Tropical Timber Market Report since 1990

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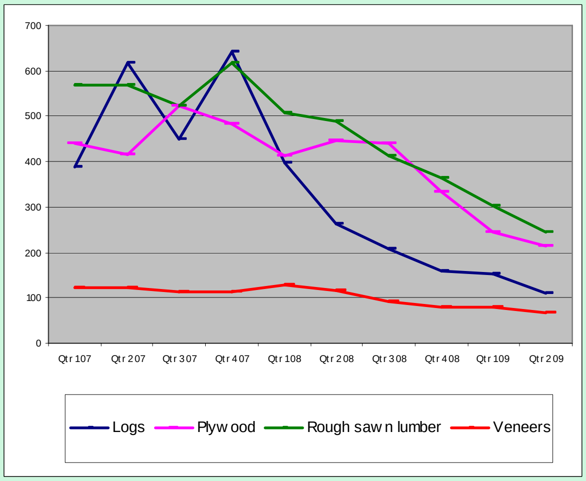
Snapshot

EU 25 imports of wood products from developing countries 2007 - Q2 2009 (1000 m3)



Headlines

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Report from Central/West Africa

Markets quiet except for Okoumé logs

There has been no change in market conditions since the last report. The emphasis for West African producers is still on logs for Asian markets.

Business in Europe for W. African timbers has not picked up after the summer and traders say there are very few enquiries circulating. The few that are circulating are for particular sizes and restricted specifications of sawn wood that are of little interest for millers.

Italian buyers are reportedly back in the market but with all markets remaining weak there is strong competition amongst producers and as a consequence prices are very keen and unchanged over the past few months.

Overall, log and lumber prices in the second half of the month have not changed. The only changes noted were a few minor adjustments on a limited number of species that are currently traded only in small volumes.

In contrast Okoumé logs are still in strong demand with very firm prices. There are now some signs of more interest in okume sawnwood and prices are expected to firm over the next few weeks. Okume log prices are firm and likely to improve by €5 cu.m in the short term.

EU markets demand certification

Apart from this, demand for sawnwood is very dull particularly for Europe. Some producers report that, for them anyway, Europe is a less attractive market because buyers are under pressure to source fully certified timber but prices do not reflect the increased production costs involved in the certification procedures.

Limited prices changes are noted for moabi and douka/makore sawnwood both are down €5 m3.

Overall the market remains stable and producers and exporters do not forecast any big changes during the fourth quarter.

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	195	195	122
Belli	230	230	-
Bibolo/Dibétou	150	135	
Bubinga	533	457	381
Iroko	257	250	200
Okoume (60% CI, 40% CE, 20% CS) (China only)	185	-	-
Moabi	270	270	206
Movingui	170	140	137
Niove	130	130	-
Okan	190	190	122
Padouk	300	290	235
Sapele	225	220	150
Sipo/Utile	260	240	215
Tali	230	225	114

West Africa Sawnwood Prices

West Africa sawnwood, FOB		€ per m^3
Ayous	FAS GMS	300
	Fixed sizes	396
Okoumé	FAS GMS	290
	Sel. & Bet. GMS Italy	215
	Sel. & Bet. fixed sizes	-
Sipo	FAS GMS	475
	FAS fixed sizes	-
	FAS scantlings	490
Padouk	FAS GMS	540
	FAS scantlings	555
	Strips	355
Sapele	FAS Spanish sizes	390
	FAS scantlings	460
Iroko	FAS GMS	445
	Scantlings	455
	Strips	350
Khaya	FAS GMS	380
	FAS fixed	420
Moabi	FAS GMS	455
	Scantlings	475
Movingui	FAS GMS	270

Report from Ghana

Ghana Forestry Commission Board sworn in

The new board of the Ghana Forestry Commission has been sworn in by the Minister of Land and Natural Resources, Alhaji Collins Duada.

The board members are Yaw Boamah and Urias Armoo who are the Chairman and Secretary respectively, and Mr. Attah Nantogmah Alhassan, Osahene Kwakui Aterkyi II, Mr. Gerald Boakye, Dr. Kwame Asamoa Adam, Mr. Ofori Frimpong, Dr. Wordworth Odame Larbie, Dr. Mrs. Cecilia Amoah, Mr. Siisi Crentsil and Mr. Samuel Appiah

The Minister, in an address, warned that if care was not taken to halt the current rate of deforestation (estim. 65,000 ha per year), the country's forest cover would be depleted in less than 25 years.

The Minister also reportedly stressed that the time had come for a 'siege' on illegal operators in the forest reserves. He recommended involving the communities living on the fringe of the forest to protect the resource.

Bamboo Processing

The dwindling supplies of timber species from Ghana's forest reserves is now complemented by plantation timber and more recently commercialisation of bamboo.

Asante Akim South District Assembly has embarked on a project for the establishment of a bamboo processing centre at Obogu near Juaso. This project, a collaboration between the Assembly and the Rural Enterprises Project (REP), is to explore the use of bamboo as an alternative to timber in the production for a variety of products.

A memorandum of understanding was signed between the two parties and work is underway for the commencement of the project. Mr. De-graft Forkuo, District Chief Executive, disclosed this at a district stakeholders conference for Micro and Small Enterprises (MSEs) at Juaso.

The conference, which was also used to inaugurate the assembly's MSE Sub-Committee, discussed the challenges facing MSEs in the district and sought strategies to move forward.

Mr. Forkuo noted that the district was among 20 nation-wide to implement such a project and urged all stakeholders to play an active role towards the reduction of poverty in the district. The DCE called for collaboration between the committee and the Business Advisory Centre, facilitators of the REP, to ensure speedy execution of the project.

The processing plant is scheduled to begin with the production of toothpicks and later move into the manufacture of furniture and other products.

Ghana Log Prices

Ghana logs, domestic	US$ per m³	
	Up to 80cm	80cm+
Wawa	115-130	135-155
Odum Grade A	160-170	175-185
Ceiba	90-100	105-125
Chenchen	70-95	100-120
Khaya/Mahogany (Veneer Qual.)	80-100	110-135
Sapele Grade A	135-150	155-175
Makore (Veneer Qual.) Grade A	125-135	140-166

Ghana Export Sawnwood Prices

Ghana Sawnwood, FOB	€ per m³	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	855	-
Asanfina	500	545
Ceiba	195	255
Dahoma	300	390
Edinam (mixed redwood)	405	430
Emeri	330	400
African mahogany (Ivorensis)	595	665
Makore	520	600↓
Niangon	495	630
Odum	650↑	710
Sapele	540	600
Wawa 1C & Select	260	285

Ghana sawnwood, domestic		US$ per m³
Wawa	25x300x4.2m	242
Emeri	25x300x4.2m	325
Ceiba	25x300x4.2m	215
Dahoma	50x150x4.2m	280
Redwood	50x75x4.2m	295↑
Ofram	25x225x4.2m	330

Ghana Veneer Prices

Rotary Veneer, FOB	€ per m³	
	CORE (1-1.9mm)	FACE (<2mm)
Bombax	320	350
Ofram, Ogea & Otie	315	350
Chenchen	315	360
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 m³
Ceiba	250↑
Chenchen & Ogea	280
Essa	285
Ofram	318↑

Sliced Veneer, FOB	€ per m²	
	Face	Backing
Afrormosia	1.19	1.00
Asanfina	1.40	0.95↑
Avodire	1.20	0.80
Chenchen	1.20↑	0.60↑
Mahogany	1.40	0.85
Makore	1.45	0.85
Odum	1.80	1.40

Ghana Plywood Prices

Plywood, FOB	€ per m³			
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	270
15mm	310	300	280	270↑
18mm	300	290	285	250

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

Ghana Added Value Product Prices

Parquet flooring 1st	FOB € per m²		
	10x60x300mm	10x65-75mm	14x70mm
Apa	12.00	14.47	17.00
Odum	7.80	10.20↑	11.00
Hyedua	13.67	13.86↓	17.82
Afrormosia	13.72	18.22	17.82

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

Report from Malaysia

Trade promotion the key

The Malaysian minister of international trade and industry has said that Malaysia will continue to boost its trade promotional activities to generate growth in the long term. He added that trade promotional activities were vital and will eventually generate the desired results in the end despite of the current global economic slowdown.

He commented that the furniture industry is one of the industries that is showing signs of recovery with an improvement in orders. Although prices remain weak, the Malaysian furniture industry remains competitive and there are reports of the industry hiring workers again.

ASEAN free trade

The Minister also pointed out that with effect from January 1, 2010, Malaysia and five other countries in the Association of Southeast Asian Nations (ASEAN) grouping – Brunei, Indonesia, the Philippines, Singapore and Thailand – will be a free trade block that will eliminate duties on all products within the six countries.

Malaysia has indicated it will eliminate duties on more than 2,000 items.

China and South Korea are also in the process of deciding duty eliminations on products within the ASEAN-China and ASEAN-South Korea Free Trade Agreement. In addition, the ASEAN-India Free Trade Agreement and the ASEAN-Australia-New Zealand will come into force at the same date in 2010.

Market diversification

The chief executive of the Malaysian Timber Council (MTC) recommended that Malaysian timber companies producing value-added products should examine opportunities in the emerging markets of India, Gulf Cooperation Council countries and S. Asia.

He said that while the global economic crisis has taken its toll on traditional markets there still viable business opportunities in the Middle-East where a number of large-scaled construction projects are underway.

Companies which are keen to explore these business opportunities are encouraged to continue to collaborate with the MTC by participating in trade shows and exhibitions organized by the MTC.

Malaysia's value-added products include mouldings, builders' carpentry and joinery and wooden furniture.

The Malaysian timber sector contributes up to 4.5% of the nation's gross domestic product annually. West Malaysia by itself produces more than 5 million cu.m of logs annually, including rubber wood.

The US and the EU continue to remain two of the main exports markets for Malaysian timber products. Much now depends on how quickly the building and construction sectors in these markets recover.

Sarawak promotion in middle-east

The Sarawak timber sector sustained a 25% drop in the value of exports in the first half of this year. While markets in western countries fell badly, it was China, India and Japan that saved the industry from even greater losses.

Reports indicate that it was the plywood markets that were the weakest and only imaginative pricing and cost savings allowed the industry to weather the poor market conditions.

The local press in Malaysia is reporting that the Sarawak Timber Industry Development Corporation will send a delegation to Jeddah, Dubai and Oman to promote plywood and sawn timber manufactured in Sarawak.

Malaysia Log Prices

Sarawak log, FOB	US$ per m^3
Meranti SQ up	226-250
Small	210-241
Super small	200-224
Keruing SQ up	216-228
Small	190-220
Super small	167-197⬆
Kapur SQ up	206-231
Selangan Batu SQ up	179-216⬆
Pen. Malaysia logs, domestic (SQ) US$ per m^3	
DR Meranti	231-250
Balau	297-326
Merbau	322-354
Rubberwood	49-83⬆
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)		437-450
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		457-509
Kempas 50mmx(75,100 & 125mm)		260-300
Rubberwood	25x75x660mm up	199-249⬆
	50-75mm Sq.	240-272⬆
	>75mm Sq.	262-291⬆

Malaysia Plywood Prices

Malaysia ply MR BB/CC, FOB	US$ per m^3
2.7mm	408-470
3mm	386-416
9mm & up	332-404
Meranti ply BB/CC, domestic	US$ per m^3
3mm	381-422
12-18mm	315-344

Other Malaysia Panel Prices

Malaysia, Other Panels, FOB		US$ per m^3
Particleboard	Export 12mm & up	226-249
	Domestic 12mm & up	211-228
MDF	Export 15-19mm	281-313
	Domestic 12-18mm	270-288

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		59-75⬆
As above, Oak Veneer		66-80⬆
Windsor Chair		58-60⬆
Colonial Chair		56-61⬆
Queen Anne Chair (soft seat)	without arm	56-64⬆
	with arm	56-65⬆
Chair Seat 27x430x500mm		44-49⬆
Rubberwood Tabletop		US$ per m^3
22x760x1220mm sanded & edge profiled		
Top Grade		554-587⬆
Standard		539-557⬆

Report from Indonesia

Slow time for business

The Islamic festival Idul Fitri marking the end of the Islamic fasting month of Ramadan brought businesses in Indonesia to a standstill as people in the country returned to their hometowns. Prices of most commodities, including timber products are mostly unchanged on a month ago.

Climate change and forestry

The Indonesian forestry ministry is preparing for the 15th. climate change Conference of Parties (COP) to be held in Copenhagen, Denmark in December 2009.

Indonesia is reportedly planning to provide two demonstrations of an application of a mechanism under the Reduction Emission from Deforestation and

Degradation (REDD) illustrating that Indonesian is capable of reducing carbon emission by 2.3 giga tons.

One of the demonstrations will be held in Central Kalimantan, with assistance from Germany and the other in the Berau district, East Kalimantan province, with the assistance of the Nature Conservancy (TNC).

One purposes of the demonstration was to show the potential of the carbon stock in Indonesian forest in order to determine whether REDD Plus could be applied.

Indonesia Log Prices (domestic)

Indonesia logs, domestic prices	US$ per m^3
Plywood logs	
Face Logs	187-230
Core logs	169-202
Sawlogs (Meranti)	174-235
Falcata logs	143-177 ⬆
Rubberwood	42-68 ⬆
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	171-190
	KD	194-228
	AD 3x20x400cm	217-240
	KD	221-248
Keruing (Ex-mill)	AD 3x12-15x400cm	233-247
	AD 2x20x400cm	219-237
	AD 3x30x400cm	200-219

Indonesia Plywood Prices

Indonesia ply MR BB/CC, FOB	US$ per m^3
2.7mm	397-454
3mm	354-395
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	216-225
	Domestic 9mm	191-203
	12-15mm	183-194
	18mm	173-185
MDF	Export 12-18mm	249-262
	Domestic 12-18mm	231-242

Indonesia Added Value Product Prices

Indonesia, Mouldings, FOB	US$ per m^3
Laminated Boards Falcata wood	297-309
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	487-521
Grade B	442-463

Report from Myanmar

Teak plantation opportunities

On a recent inspection tour of forest plantations Myanmar's Prime Minister highlighted the abundance of vacant land in the country and how the technical know-how developed for establishing teak plantations should be harnessed to expand the area under plantations.

With this in mind he urged the responsible government departments and entrepreneurs to plan the expansion of plantations across the country. The Prime Minister also visited a private teak plantation established by Phyo Sithu Co. in Paukkhaung

At a briefing as part of the inspection by the Prime Minister, the Forestry Minister reported that just over 830,000 ha. of plantations have been established to date and of this around half is of teak.

Taking up the call by the prime Minister the Myanma Ahlin Newspaper ran a special on the benefits from establishing plantations. In highlighting the financial returns and environmental benefits the paper took up the Prime Minister's call and urged the local entrepreneurs and local people to consider establishing plantations. This is particularly urgent as the 2008/9 target of 100,000 ha. of teak plantations was missed badly with only some 13,000 ha. being established.

In the case of hardwood plantations, some 20,000 ha. were established last year but this was only around 50% of the target. The local press in Myanmar has reported on efforts for so-called 'greening' in townships in Yangon, Bago, Mandalay and Magway which has been underway since 2004. A 250 ha. plantation in Ottwin township was started in 2007-08 and already the seedlings are just over 1 m in height.

Market situation in Myanmar continues to be slow

The market is reported to be generally unchanged from the past month. Buying and selling is active as fresh logs arrive from the forests. At present the Indian sawnwood and log market is reported as quite firm.

Myanmar Log Prices (natural forests)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)	
Veneer Quality	Jul	Aug
2nd Quality	-	-
3rd Quality	4,550 (4 tons)	3,513 ⬇ (5 tons)
4th Quality	3,509 (10 tons)	3,463 ⬇ (10 tons)
Sawing Quality	Jul	Aug
Grade 1 (SG-1)	2,281 (40 tons)	2,482 ⬆ (36 tons)
Grade 2 (SG-2)	1,895 (56 tons)	1,984 ⬆ (56 tons)
Grade 3 (SG-3)	-	-
Grade 4 (SG-4)	1,652 (196 tons)	1,813 ⬆ (196 tons)
Grade 5 (SG-5) Assorted	1,578 (146 tons)	1,583 ⬆ (146 tons)
Grade 6 (SG-6) Domestic	1,310 (80 tons)	1,253 ⬇ (80 tons)
Grade 7 (ER-1)	982 (76 tons)	999 ⬆ (76 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)	377 (381 tons)
Gurjan (keruing-exp)	204 (389 tons) 338 (20 tons)
Tamalan (export)	682 (22 tons)
In-gujan	221 (182 tons)
Kanyin-gurjan	221 (182 tons)

Report from India

Impact of free trade

India's Free Trade Agreements are impacting domestic wood products manufacturers, especially the wood based panel makers.

Domestic MDF and high density fibreboard, hardboard and particleboard produced in India face stiff price competition from imports. They found it hard to make savings because of the relatively high cost of raw materials in India.

Many panel product factory development plans have been postponed or shelved. Some investors are considering re-locating production or acquiring plant in countries such as Thailand, Malaysia or Indonesia where raw material availability is better.

Reports say that Archidply, a major producers of panel products with laminated particleboard and decorative plywood plant at Chintamani in Karnataka, has decided to delay the second phase expansion scheduled for 2009-2010.

The company had reportedly planned expanding particleboard production at Chintamani and a new MDF factory at Rudrapur Uttarakhand.

In view of the severe weakness in the international markets, panel product import prices have come down drastically thus making domestic expansion of capacity risky.

Domestic investment in panel production

Despite the global economic slow down India has been maintaining 6% plus growth and there has been domestic investment in finger jointing plant and some panel products. These factories utilise wood waste and agricultural residues such as cottonseed shells, ground nut and soya bean shells and bagasse. Some is also converted into briquettes, the use of which reduces dependence on solid fuelwood from the forest.

Eurowood Lumber Pvt Ltd has plant at Bhachau in Kutch district of Gujarat for fully automated UV coated solid wooden flooring. They are also making finger jointed flooring, being the first in India to produce very large boards. The new facility includes a bio-briquette plant.

Hardwood imports

India's imports of tropical hardwoods have picked up as the south west monsoon is coming to a close.

Domestic demand for timber is also strengthening and the balance in consumption between imports and local production is being maintained. Exports of wood based products are also stable.

Imports of Teak from Sudan have been somewhat slow recently but the slack has been taken up by supplies from a new entrant to the Indian market, Guatemala.

The industry is saying that the quality being received from Guatemala is good and well suited to the Indian market.

Future driver of growth

Expanded Infrastructure works are set to accelerate India's economic growth over the next 10 years according to reports attributed to India's Road Transport and Highways Minister.

As an example, the Minister mentioned the Delhi-Mumbai Industrial Corridor, a US$90 billion infrastructure project. This will be undertaken in cooperation with Japan and will involve the development of industrial clusters and rail, road, port and air facilities.

The major challenge for this project is not finance, it is said to be land acquisition and the capacity of the developers to manage the various projects.

Such infrastructure development projects stimulate demand for wood products notably plywood and other woodbased panels as well as sawnwood.

Teak prices remain firm

Source of Logs	Price US$ C&F per cu.m
SUDAN (GREEN/DRY)	585
COTE D'IVOIRE	500-525
THAILAND	400 - 450
PAPUA/ NEW GUINEA	400 - 425
GHANA	375 - 400
BENIN	375 - 400
TOGO	325 - 350
ECUADOR	300 - 325
COSTA RICA	300 - 325
PANAMA	275 - 300

India Sawnwood Prices (domestic)

Indian sawnwood (Ex-mill)	Rs. per ft^3
Teak (AD)	
Plantation Teak A grade	1850-3500
Plantation Teak B grade	1700-2850
Plantation Teak C grade	1100-1450

India Sawnwood Prices (imports)

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	21
6 mm	30.5⬆
12 mm	44
15 mm	53
18 mm	64

Report from Brazil

Brazil needs investment in added value

Wood flooring production is one of the main value added products in Brazil. In 2007, the country produced about 34 million sq.m of wood flooring and exports exceeded US$ 600 million.

Over the past 10 years flooring production has doubled but is still only about a tenth of that of China and a quarter of that of the USA and Europe.

In addition to flooring, the furniture industry traded R$14billion in 2007 of which R$ 1.1 billion was exported. Exports of other added value products including moldings, doors, flooring and other manufactured products earned some US$ 2.2 billion in 2007.

Against this background Brazil's Associação Nacional dos Produtores de Pisos de Madeira (ANPM) has recently called for the country to have a more progressive industrial policy for the forestry sector.

ANPM reportedly called for authorities to appreciate that it is through value creation from the forest to final product that can ensure sustainable utilisation, adoption of good management plans and legal sourcing of raw materials.

ANPM said that the forest-based production chain in Brazil engages about 6.5 million people (9% of the country's economically active population), of which 2.5 million are in the solid wood sector. Out of these, about 215,000 work directly in the timber processing activities, equivalent to 4.3% of total jobs.

Moreover, many Brazilian forest sector companies promote interaction with local communities through partnership projects. As an example the "Good Management Project" was quoted. This is directed and coordinated by the Brazilian Agricultural Research Corporation (Embrapa) with the participation of timber companies. Its objective is to develop and disseminate good forest management practices to be adopted by both companies and local communities.

Exports from Pará fall

The market for tropical timbers remains weak and this is seriously impacting companies in the Amazonian state of Pará where most of logging of natural forests takes place in Brazil.

Timber exports were US$73 million in the first six months of 2009 down 52% compared to the same period in 2008.

Entrepreneurs expect improvements in the coming months. According to the Timber Exporter Association of Pará (AIMEX), there were months where exports were down as much as 65% so the performance in the latest quarter was something of an improvement.

AIMEX's optimism was backed up by 2% increase in timber export from May to June. However, production by mills from January-June dropped 34% compared to the same period of 2008. Nevertheless, if June data is ignored there was only a 29% fall according to the Brazilian Institute of Geography and Statistics (IBGE).

In Pará, timber is one of the main drivers of the state's economy, accounting for about 5% of Gross Domestic Product (GDP).

In 2007, the timber industry traded approximately R$ 3.5 billion, producing 9 million cu.m of logs and this generated revenues of R$ 1 billion, equivalent to 77% of Brazil's Northern Region production according g to IBGE.

Exports remain weak

In August 2009, exports of wood products (excluding pulp and paper) fell 39% (from US$ 292.5 million to US$ 178.7 million) compared to August 2008,

The value of pine sawnwood exports dropped 55% in August 2009 compared to the same month of 2008, while in volume terms the decline was recorded as 48%.

Exports of tropical sawnwood have also fallen significantly both in volume and in value, from 69,800 cu.m in August 2008 to 48,400 cu.m in August 2009 (down 37%) and from US$ 34 million to US$ 21 million, respectively, (down 31%) over the same period.

Pine plywood exports fell sharply in August (down 47% in value) compared to the same period of 2008. In terms of volume the decline was 31% over the period, from 109,300 cu.m to 76,000 cu.m.

Exports of tropical plywood have dropped dramatically from 18,200 cu.m in August 2008 to only 8,800 cu.m in August 2009 representing a fall of 52%. In value terms the fall was even more pronounced (57%)

Exports of wooden furniture fell from US$ 66 million in August 2008 to US$ 48 million in August 2009, representing a 28% drop over the period.

Paying for forest conservation

The government of the Northern Amazonian state of Acre is willing to spend R$ 478 million over the next 15 years to pay local people to conserve or restore the natural forest. Indians and ranchers/farmers will be compensated if they can prevent deforestation.

The government plan does not focus only on conservation. Land users who can raise productivity without expanding the area occupied will also be compensated.

According to the Acre Secretary of the Environment, the plan will be implemented in 2010. The first areas to benefit will be the areas most susceptible to deforestation such as those along the BR-364 highway, which cuts through the entire state.

The state government is still discussing the funding sources for payment, one option being considered is generating carbon credits through the REDD (Reducing Emissions from Deforestation and Degradation) mechanism.

Shut down illegal sawmills

The Brazilian media recently reported on the 'Arco de Fogo' Operation, an effort to fight illegal activities on the indigenous lands of Alto Turiaçu, Awa-Guajá and Carú and on the Biological Reserve of Gurupi in the Brazilian Amazon.

Recently a total of 33 illegally operating sawmills were shut down and more than 3,000 cu.m of timber were seized.

According to the Ministry of the Environment, besides these proactive operations, there is a need to increase sustainable income alternatives for the forest dependent population. The challenge is not only to seize timber but also to give these people the opportunity to live with dignity.

Maranhão in the Amazon is one of the "hot spots" for deforestation in the state and has suffered severe deforestation according to the Ministry. This is one region where the “Arco de Fogo” operation is conducted.

Economic news

Brazil’s Consumer Price Index (IPCA) for August 2009 increased slightly and the accumulated rate January to August is 2.97% below the rate for the same period in 2008. Over the past twelve months the rate remained at 4.36%, slightly below the previous twelve months period.

In August 2009, the average exchange rate was BRL 1.84/US$, compared to BRL 1.61 in August 2008 which illustrates the depreciation of the Brazilian currency over the US currency over 12 months.

The Monetary Policy Committee (Copom) maintained the prime interest rate (Selic) at 8.75%. This decision ends the recent cycle of monetary policy flexibility with progressive rate cuts. Since January, the interest rate has fallen 5%.

The Copom estimates that the present rate is consistent with maintaining inflation within the target and for the non-inflationary recovery of economic activity. The Central Bank is satisfied with the current Selic rate level, which is allowing the strengthening of economic activity without creating inflationary risks.

Brazil Log Prices (domestic)

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	140⬆
Jatoba	99⬆
Guariuba	67⬆
Mescla (white virola)	73⬆

Brazil Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB		US$ per m^3
Jatoba Green (dressed)		785
Cambara KD		457
Asian Market (green)	Guariuba	259
	Angelim pedra	592
	Mandioqueira	228
Pine (AD)		189

Brazil sawnwood, domestic (Green)		US$ per m^3
Northern Mills (ex-mill)	Ipê	658⬆
	Jatoba	505⬆
Southern Mills (ex-mill)	Eucalyptus (AD)	181⬆
	Pine (KD) 1st grade	235⬆

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	245⬆	205⬆

Brazil Plywood Prices

Plywood, FOB	US$ per m^3
White Virola (US Market)	
5.2mm OV2 (MR)	455
15mm BB/CC (MR)	394
White Virola (Caribbean market)	
4mm BB/CC (MR)	499
12mm BB/CC (MR)	400

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	839⬆
	White Virola 15mm	614⬆

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	537⬆
Particleboard 15mm	340⬆

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	593
	Ipê	1,540

Report from Peru

Facing the competition

Producers of wooden building materials are re-assessing prices for roof timbers for the state construction projects such as the Mivivienda.

This is being done to try and stimulate the local timber roof sector in the face of strong competition from imported wood building products especially those from Chile. The National Forest Chamber says it feels that the State's decision on procurement is solely on price and should look at local materials which, it says, are of better quality.

The head of the National Forest Chamber said that Peruvian wood products are superior to those imported and this is why prices are higher but to secure a market, local producers will re-negotiate price structures.

Grant for forestry sector

The government of Peru manages a grant of US$126 mil. from the government of Japan to finance two programmes, one is on processing of solid wood residues and the other on forest conservation.

This grant will be through the Japanese Agency of International Cooperation (JICA). The conservation effort will be in the Amazon and on the north coast. The purpose is to preserve Peru's primary Amazonian forests.

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	296-351⬇
Grade 2, Mexican market	250-269⬇
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	352-377⬇

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	281-309⬇
Grade 2, Mexican market	244-259⬇
Grade 3, Mexican market	132-151⬇
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	211-222

Peru sawnwood, domestic	US$ per m^3
Mahogany	887-923⬇
Virola	46-61
Spanish Cedar	268-321⬇
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

Certified exports plummet

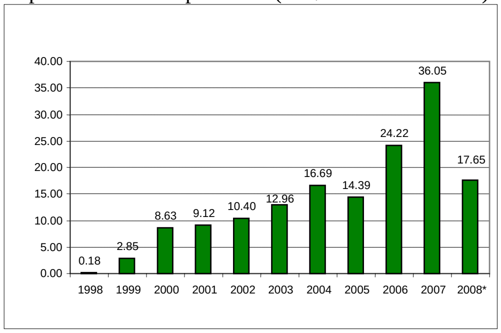
In 2008 exports of certified wood products (approx. US$18 million) represented just under 10% of total exports, a major decline of 51% compared to the previous year.

More than 80% of certified wood products are added value items for markets in North America, Europe, Asia and Latin America.

The number of certified products exported has grown rapidly from 4 products exported in 1998 to around 20 products exported in recent years.

These include furniture and furniture parts, decking, parquet, sawn timber, doors and frames and moldings. Sawn timber is no longer the most important certified products exported today.

Exports of certified products (US$ mil. 1998 – 2008)



Voluntary forest certification has helped Bolivia towards sustainable forest management and conservation of its tropical forests. Despite this progress more work is required to market certified wood products. There are many challenges at home also; the area certified represents only 23% of the total area under forest management and small producers face a major challenge in becoming certified because of the cost involved.

Bolivia Sawnwood Prices

Sawnwood 1-3"x3x5"x7-19', FOB Arica Port		$ Avg un. val. per m^3
Ipe	(Argentina and Uruguay)	402-593
Jequitiba	(Italian markets)	613
Oak	(Portuguese mkt)	678
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)		80-178
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)	1620-1785

Report from Mexico

Expo Forestal underway

Mexico's Expo Forestal 2009 is underway and is the one of the main forestry and wood product shows in Mexico. Its mission is to gather in one place the forestry sector of the country as well as international experts.

Expo Forestal exhibitors include forestry service providers, stock maintenance and forestry area management, cartography, forestry tools, timber harvesting techniques, timber transport systems, logistics solutions, soil care and maintenance, pest control. http://www.biztradeshows.com/trade-events/expo-forestal.html

New head for Conafor

Dr. Juan Manuel Torres Rojo has been appointed as the head of the National Forestry Agency (Conafor). Dr. Torres Rojo has served as a research professor at the Research and Economic Teaching Center. In addition, he has been a visiting professor at the University of California at Berkeley, and associate professor at the University of the Americas in the state of Puebla.

During the 1990s he was adviser and director of the National Reforestation Program of the Ministry of Agriculture and Water Resources. He is the author of several publications on forest resource management, agricultural policy and sustainability.

On many occasions the National Forest Agency has insisted that the main problem it saw was the destruction of the country's natural ecosystems. The long-term conservation of forest ecosystems and the use of its full potential will depend, among other things, on the implementation of a set of competitive and viable socially, environmentally and economically economic instruments. That is why the appointment of the new director of Conafor, a specialist in natural resource economics and researcher at CIDE, is very encouraging as it may result in the strengthen forest policy in Mexico with a renewed vision and a different perspective.

Report from Guyana

Market Trends

Since the last report prices have firmed for Purpleheart logs with standard sawmill quality and fair sawmill quality having recorded higher prices.

Also, prices for sawnwood have increased. For rough sawn Greenheart, prime and select prices have risen to US$ 848/700 per cu.m.

Purpleheart rough sawn prices have also strengthened for both sound and merchantable qualities; on the other hand Mora prices remain unchanged. Dressed Purpleheart prices also increased compared to 2 weeks ago.

Greenheart roundwood prices improved marginally in the period under review while Splitwood prices fell. Plywood prices remained fairly stable for this period.

Trade in value added products

The trade in value added products was good in the period 1st – 15th Sept. 2009. Doors and windows, followed by indoor and outdoor furniture were major contributors to the value added export earnings.

Other products of note were door frames, mouldings, spindles and wooden utensils. The Caribbean remains the leading export market for these products.

Low Carbon Development Strategies

Guyana has been employing Low Carbon Development Strategies (LCDS) in a number of projects. One of these is the Chain Sawmilling Project the theme of which is: "Towards sustainable chainsaw milling in Ghana and Guyana".

In addressing the issue of chainsaw milling in Guyana, the evidence gathered suggests that two general lines of actions (and their interactions) need be considered: strategic interventions and improvement of current practices.

The purpose of the chainsaw milling project, launched in 2007, was to effect strategic intervention and improvement of current practices. A related publication issued by the project states that "strategic interventions must start from a vision on the future of the chainsaw lumbering sub-sector in relation to the regular forest sector, the role of forestry in the development of the nation and the hinterland communities as well as potentially competing land uses including allocation of lands to carbon sequestration".

Improvement of current chainsaw milling practices in small hinterland communities involves capacity building and empowerment that leads to informed decision making on the implementation of regulations and guidelines, the promotion of viable livelihood changes in the forest, and the conservation and sustainable management of Guyana's tropical forest. The Low Carbon development Strategy provides excellent opportunities to put these considerations into a wider framework.

A four day monitoring and evaluation workshop on this project conducted on 21-24th September, 2009 made mention of the compatibility of the chainsaw milling project and the LCDS.

Milestones for the project, such as the development of alternative livelihood options in the forest and improved capacity building and empowerment in communities, were brought out by community forestry workers involved in the project.

These are being accomplished by identifying the needs of the community. Training courses in forestry related skills and techniques are currently conducted by the Forestry Training Centre in respective pilot communities.

This Chainsaw milling initiative stems from the fact that in many local and indigenous forest dependent communities it is an important component of livelihood support and for practical survival.

Some of the actions of the project are focused on the broad theme of forest governance in the country and in Ghana and Guyana chainsaw milling is common and the aim is to foster positive sustainable forestry practices.

The chainsaw milling project is EU funded and much of the implementation is carried out by Tropenbos International in collaboration with Forestry Research Institute of Ghana (FORIG) and the Forestry Commission in Ghana with the Forestry Training Center Inc. (FTCI) and Iwokrama in Guyana.

Guyana Log Prices

Logs, FOB Georgetown	SQ - $ Avg unit value per m^3		
	Std	Fair	Small
Greenheart	155-180	145-165↑	135
Purpleheart	220-250↓	250↓	150-215
Mora	-	-	-

*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	
		Undressed	Dressed
EU and US markets			-
Greenheart	Prime	600- 680	-
	Select/Standard	575 - 848	551 - 959
Purpleheart	Prime	700-827	-
	Select/Standard	-	594 – 840
Mora	Select	400-500	-

Guyana Plywood Prices

Plywood, FOB Georgetown Port			$ Avg unit val. per m^3
Baromalli	BB/CC	5.5mm	-
		12mm	415↓
	Utility	5.5mm	-
		12mm	404↓

Report from Japan

Sawnwood imports

Despite the market remaining weak imports of sawnwood from Europe in the first half of 2009 were some 36% up on the same period in 2008. Imports of sawnwood from all other sources fell over the same period.

The Strong Yen and weaker Euro partly explains the increase in imports along with the needs of some importers to restock. The Euro exchange rate changed from 162 Yen per Euro last year to 128 yen for this year which the Japan Lumber reports say translates into a fluctuation of Yen 10,000 per cu.m.

Plywood supply

Plywood supply for the first half of 2009 is reported as 20% down on the first six months of 2008 largely because of a slowdown in housing starts. Demand has dropped much more than expected and the JLR reports that some items are at historical lows.

Plywood imports from Indonesia were largely sustained but those from Malaysia suffered a considerable decline. The market for concrete formboard is noticeably weak and this is attributed to the halt of many public works projects while the new government reviews infrastructure projects from the previous administration.

Plywood companies are closing their books this month and normally this is the time to snap up plywood at low prices. This year, however, inventories are so low that very little panel products are coming onto the market.

Plywood supply first half 2009

	09 as % of 08
Indonesia	99.1
Malaysia	72.6
China	60
New Zealand	95.6
Canada	76.3
Others	88.4
Total Import	77.7
Total Domestic	82.6
Grand total	79.8

Source JLR

Log and Sawnwood Prices in Japan

Logs for Ply Manufacture, CIF	Yen per Koku
Meranti (Hill, Sarawak)	(Koku=0.278 m^3)
Medium Mixed	6,900⬇
Standard Mixed	7,100⬇
Small Log (SM60%, SSM40%)	6,900⬇
Taun, Calophyllum, others (PNG)	7,500
Mixed light hardwood, G3/4 grade (PNG)	
Keruing MQ & up (Sarawak)	10,800
Kapur MQ & up (Sarawak)	9,200⬆

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)	Aug (¥ per sheet)	Sep (¥ per sheet)
2.4mm (thin plywood, F 4star, type 2)	920 X 1830	320 ⬆	320
3.7mm (med. Thickness, F 4star, type1)	910 X 1820	450 ⬆	460 ⬆
5.2mm (med. Thickness, F 4star, type 1)	910 X 1820	560 ⬆	570 ⬆
11.5mm for sheathing (F 4star, type 2)	910 X 1820	850	880 ⬆
12mm for foundation (F 4star, special)	910 X 1820	880	890 ⬆
12mm concrete-form ply (JAS)	900 X 1800	790 ⬆	810 ⬆
12m coated concrete-form ply (JAS)	900 X 1800	930 ⬆	940 ⬆
11.5mm flooring board	945 X 1840	1050	1050
3.6mm baseboard for overlays (OVL)	1230 X 2440	700	740 ⬆
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

Report from China

Focus on domestic marketing

Because of the global financial crisis and consequent weak overseas demand, China's furniture exports have fallen.

Export oriented furniture producers have adapted to the changed market conditions and now sell more of their products on domestic market

China's furniture production is mainly concentrated in Guangdong, Zhejiang and Sichuan provinces. Furniture production in these three provinces reached RMB287.8 billion last year and this represented 45% of the national total.

Guangdong Province ranks first in furniture production and exports. There are about 6000 production enterprises with an estimated 1 million employees.

In 2008 the total value of furniture output from Guangdong Province was RMB184 billion or 28% of the national total. Of this furniture exports stood at US$11.5 billion.

Zhejiang Province ranks second in the furniture production and exports. There are an estimated 3000 furniture producers employing around 300,000 people.

The value of furniture production in Zhejiang Province in 2008 was RMB73.8 billion and of this US$5.5 billion was exported.

The third largest province for furniture production and exports is Sichuan with some 3000 companies that produced around RMB30 billion in 2008. The value of Sichuan's furniture exports in 2008 reached US$130 million.

Furniture exports to Russia

In the first seven months of 2009, the value of furniture exports through the northern port of Manzhouli to Russia rose 14% to US$1.947 million and analysts say there is scope for further increases.

Furniture exporters in this northern area are mainly from Jiangsu Province and the Inner Mongolia Autonomous Region. In the first seven months of 2009, the value of Jiangsu's furniture exports rose 20 percent to US$959 000, accounting for 49% of trade through the port.

The value of furniture exports by Inner Mongolia Autonomous Region's enterprises grew almost 5 times and represented about 30% of the cargo through the port.

According to local experts, Russian furniture production is rather small and the country depends on imports. The Russian market for furniture has been estimated at around US$2 billion annually and imports account for some US$750 million.

Log imports up

According to data from Qingdao Customs, in the first seven months of 2009 log imports through Shandong Port were 1.32 million cu.m valued at US$130 million, up 110 percent in volume and 51 percent in value. The main sources were New Zealand, Russia, Australia and the US.

Log imports from these countries account for almost 90% handled by the port. Log imports from New Zealand were 757 000 cu.m, almost double that over the same period last year and accounted for 58% of the port's throughput.

Local experts say the main reasons for the increase is the falling price for logs on the international market and the impact of domestic economic stimulus measures which are now having an effect.

In terms of both quantity and species domestic demand in China is strong. Demand for timber has increased because of the development of major infrastructure programmes, urban real estate construction and plywood and furniture production for the domestic market.

The gap between domestic timber supplies and demand is widening and reliance on imports has increased

Wood based panel imports climb

According to the statistics from Heilongjiang Customs, in the first eight months of 2009 wood panels imports through Heilongjiang Port were valued at US$77.3 million, up 95% in value terms over the same period last year.

The reasons for the steep increase in panel imports are said to be mainly because of the increased export tariff on logs applied by Russia. Traders in Russian timber are now investing in downstream processing and export wood panel rather than logs.

Favorable Russian policies to encourage the development of domestic processing and the zero tariff on sawnwood exports has resulted in investment by Chinese companies who now have processing bases in Russia and ship the wood products back to China.

Guangzhou City Imported Timber Market

Logs	Yuan per m^3
Lauan (50-60cm)	1900-2100↓
Kapur (up to 79cm)	1900-2100↓
Merbau 6m, (up to 79cm)	3500-4000↓
Teak	11000-16000
Wenge	5200-5300
Sawnwood	
Teak sawn grade A	9300
US Maple 2" KD	7500-11500
US Cherry 2"	12000-12800
US Walnut 2"	14000-15500
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)	5800-6000
KD (2",grade A)	5200-5300

Shandong De Zhou Timber market

Logs		Yuan per m^3
Larch	6m, 24-28cm diam.	1120↓
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.	1200
	6m, 30cm+ diam.	1300
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
Sawnwood	
Doussie	3600-4000
European beech boules	3100-3300
Radiata	2000-3300
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

Huge fall in imports

The latest European import data shows that the dramatic fall in EU tropical hardwood imports which began at the start of 2008, continued into the second quarter of 2009.

Between January and June this year, European imports of tropical hardwood logs, sawn lumber, veneer and plywood were down 41%, 45%, 39% and 46% respectively compared to the same period in 2008. European import volumes of these commodities in 2009 are a small fraction of those of only two years earlier.

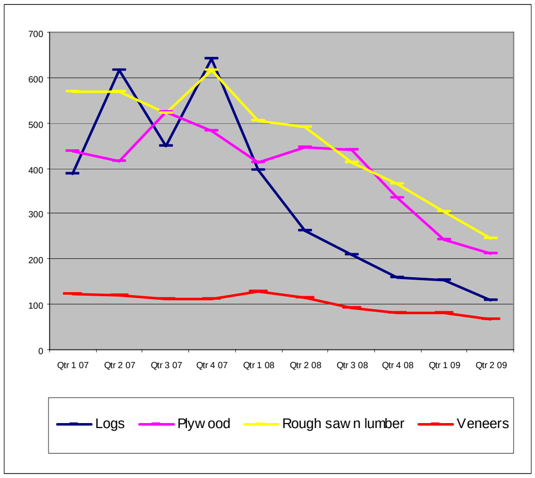
While it is easy to explain falling imports as a response to the global economic downturn, such has been the depth of the decline that serious issues are raised about the extent to which it might drive long-term structural changes in the European wood industry that may be generally detrimental to future prospects for tropical hardwood.

Import downturn continues into the second quarter

The following shows that total EU-25 imports of logs, plywood, rough sawn lumber and veneers from developing countries suffered further falls in the April-June period of this year. The fall in tropical hardwood log imports has been particularly dramatic.

Total EU-25 imports of these commodity products were only 109,000 cu.m during the three month period compared to over 600,000 cu.m during the same period in 2007.

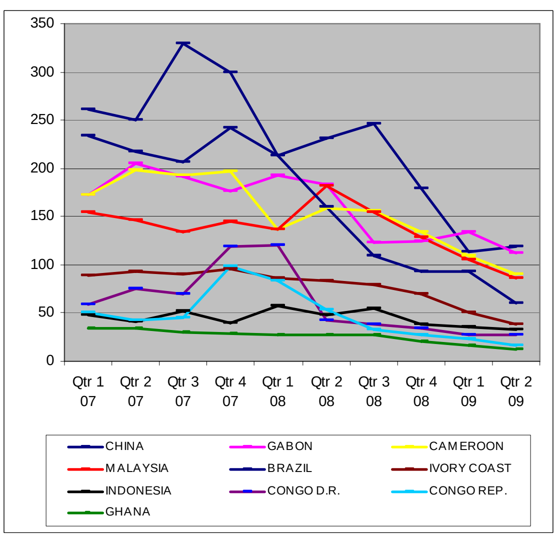
EU imports of wood products from developing countries 2007 – Q2 2009 (1000 m3)



The continuing decline in tropical hardwood imports during the second quarter of 2009 affected all the major EU markets. While the data hints that the market decline may be bottoming out in France, and the UK, imports into both the Netherlands and Spain experienced further significant downturns in the April-June period.

All the major tropical hardwood supplying countries to the EU experienced a decline in sales to the EU during the second quarter of 2009. Imports from China (mainly plywood some of which is tropical) showed marginal gains during the second quarter compared to the first quarter, although the volumes involved remained well below those of the previous year.

EU 25 imports of hardwoods from tropical countries and China 2007 – Q2 2009 (1000 m3)



Highlights of recently released import data

- A 44% decline in imports of tropical hardwood logs into France, the main EU market for this commodity, with French imports from Gabon, the largest supplier falling a massive 43%.

- A 67% decrease in Spanish imports of tropical sawn lumber, with imports from all the major tropical supply countries down by well over 50%.

- Of all significant European importers of tropical hardwood, only Greece seems to have escaped the turmoil. Greek imports of tropical veneers were down only 3%. Greek imports of hardwood plywood from developing countries actually increased during the period (although most of this came from China). Greek imports of tropical sawn lumber (not shown on the charts) also nearly reached 2008 levels (11,370 m3) at 11,180 m3.

- UK imports of hardwood plywood from developing countries during January to June 2009 were only half those of the same period the previous year.

Of all significant tropical hardwood plywood suppliers to the EU, only Gabon managed to maintain levels close to those of 2008 this year. Given the huge fall in French log imports from Gabon, this is clearly indicative of a continuing shift in manufacturing location for okoume plywood from France to the African country.

Evidence of structural changes

Some significant structural changes in the European wood importing industry, which began several years ago, seem now to be deepening in response to the recession. For example, dependence on just-in-time ordering of tropical hardwood goods from large corporations with concentration yards in the Benelux countries, has increased. As a result, these companies are becoming increasingly critical to the long term future of tropical wood in the EU.

Uncertainty and lack of availability of credit is also encouraging a move away from any speculative purchases, and encouraging a shift to products and suppliers which are regarded as lower risk, usually to the detriment of tropical wood.

In this environment, there are some signs that the relative power of larger better capitalised importing companies and merchants is increasing at the expense of smaller companies. The larger companies are more likely to demand environmental certification and to impose other technical requirements on their suppliers.

This in turn is also encouraging a general shift to low risk products from an environmental point of view. This is well illustrated by the recent announcement of a major UK panel products importer, that it is now sourcing “tropical hardwood replacement” plywood manufactured from plantation-grown eucalyptus in Uruguay. This is a worrying sign that some importers are actively avoiding tropical hardwood to improve their image.

Production competing materials rising

It is also worth highlighting that, while imports of tropical hardwood have declined dramatically this year, sales and production of some important competing materials are actually rising – again because they are perceived to be lower risk, both in terms of environmental and technical performance and their ready availability at reasonably stable (although not necessarily particularly low) prices.

For example, in their latest issue, the German trade journal EUWID reports that German wood plastic composite (WPC) manufacturers are continuing to invest in new capacity.

WPCs are becoming an increasingly important competitor for tropical hardwoods, particularly in the decking sector but also for cladding, construction mouldings, and garden furniture.

EUWID reckons that total European WPC annual capacity now extends to roughly 120,000 tonnes, while European imports of WPCs from North America (with capacity now closer to 1 million tonnes) are also increasing.

In a similar vein, the UK's TTJ recently reported that UK sales of thermally-treated and acetylised softwood products have been rising this year despite the recession. These products also target tropical hardwood market niches, such as window frames, decking, cladding, bridges, and other external applications.

Tropical timber faces a major challenge

The combination of these changes on the demand side, and the supply side problems emerging from widespread shutdowns and closures in tropical countries during the recession, suggests tropical wood suppliers may face a major challenge to rebound from the current downturn in the European market even as economic conditions begin to improve.

Certainly, it will require much larger investments in marketing, particularly to the architectural and design profession, product development, and certification, than has previously been applied by the tropical hardwood industry. But financing such activities may be particularly difficult after such a prolonged slump.

If the tropical wood industry is to turn this situation around it has to find more effective ways of working together to implement a coherent market access strategy. There may be some scope to use the EU's FLEGT VPA programme as a platform for such a strategy in Europe.

Trade data is derived from Forest Industries Intelligence Industries analysis of Eurostat and Customs data supplied by BTS Ltd

The Netherlands Sawnwood Prices

FOB (Rotterdam)	US$ per m^3
Sapele KD	916⬇
Iroko KD	1032⬇
Sipo KD	1110⬇
DRM Bukit KD	819
DRM Seraya KD	819
DRM Meranti KD Seraya MTCC cert.	847
Merbau KD	1095
Sapupira (non FSC) KD	877
Sapupira (FSC) KD	1384
Anti-slip decking AD C&F Rotterdam	
Selangan batu	1300

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	290-310
African Walnut	80cm+ LM-C	300-330

UK Sawnwood Prices

FOB plus Commission	Pounds per m^3
Framire FAS 25mm	380-410 ⬆
Sipo FAS 25mm	660-690⬆
Sapele FAS 25mm	520-540⬆
Iroko FAS 25mm	580-610⬆
Wawa No.1 C&S 25mm	310-320⬆
CIF plus Commission	
Tulipwood FAS 25mm	230-250⬆
Meranti Tembaga Sel/Btr (KD 2"boards)	480-500⬆
Balau/Bangkirai Decking	800-840⬆
White Oak	400-430⬆

UK Plywood and MDF Prices

Plywood Panels 8x4", CIF	US$ per m^3
Brazilian WBP BB/CC 6mm	490-510
Malaysian WBP BB/CC 6mm	480-500
China (hardwood face, eucalyptus core) 18mm	320-340
China (tropical hardwood face, poplar core) 18mm	310-330

Report from North America

Modest gains in home construction

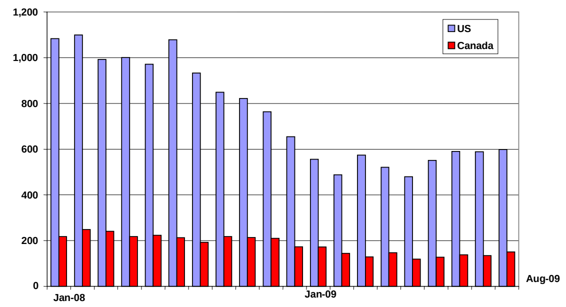
Data from the US Census Bureau shows residential home construction increased by 1.5% in August following a -0.2% dip in July. This growth was driven by a surge in apartment construction while single family housing starts fell by 3% after five consecutive months of growth.

Housing starts increased most in the Northeastern US (+23.8%), remained flat in the Midwest and West, and declined in the US South (-2.4%).

Applications for residential building permits increased by 2.7% in August, but the majority of the permits were again for apartment construction.

In Canada, preliminary August housing start figures show an increase of 12% from July.

Housing starts in the US and Canada, Jan 2008 - Aug 2009 (Thousand units)

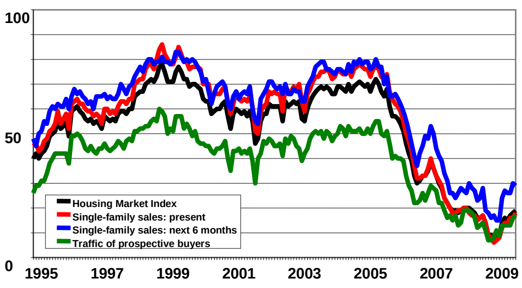


Source: CMHC, US Census Bureau

Note: A rating of 50 indicates that the number of positive or good responses received from the builders is about the same as the number of negative or poor responses. Ratings higher than 50 indicate that the majority of builders view market conditions as improving

The National Association of Home Builders/Wells Fargo Housing Market Index rose in September for a third consecutive month to 19, its highest level since May 2008. The index reflects builders' confidence in the market, based on the recent rise in home sales.

Housing Market Index Components 1995 - Sep 2009

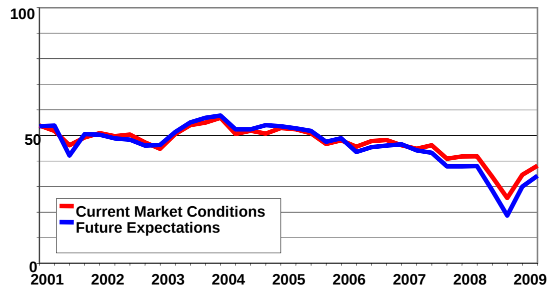


Source: NAHB/Wells Fargo Housing Market Index

Residential remodeling showed only modest gains during the second quarter of 2009, according to the National Association of Home Builders Remodeling Market Index. The current market conditions measure increased to 38.1 from 34.5 in Q1 2009.

Future remodeling expectations rose to 34.2 from 30. Major additions and alterations (worth $25,000 or more) accounted for the largest portion of the market improvement. Remodeling market conditions improved across all regions in the US, with the West posting the highest gains.

Remodeling Market Index, 2001- Q2 2009



Source: NAHB Remodeling Market Index

Legislation on formaldehyde emissions

Two US Senators introduced legislation in September to establish national health standards for formaldehyde in composite wood products. The US Environmental Protection Agency lists formaldehyde as a probable human carcinogen.

The standards would match the recently adopted California standards that apply to hardwood plywood, particleboard, MDF, and any products containing these materials.

Voluntary formaldehyde emission standards already exist at a national level, but imports of wood composites that do not comply with the standards have been growing. According to Senator Amy Klobuchar, the proposed national standards would come into force January 2012 and apply to all new domestic and imported products sold in the US.

Third-party testing and certification of products would be required. The US wood products industry, environmental, health and labour groups voiced support for the new legislation.

US green building

Members of the US Green Building Council may vote next year to accept other wood certification systems than the Forest Stewardship Council (FSC) under its Leadership in Energy and Environmental Design (LEED) system. LEED officials plan to introduce their own sustainability benchmarks for wood and to accept any certification system that meets their requirements. Currently only FSC-certified wood use receives credit in the LEED system.

While choosing FSC-certified wood currently provides only a single point in the LEED point system, interest is high in any change to the LEED system. Green building could grow from just 2% of the total construction market in the US in 2005 to up to 25% of all commercial and institutional building starts and 20% of total residential starts by 2013, according to a report by McGraw Hill ("2009 Green Outlook: Trends Driving Change").

In a separate development, lawyers for Forest Ethics filed complaints about the credibility of the Sustainable Forestry Initiative (SFI) with the Federal Trade Commission and the Internal Revenue Service, according to the New York Times. 72 million hectares of forest are SFI-certified in Canada and the US, while about 40 million hectares are FSC-certified (FSC June 2009, SFI August 2009).

New sustainability standards for doors and wallboard

The company *UL Environment* announced in September that it is heading the development of sustainability standards for doors and wallboard, including fibreboard, mineral board, door frames and associated hardware.

These standards will be based on life cycle assessment, an analysis of environmental impacts over the product's life cycle, and they will be designed for the American National Standards Institute (ANSI) process. The standards' purpose is to help architects and builders chose sustainable products.

US Timber prices

FOB	US$ per m^3
Ipe (Brazil) Decking Premium Grade AD	1785
Jatoba (Brazil) No.1 Common and Better AD	805⬆
Jatoba (Brazil) No.1 Common and Better KD	825
Khaya (Cote d'Ivoire) FAS KD, Abdijan	735⬆
Khaya (Ghana) FAS AD, Takoradi	785
Sapele (Cameroon) FAS AD, Doala	660⬆
Sapele (FAS KD), Doala	770⬆

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.

Australia has unveiled a compromise proposal to break the deadlocked Copenhagen climate change negotiations that offers developing countries a more flexible way to pledge their efforts towards global greenhouse gas reductions.
http://www.theaustralian.news.com.au/story/0,25197,26101982-601,00.html

The climate deal planned for Copenhagen is in grave danger of failure, the UK prime minister has said. Gordon Brown has become the first world leader to offer to go to the Danish capital to help seal the deal.
http://news.bbc.co.uk/2/hi/uk_news/8265974.stm

Ecologists have discovered that timber plantations in Hawaii use more than twice the amount of water to grow as native forests use. Especially for island ecosystems, these findings suggest that land management decisions can place ecosystems – and the people who depend on them – at high risk for water shortages.
http://www.ethiopianreview.com/scitech/10439

The government of Evo Morales annulled the concessions to exploit forest areas in a portion of eastern Bolivia and handed over more than 200,000 hectares (500,000 acres) of those lands to the Guaraya Indians.
http://www.laht.com/article.asp?CategoryId=14919&ArticleId=342133

How can developing countries participate in an international effort to reduce emissions without incurring costs that derail their economic development? Their emissions targets could start at business-as-usual levels, becoming more stringent over time as countries become wealthier.
http://www.boston.com/bostonglobe/editorial_opinion/oped/articles/2009/09/20/the_essential_pillars_of_a_new_climate_pact/

Last July, an international conference in Marburg, Germany, found some of the top tropical rain forest scientists debating the crisis of deforestation. The conference theme, Impacts of Global Change on Tropical Forest Ecosystems, attracted hundreds of attendees from over 30 countries.
http://www.heraldtribune.com/article/20090914/COLUMNIST/909141064?Title=Getting-to-the-heartwood

Peru will seek to ban unregulated gold mining in the nation's southeastern rainforest, Environment Minister Antonio Brack said. The Environment Ministry aims to reach an agreement with national and regional governments to halt gold panning and dredges that pollute 5 million hectares (12 million acres) in the Madre de Dios region of the Amazon River basin.
http://www.bloomberg.com/apps/news?pid=20601130&sid=acOuA5ZWswyo

The Russian government will probably keep timber export duties unchanged until 2011 but may lower them, Economic Development Minister Elvira Nabiullina said, adding that a final decision was due before November.
http://www.themoscowtimes.com/business/article/383633.html

Wetlands rank with rain forests and coral reefs in ecological importance, environmentalists say. They harbor plants and wildlife and function as natural sponges to buffer coastlines against water erosion and floods. Katrina would have been less devastating if wetlands hadn't disappeared.
http://www.bloomberg.com/apps/news?pid=20601130&sid=a6RdpLUMalqg

Climate change is one of many challenges facing developing countries - but unless it is tackled soon, it will reverse development gains. Looking at both the challenges and the opportunities presented by climate change, the WDR 2010 tackles 3 questions: (i) What does climate change mean for development? (ii) What does development mean for climate change? (iii) What does all this mean for policy?
http://www.worldbank.org/wdr2010

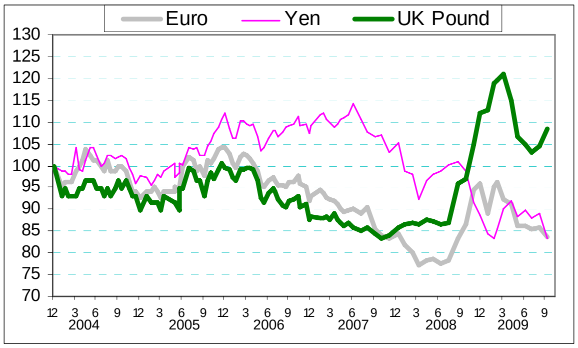
Infrastructure development will drive India's economic growth in the next decade. That's according to Kamal Nath, the country's Road Transport and Highways Minister. "The last decade was a decade of IT, knowledge economy. The next decade, the story of India has to be the story of infrastructure. The story of infrastructure, which is not merely a question of connectivity, but an economic stimulus across the country."
http://knowledge.insead.edu/infrastructure-development-india-070930.cfm?vid=287

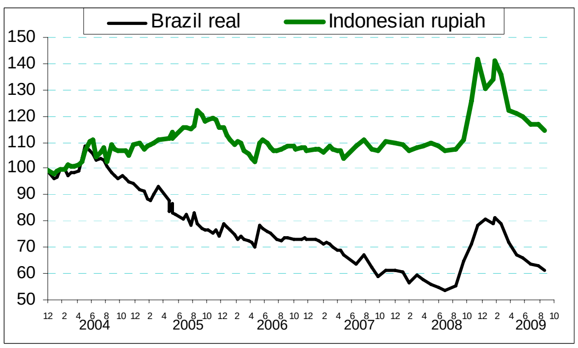
Main US Dollar Exchange Rates

As of 30 September 2009

Brazil	Real	1.7924	⬇
CFA countries	CFA Franc	387.575	⬇
China	Yuan	6.8270	⬇
EU	Euro	0.6847	⬇
Indonesia	Rupiah	9709	⬇
Japan	Yen	89.63	⬇
Malaysia	Ringgit	3.4795	⬆
Peru	New Sol	2.8843	⬇
UK	Pound	0.6297	⬆

Exchange rates index (Dec 2003=100)

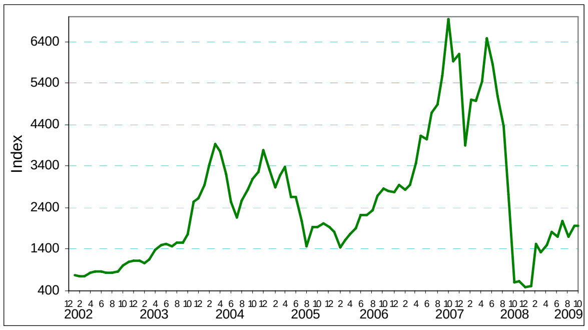




Abbreviations and Equivalences

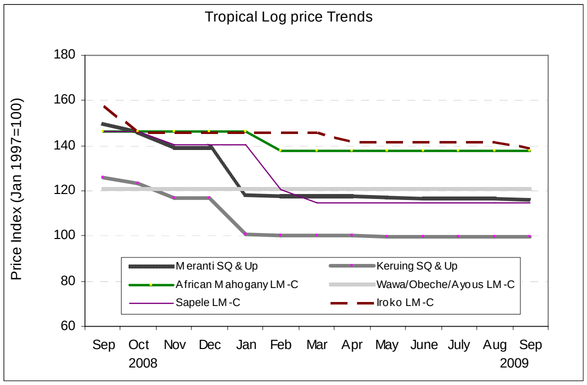
LM	Loyale Merchant, a grade of log parcel
QS	Qualite Superieure
CI, CE, CS	Choix Industriel, Economique or Supplimentaire
FOB	Free-on-Board
CIF; CNF	Cost, insurance and freight; Cost and freight
KD; AD	Kiln Dry; Air Dry
Boule	A log sawn through and through, the boards from one log are bundled together.
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



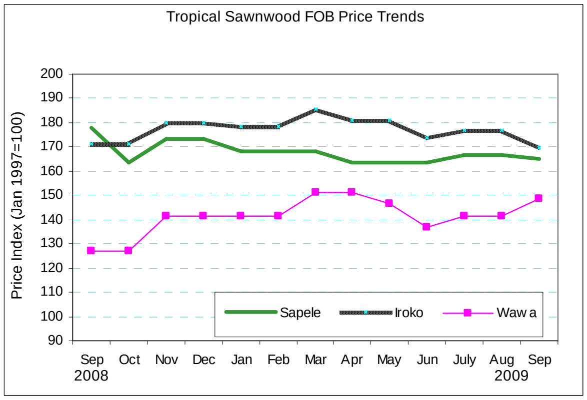
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes. It is based on a 52,454 mt bulk carrier carrying commodities such as timber.

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



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Tropical Plywood Price Trends