefits to the local community as well social services through an innovative financing scheme. By reforesting 4,200 hectares of degraded land, the Ibi Bateke Carbon Sink Plantation Project will trap an estimated 2.4 million tons of carbon dioxide (CO_2) over the next 30 years, generating emission reductions that will be sold to finance the expansion of the project. http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:22266092~pagePK:64257043~piPK:437376~theSitePK:4607,00.html

The three universities for indigenous peoples promoted by the government of Evo Morales began their activities with a total of 480 students, Bolivia's Education Ministry said in a communique.
http://www.laht.com/article.asp?ArticleId=340743&CategoryId=14919

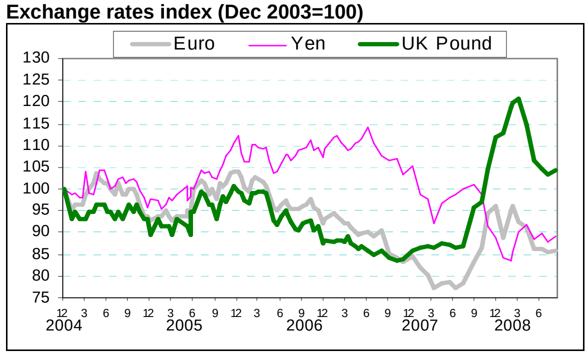
The United States has signed an agreement to forgive nearly USD30 million in Indonesian debt in return for the large Southeast Asian country agreeing to protect forests on Sumatra Island. The deal is the largest debt-for-nature swap the US government has organized so far under the US Tropical Forest Conservation Act. It is the first such deal with Indonesia, which has one of the fastest deforestation rates in the world.
http://www.voanews.com/english/2009-07-29-voa44.cfm

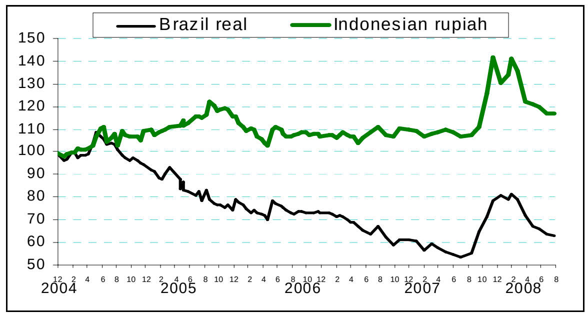
Main US Dollar Exchange Rates

As of 14 August 2009

Brazil	Real	1.8443	⬇
CFA countries	CFA Franc	461.514	⬆
China	Yuan	6.8350	⬆
EU	Euro	0.7036	⬆
Indonesia	Rupiah	9,958	⬆
Japan	Yen	96.05	⬆
Malaysia	Ringgit	3.5311	⬆
Peru	New Sol	2.9291	⬇
UK	Pound	0.6058	⬆

Exchange rates index (Dec 2003=100)

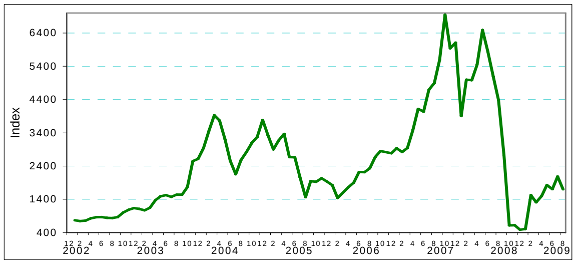




Abbreviations and Equivalences

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

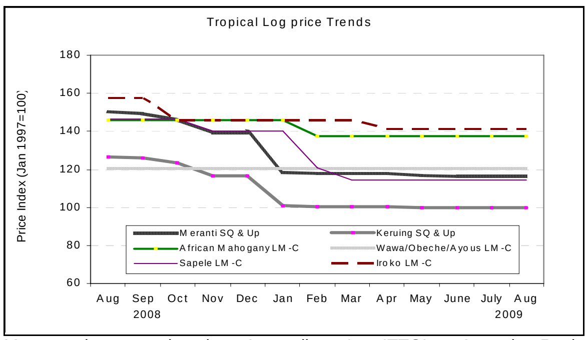
Ocean Freight Index



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.

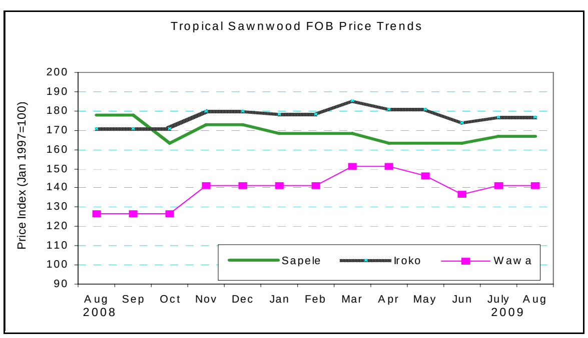
Appendix. Tropical Timber Price Trends

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