Tropical Timber Market Report

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Top Story

EU legislation on illegally harvested timber

During June, representatives of the European Commission, Council and Parliament reached agreement on the text of legislation designed to remove illegal wood from European trade. On July 7, the European Parliament voted overwhelmingly in favour of the agreed text, thereby removing the last major hurdle to passage of the legislation.

The legislation now includes a clause making European wood traders liable for prosecution if found in possession of illegally harvested wood. It also provides a strong incentive to European traders to implement a "due diligence" system designed to minimise the risk of their trading in illegal wood.

Under the agreed text, the requirement for a "due diligence" system extends to those European operators that "first place" timber and timber products on to the EU market. "First placers" are taken to include both timber and timber product importers and domestic log suppliers within the EU.

After the final approval by the Council in September, the rules are expected to take effect in late 2012.
(see details on page 13)

Headlines

Report from Central/West Africa

Log trade stays dull

The log trade in West and Central Africa remains quiet as buyers in consumer countries review stock levels and deliberate how markets will develop under current uncertain economic conditions.

Some log prices dipped as demand eased. However, the price drop was only temporary and recently the prices have stayed close to their typical levels. According to analysts, there is unlikely to be any long-term drop in prices as log volumes in supply countries remain low.

Okoume prices improved strongly in the past two months but increasing exports from Congo Brazzaville have affected the price trend.

As a result of the log export ban in Gabon, the availability of okoume logs is expected to be substantially reduced. This market loss of over 500,000 cu.m of okoume logs will impact on plywood manufacturers in China, North Africa and elsewhere.

Strong order books for sawnwood

Demand for sawnwood has revived to some extent and producer mills in the West and Central Africa say that they have strong order books with deliveries extending into the 4th quarter.

Until now, sawnwood prices have firmed but there might be additional pressure for price increase especially for some popular premium species, says an analyst.

Sawmillers are contemplating increasing output and some are re-opening mills that were forced to close when the recession hit consumer demand hardest in 2008/2009.

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	205	205	122
Belli	230	230	-
Bibolo/Dibétou	140	130	
Bubinga	600	530	390
Iroko	245	235	190
Okoume (60% CI, 40% CE, 20% CS) (China only)	230	-	-
Moabi	270	270	206
Movingui	180	150	140
Niove	130	130	-
Okan	300	300	140
Padouk	360	335	235
Sapele	230	220	165
Sipo/Utile	270	250	200
Tali	260	260	114
	C1	CE	CS
Okoume	170	160	120

West Africa Sawnwood Prices

West Africa sawnwood, FOB		€ per m^3
Ayous	FAS GMS	300
Okoumé	FAS GMS	370
	FAS. fixed sizes	340
	Std/Btr GMS	275
Sipo	FAS GMS	475
	FAS fixed sizes	320
	FAS scantlings	490
Padouk	FAS GMS	540
	FAS scantlings	490
	Strips	300
Sapele	FAS Spanish sizes	380
	FAS scantlings	460
Iroko	FAS GMS	430
	Scantlings	440
	Strips	350
Khaya	FAS GMS	380
	FAS fixed	420
Moabi	FAS GMS	415
	Scantlings	440
Movingui	FAS GMS	295

Report from Ghana

Exports to ECOWAS countries maintained

The Timber Industry Development Division (TIDD) of the Forestry Commission vetted, processed, and approved 1,611 export permits during the first quarter of 2010 covering shipment of various timber and wood products through the ports of Takoradi and Tema as well as for overland exports to neighbouring ECOWAS countries (the Economic Community Of West African States).

The regional offices in Sunyani, Kumasi and Tema and the head office in Takoradi accounted for 2.6%, 15.7%, 7.3% and 74.4% respectively of the total export permits issued during the first quarter.

For the third consecutive quarter, the Kumasi Regional Office issued more export permits than Tema. According to an analyst, this signals that the overland exports to neighbouring ECOWAS countries have not been affected by the global recession.

Compared to the last quarter in 2009, first quarter approvals fell sharply by 34.7%. Lumber export permits declined as did the number of export approvals for rotary veneer, curl veneer, plywood, flooring, gmelina billets/poles, block boards, wood carvings/handicrafts, firewood kindling’s (off-cuts) and teak billets/poles/logs. However, export permits for sliced veneer, boules, mouldings and dowels increased considerably.

In the first quarter of 2010 there was a 14% increase in the number of permits approved year-on-year, indicating that the exports are recovering gradually.

Sawnwood (both air dried and kiln dried) continues to account for the largest share (47%) of the total export permit applications. This is an indication that there is still a higher demand for export lumber than for tertiary wood products such as furniture and parts, mouldings, flooring, dowels and profiled boards.

Timber export permits issued in 4th quarter 2009 / 1st quarter 2010

Product	4th quarter 2009	1st quarter 2010	% Change
Lumber (KD & AD)	1062	750	-29
Rotary Veneer	43	38	-12
Sliced Veneer	128	147	15
Curl Veneer	3	-	-
Boules	7	17	143
Plywood	388	369	-5
Mouldings	133	159	20
Dowels	4	9	125
Floorings	12	10	-17
Teak Billets/Poles/Logs	640	80	-88
Gmelina Billets/Poles	30	25	-17
Rubberwood Billets	5	6	20
Block boards	4	-	-100
Wood Carvings/Handicrafts	3	-	-
Firewood Kindling (Off-cuts)	6	1	-83
TOTAL	2468	1611	-35

Ghana Log Prices

Ghana logs, domestic	US$ per m^3	
	Up to 80cm	80cm+
Wawa	120-140	145-160
Odum Grade A	160-170	175-185
Ceiba	100-110	120-140
Chenchen	85-100	105-120
Khaya/Mahogany (Veneer Qual.)	100-115	120-145
Sapele Grade A	135-150	160-175
Makore (Veneer Qual.) Grade A	125-135	140-166

Ghana Export 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	552↑
Ceiba	210↑	266↑
Dahoma	315	390
Edinam (mixed redwood)	400	440↑
Emeri	350	410
African mahogany (Ivorensis)	563	690
Makore	520	585
Niangon	480↑	620
Odum	630	690
Sapele	530	590
Wawa 1C & Select	250	295↑

Ghana sawnwood, domestic		US$ per m^3
Wawa	25x300x4.2m	250
Emeri	25x300x4.2m	310
Ceiba	25x300x4.2m	205
Dahoma	50x150x4.2m	278↑
Redwood	50x75x4.2m	309
Ofram	25x225x4.2m	310

Ghana Veneer Prices

Rotary Veneer, FOB	€ per m^3	
	CORE (1-1.9mm)	FACE (<2mm)
Bombax	315	350
Ofram, Ogea & Otie	315	355↑
Chenchen	315	350
Ceiba	320↑	335
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	268
Chenchen	295
Ogea	300
Essa	285
Ofram	300

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afrormosia	1.19	1.00
Asanfina	1.40	0.80
Avodire	1.12	0.70
Chenchen	1.25	0.63↑
Mahogany	1.25	0.70
Makore	1.20	0.63
Odum	1.80	1.10↑

Ghana Export Plywood Prices

Plywood, FOB	€ per m^3			
B/BB	Redwood		Light Wood	
	WBP	MR	WBP	MR
4mm	560	465	500	380
6mm	340	345	335	320
9mm	365	320	295	285↑
12mm	300	305	280	280↑
15mm	310	290	280	285↑
18mm	300	285	285	280↑

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 sq.m		
	10x60mm	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%.

Mouldings (FOB export)	€ per m^3
Dahoma grade 1	492
Denya grade 1	516
Hotrohotro grade 1	580
Wawa grade 1	490
Wawa grade 2	420
Ekki grade 1	475
Wawabimba Laminated grade 1	750

Report from Malaysia

Exporters hit by volatile freight costs

The Timber Exporters' Association of Malaysia (TEAM) claims that the industry has been suffering from high and volatile freight costs to Europe and the Middle-East.

According to the spokesman of TEAM, the average freight cost in 2008 was about US$1,800 per 40 foot container, dipped to US$600 in June 2009 but soared to US$3,200 in March 2010. Since then, the freight costs have hovered around US$2,800 but are expected to rise after the vacation period in Europe which runs through to August.

Timber exporters are hesitant to pass on the increasing freight costs to the consumers, fearing they will lose long-term clients.

The shippers pointed out that the freight cost increases are part of the shipping industry cycle over the last 50 years. However, timber exporters hope that freight rates could be fixed every 3 months in order to bring stability and predictability to the timber markets.

Mixes trends in export markets

Prices for Malaysian timber products experienced some gains across the board during the period under review.

Furniture demand from the US and China has improved over the last 3 months. Furniture shipments to China are expected to peak in August 2010.

Demand from India for Malaysian sawnwood remains strong. However, Indian importers are hit hard by higher freight rates but the appreciation of Indian Rupee against the US dollar has eased the situation. Exports of mouldings and MDF to India remain stable.

Exports to the Eastern European market have slowed as the European economic crisis begins to have an impact on Eastern Europe.

With the recovery in the South Korean furniture sector and in Japan's housing starts, exporters are optimistic that prices for Malaysian timber products will be able to sustain growth in 2010. In addition, Malaysian plywood exports to Japan are expected to increase as Japanese buyers rebuild their inventories to meet the increasing demand from the construction sector.

While export prices are rising, the domestic timber product market in Malaysia is expected to slow down during the second half of the year due to low orders from the construction sector. This downturn is likely to soften prices on the domestic market.

Log Prices

Sarawak log, FOB	US$ per m^3
Meranti SQ up	233-258
Small	216-247
Super small	210-234↑
Keruing SQ up	222-234
Small	204-234↑
Super small	184-214↑
Kapur SQ up	212-237
Selangan Batu SQ up	196-233↑

Pen. Malaysia logs, domestic (SQ ex-log yard)	US$ per m^3
DR Meranti	241-260↑
Balau	304-333
Merbau	336-368
Rubberwood	71-105
Keruing	223-239

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

Sawnwood Prices

Malaysia Sawnwood, FOB	US$ per m^3
DR Meranti	397-433
White Meranti A & up	286-316
Seraya Scantlings (75x125 KD)	437-450
Sepetir Boards	254-276
Sesendok 25,50mm	348-366
Kembang Semangkok	308-331↑

Malaysian Sawnwood, domestic	US$ per m^3
Balau (25&50mm,100mm+)	328-348
Merbau	461-513
Kempas 50mmx(75,100 & 125mm)	262-302
Rubberwood	
25x75x660mm up	217-267
50-75mm Sq.	256-288
>75mm Sq.	278-307

Plywood Prices

Malaysia ply MR BB/CC, FOB	US$ per m^3
2.7mm	413-475↑
3mm	393-423↑
9mm & up	340-412↑

Meranti ply BB/CC, domestic	US$ per m^3
3mm	337-428↑
12-18mm	320-349↑

Other Panel Prices

Malaysia, Other Panels, FOB	US$ per m^3
Particleboard	
Export 12mm & up	231-254
Domestic 12mm & up	218-235↑
MDF	
Export 15-19mm	285-316↑
Domestic 12-18mm	275-293↑

Added Value Product Prices

Malaysia, Mouldings, FOB	US$ per m^3
Selagan Batu Decking	541-551
Red Meranti Mouldings	
11x68/92mm x 7ft up	
Grade A	556-569
Grade B	509-519

Furniture and Parts Prices

Malaysia, Rubberwood, FOB	US$ per piece
Semi-finished dining table	
solid laminated top 2.5'x4', extension leaf	64-80
As above, Oak Veneer	71-85
Windsor Chair	63-65
Colonial Chair	61-66
Queen Anne Chair (soft seat)	
without arm	61-69
with arm	61-70
Chair Seat 27x430x500mm	49-54

Rubberwood Tabletop	US$ per m^3
22x760x1220mm sanded & edge profiled	
Top Grade	582-615
Standard	566-586

Report from Indonesia

TBI assists concessionaires to obtain certification

Indonesian forest concessionaires are signing up for a programme aimed at obtaining FSC certification. The programme is conducted by the Borneo Initiative (TBI) Foundation.

PT Dwima Jaya Utama, managing 127,300 hectares of forest in Kalimantan and PT Wapoga Mutiara Timber Unit II holding 196,900 hectares of forest concessions in Papua province were the two major companies signing the agreement in Jakarta.

All together eight companies, which joined the programme, manage a total of 815,670 hectares in Kalimantan, Maluku and Papua. Earlier in January, five companies with almost 600,000 hectares had signed up for the programme.

The Association of Indonesian Forest Concessionaires noted that out of 36 million hectares of managed forests in Indonesia, only 30% or around 10.8 million hectares are certified. Currently, there are five FSC certified forest concessionaires in Indonesia managing a total of 1 million hectares of forest.

Concerns over impact of moratorium on raw material supply

Last month, Indonesia announced a 2-year moratorium on new permits to convert natural forests and peatlands. According to the Association of Indonesian Forest Concessionaires, the moratorium will severely hamper the supply of raw material to the Indonesian timber industry if natural forests within production forest areas are included in the moratorium, as some sources have been suggesting.

In Indonesia, some 63 million hectares of the total of 134 million hectares of forests are considered as production forests which are the major raw material source for the Indonesian timber industry.

Manufacturers and exporters alike are now urging the Indonesian government to address the issue of raw material supply in the moratorium regulations as at present there is confusion and misinterpretations among the stakeholders.

Exporters added that as long as the issue is not addressed, there will be speculative buying undermining the markets.

Log Prices (domestic)

Indonesia logs, domestic prices	US$ per m^3
Plywood logs	
Face Logs	195-238⬆
Core logs	176-209⬆
Sawlogs (Meranti)	186-247⬆
Falcata logs	153-187⬆
Rubberwood	64-88
Pine	167-206
Mahoni (plantation mahogany)	476-504

Sawnwood Prices

Indonesia, construction material, domestic	US$ per m^3
Kampar (Ex-mill)	
AD 3x12-15x400cm	185-204⬆
KD	205-239
AD 3x20x400cm	226-249
KD	228-257
Keruing (Ex-mill)	
AD 3x12-15x400cm	240-254
AD 2x20x400cm	228-246
AD 3x30x400cm	210-229

Plywood Prices

Indonesia ply MR BB/CC, FOB	US$ per m^3
2.7mm	398-455⬆
3mm	355-396⬆
6mm	334-376⬆

MR Plywood (Jakarta), domestic	US$ per m^3
9mm	257-268
12mm	249-259
15mm	238-252

Other Panel Prices

Indonesia, Other Panels, FOB		US$ per m^3
Particleboard	Export 9-18mm	222-231⬆
	Domestic 9mm	200-212
	12-15mm	192-203
	18mm	183-195
MDF	Export 12-18mm	255-268
	Domestic 12-18mm	237-248

Added Value Product Prices

Indonesia, Mouldings, FOB	US$ per m^3
Laminated Boards	
Falcata wood	302-315
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	491-525⬆
Grade B	447-468⬆

Report from Myanmar

Teak and pyinkado market remains sluggish

Analysts believe that over the coming months trade for both teak and other hardwoods will remain sluggish. According to dealers, Vietnam, China and India among others are placing smaller orders.

Demand for pyinkado has eased as the prices rose to over US$1000 per Hoppus ton for 7 foot girth logs.

Some big dealers say that demand for teak is low except for SG7 logs. All in all, buyers expect that July is going to be a quiet month for timber sales. The sluggish market situation for teak can be seen from the falling prices in the tender sales during 2010.

Myanmar log prices (natural forest logs)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)	
Veneer Quality	May	Jun
2nd Quality	nil	6,600 (3 tons)
3rd Quality	6,129 (4 tons)	6,388 (5 tons)
4th Quality	5,348 (10 tons)	5,009 (10 tons)
Sawing Quality		
Grade 1 (SG-1)	3,257 (30 tons)	3,095 (38 tons)
Grade 2 (SG-2)	2,494 (41 tons)	2,633 (45 tons)
Grade 3 (SG-3)	nil	nil
Grade 4 (SG-4)	1,945 (219 tons)	2,045 (210 tons)
Grade 5 (SG-5) Assorted	1,484 (119 tons)	1,206 (124 tons)
Grade 6 (SG-6) Domestic	1,011 (101 tons)	1,040 (112 tons)
Grade 7 (ER-1)	807 (152 tons)	839 (77 tons)
Grade 8 (ER-2)	nil	591 (8 tons)
Short Logs 6 ft. / 7 ft.	nil	nil

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.

Report from India

Sustained growth in Indian economy

Exports from India have shown seven consecutive months of growth. As a result of increasing demand in western countries, exports from India surged 34% in May 2010 compared to May 2009. The exchange rate for the Euro slipped from Rs.67 in June to around Rs.57 in the first fortnight of July, hampering Indian timber product exports to the Euro countries.

The industrial production in India continues to be on a high level which also pushed up imports by 31% in May 2010.

Hardwood auction sales in Western India

At the auction sales in Tapti region depots in Western India, some 3,500 cu.m of timber were sold. The main traded species was teak.

Long length teak logs suitable for boat building fetched around Rs.2000-2200 per cft. Premium quality saw logs were priced at Rs.1800 per cft., medium quality at Rs.1500 per cft. and average quality attracted prices of Rs.1200 per cft.

Premium quality laurel wood (Calophyllum inophyllum) logs were traded at around Rs.700 per cft, while haldu (Adina cordifolia), kalam (Mitragyna parviflora) and medium quality laurel wood logs fetched Rs.450 per cft.

Teak billet demand for smaller components in handicraft and furniture production is increasing. In Tapti auctions, good quality Teak billets fetched Rs.19000-Rs.20000 per metric ton and medium quality Rs.12000-Rs.15000 per metric ton.

Teak auction sales in Central India

Auction sales in Madhya Pradesh region at depots of Timarni, Khirakia, Narmada Nagar were held recently.

The total sales of teak logs amounted to 5000 cu.m with prices around Rs.50-75 higher than in the previous auctions. The average teak log prices at the latest auctions were as follows:

Girth in cms.	Length	Av. price per cft.
41 to 60	2 to 3 metres	Rs.800 to 900
61 to 75	"	Rs.1000 to 1100
76 to 90	"	Rs.1100 to 1200
90 and up	"	Rs.1200 to 1500
41 to 60	3 to 4 metres	Rs.1100 to 1200
61 to 75	"	Rs.1200 to 1300
76 to 90	"	Rs.1300 to 1400
90 and up	"	Rs.1500 to 1800

The monsoon season has started later than usual in Central India and thus one more round of auctions is expected to be held as logging can continue and the supply from the forest is still good.

Market trends

Demand for logs remains down as the South West Monsoon season has caused a break in housing activity. The strong Rupee against the US dollar also makes imported teak log prices lower for Indian buyers.

Plywood prices continue to be stable as shortages of logs and labour continue.

CNF Plantation Teak

	US$ per m^3
Tanzania Teak sawn	710-760
Ivory Coast logs	500-550
PNG logs	450-500
El-Salvador logs	325-350↓
Guatemala logs	375-400
Ghana logs	425-450
Benin logs	425-450
Brazil squares	400-450↓
Togo logs	325-350
Ecuador logs	275-300
Costa Rica logs	375-400
Panama logs	300-325

Variations exist based on lengths and average girths of logs in a parcel. Prices also vary with measurement allowances given for bark and sap in different countries of origin.

India Sawnwood Prices (domestic)

Sawnwood (Ex-mill)	Rs. per ft^3
Myanmar Teak (AD)	
Export Grade F.E.Q.	4700-5000↓
Plantation Teak A grade	2000-3400
Plantation Teak B grade	1800-2800
Plantation Teak C grade	1350-1500

India Sawnwood Prices (imports)

Sawnwood, (Ex-mill) (AD)	Rs. per ft^3
Merbau	1200↓
Balau	1000↓
Kapur	850↓
Red Meranti	600
Bilinga	650
Radiata Pine (AD)	340-350↑

Sawnwood, (Ex-warehouse) (KD)	Rs. per ft^3
Beech	1000↓
Sycamore	1100↓
Oak wood	1150↓
American Walnut	2000
Hemlock clear grade	1050
Hemlock AB grade	900
Western Red Cedar	1250

India Plywood Prices

Plywood, (Ex-warehouse) (MR Quality)	Rs. per sq.ft
4 mm	26.5
6 mm	35.0
12 mm	51.0
15 mm	61.0
18 mm	74.0

Locally Manufactured Plywood "Commercial Grade"	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	Rs.9.50	Rs.16.50
6mm	Rs.14.00	Rs.24.00
8mm	Rs.17.50	Rs.27.00
12mm	Rs.21.50	Rs.29.00
18mm	RS.27.00	Rs.39.00
5mm Flexible ply	Rs.17.50	Rs.21.00

Report from Brazil

Forest concession monitoring system launched

The Brazilian Forest Service has launched a monitoring system for forest concessions in Brazil. Concessions areas will be monitored jointly by the Brazilian Institute for Environment and Renewable Natural Resources (IBAMA) and the Chico Mendes Institute for Biodiversity Conservation (ICMBio), both federal government agencies. The Forest Service has also developed a system to trace log transportation from the forest to the first log-processing site.

The forest concession monitoring is based on five pillars: Brazilian legislation on forest management; organisational and operational structures of environmental agencies; control and monitoring tools; transparency and access to administrative procedures; and participation of main stakeholders.

Timber production in the Brazilian Amazon falling

Timber production in the Brazilian Amazon fell 50% over the last decade, according to the study "Logging Activities in the Brazilian Amazon" carried out by the Brazilian Forest Service (SFB) and the Institute of Man and Environment (Imazon). In 1998, roundwood production in the region was 28.3 million cu.m while in 2009, total production was only 14.2 million cu.m.

According to the SFB, decreased illegal timber production, substitution of tropical timber by other timber species and the recent global economic crisis have led to the decline in overall timber production. However, the timber sector is still an important source of revenue for states in the Amazon.

Currently, the timber sector in the region employs around 204,000 people, out of which 66,000 are within the sector and 137,000 are employed indirectly. In 2009, the sector's gross revenue reached R$4.94 billion. Out of the total revenue, Pará accounted for 43%, followed by Mato Grosso with 33%, and Rondônia 15%.

According to the study, illegal harvests of timber in the Amazon is decreasing. The study says that timber production in the Amazon will not return to 30 million cu.m per year as recorded a decade ago, as this level could only be achieved from harvesting on invaded land and exploiting illegal timber sources.

However, the intention is to increase timber production by adopting sustainable forest management practices in national/state forests and concession areas. States such as Pará, Acre, Amazonas and Amapá are following the federal government by starting bidding processes for legal logging activities in public forests.

ABIMAD expects growth in furniture exports

The third Brazilian Contemporary Home Furnishing Association's (ABIMAD) Fair for Furniture and High-End Decoration Accessories will be held on 28 – 31 July in São Paulo, Brazil. At the fair, ABIMAD will host an international business roundtable between foreign importers and ABIMAD members.

Already 30 importers from countries such as Angola, Chile, USA, UAE, Peru, Mexico, France and Panama have confirmed participation in the roundtable. The previous fair in August 2009 yielded US$3.7 million in sales and for the July's fair ABIMAD expects a 12% growth in sales.

According to ABIMAD analysts, the Brazilian furniture designs are currently being appreciated products in international markets which helps overseas promotion. To ensure ABIMAD members' compliance with international standards for furniture products and trade, ABIMAD has developed the "Quality for Export" programme.

For the fair, ABIMAD has identified the potential trade partnerships to be established between the Brazilian producers and foreign importers. In addition, the Brazilian Trade and Investment Promotion Agency is offering support for foreign companies interested to do business with Brazilian furniture exporting-companies.

Brazil Log Prices (domestic)

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	146
Jatoba	104
Guariuba	69
Mescla (white virola)	75

Brazil Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB		US$ per m^3
Jatoba Green (dressed)		825
Cambara KD		477
Asian Market (green)	Guariuba	266
	Angelim pedra	619
	Mandioqueira	232
Pine (AD)		193

Brazil sawnwood, domestic (Green)		US$ per m^3
Northern Mills (ex-mill)	Ipé	698
	Jatoba	535
Southern Mills (ex-mill)	Eucalyptus (AD)	187
	Pine (KD) 1st grade	240

Brazil Veneer Prices

Veneer, Export (Belem/Paranagua Ports) FOB	US$ per m^3
White Virola Face 2.5mm	296
Pine Veneer (C/D)	208

Rotary cut Veneer, domestic	US$ per m^3	
(ex-mill Northern Mill)	Face	Core
White Virola	255	212

Brazil Plywood Prices

Plywood, FOB	US$ per m^3
White Virola (US Market)	
5.2mm OV2 (MR)	485
15mm BB/CC (MR)	416
White Virola (Caribbean market)	
4mm BB/CC (MR)	523
12mm BB/CC (MR)	421

Pine Plywood EU market, FOB	US$ per m^3
9mm C/CC (WBP)	278
15mm C/CC (WBP)	256
18mm C/CC (WBP)	250

Plywood, domestic (ex-mill Southern mill)		US$ per m^3
Grade MR (B/BB)	White Virola 4mm	883
	White Virola 15mm	645

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)	311
Domestic Prices, Ex-mill Southern Region	
Blockboard White Virola faced 15mm	556
Particleboard 15mm	354

Brazil Added Value Products

FOB Belem/Paranagua Ports		US$ per m^3
Edge Glued Pine Panel		
Korean market (1st Grade)		646
US Market		493
Decking Boards	Cambara	605
	Ipê	1,590

Report from Peru

New Peru forest law to be passed in August

According to the Minister of Environment, the draft legislation for Forestry and Wildlife is expected to be passed in August. The new law is required to fulfill the commitment made under the Free Trade Agreement with the USA. The commitment includes terms related to Land Use, Land-Use Change and Forestry.

However, the draft "Law of Forestry and Wildlife" is still said to be controversial in terms of classification of land, ecological zoning and standards for final decision making.

Peru sustains exports growth

Overall exports from Peru continued to increase for the eighth consecutive month. In May, exports totalled US$ 2.319 billion, up 8% over May 2009.

Despite the still weak global economy, the Central Bank projects a 23% growth for Peruvian exports in the fiscal year 2010. The Ministry of Economy and Finance (MEF) projected a more moderate growth of 17%.

According to the Association of Banks, bank financing for foreign trade increased by 4.08% in May over the last year. The Association of Banks expects further growth in foreign trade financing in the next few months.

Peru Sawnwood Prices

Peru Sawnwood, FOB Callao Port		US$ per m^3
Mahogany S&B KD 16%, 1-2" random lengths (US market)		1698-1745
Spanish Cedar KD select		
North American market		918-922
Mexican market		897-921
Pumaquiro 25-50mm AD	Mexican market	532-586

Peru Sawnwood, FOB Callao Port (cont.)	US$ per m^3
Virola 1-2" thick, length 6'-8' KD	
Grade 1, Mexican market	309-357
Grade 2, Mexican market	248-265
Cumaru 4" thick, 6'-11' length KD	
Central American market	831-855
Asian market	829-888
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	293-320
Grade 2, Mexican market	249-264
Grade 3, Mexican market	139-152
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	214-227

Peru sawnwood, domestic	US$ per m^3
Mahogany	887-923
Virola	54-72
Spanish Cedar	268-321
Marupa (simarouba)	61-75

Peru Veneer Prices

Veneer FOB	US$ per m^3
Lupuna 3/Btr 2.5mm	191-212
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		398-403
Cedar fissilis, 2 faces sanded 4x8x5.5mm		746-758
Lupuna, treated, 2 faces sanded, 5.2x4x8mm		359-376
Lupuna plywood	B/C 15x4x8mm	353-365
	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 m³
Cabreuva/estoraque KD12% S4S, Asian market		1348-1444
Cumaru KD, S4S	Swedish market	788-897
	Asian market	1083-1265⬆
Cumaru decking, AD, S4S E4S, US market		934-1133⬆
Pumaquiro KD # 1, C&B, Mexican market		423-511
Quinilla KD, S4S 2x10x62cm, Asian market		502-527
	2x13x75cm, Asian market	712-779

Report from Guyana

Market Trends

During the period under review, log export prices remained relatively stable with purpleheart priced around US$245 per cu.m. Mora experienced some price adjustments, while there were no exports of greenheart logs in the fortnight period.

Prices for both dressed and undressed greenheart sawnwood and undressed mora sawnwood decreased, while prices for dressed purpleheart were firm.

Some other dressed sawnwood species including ipe (Washiba) and cupiuba (Kabukalli) attracted average prices of US$1,750 and US$1,340 respectively. They also contributed significantly to the total export earnings for this fortnight period.

Baromalli plywood showed some market activity but only in utility category while prices remained stable. Roundwood and fuelwood exports to the Caribbean also contributed to export earnings.

Some of the exported value-added products were handicrafts, doors, door sets made from purpleheart (Amarante).

REDD Readiness Preparation Proposal for Guyana

More than 100 representatives from 40 countries and organisations attended the World Bank's Forest Carbon Partnership Facility (FCPF) Participants Committee meeting in Guyana in the end of June 2010. The sixth meeting of the Committee was meant to provide an update on the progress made under the FCPF.

Since the FCPF became operational in 2008, Guyana has completed several revisions to the REDD Readiness Preparation Proposal (RPP) through open and transparent public consultations. Accordingly, the World Bank has made four due diligence missions to Guyana. The most recent mission took place in April 2010 and the follow up is planned in September 2010.

The next major steps under the FCPF include financing and implementation of the RPP and integrating it with the country's low carbon growth model.

Guyana Log Prices

Logs, FOB Georgetown	SQ - $ Avg unit value per m³		
	Std	Fair	Small
Greenheart	-	-	-
Purpleheart	200-245	170-245	150-245
Mora	120	115	-

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

Guyana Sawnwood Prices

Sawnwood, FOB Georgetown		$ Avg unit val. per m³	
EU and US markets		Undressed	Dressed
Greenheart	Prime	-	-
	Standard	-	649-784
	Select	575-680	
	Sound	-	
	Merchantable	530	
Purpleheart	Prime	-	-
	Standard	657	700-784
	Select	-	
	Sound	-	
Mora	Prime	-	
	Select	500	
	Sound	-	
	Merchantable	400	

Guyana Plywood Prices

Plywood, FOB Georgetown Port			$ Avg unit val. per m³
Baromalli	BB/CC	5.5mm	-
		12mm	-
	Utility	5.5mm	-
		12mm	370-460

Report from Japan

Meranti logs breach pre-crisis price level

Tropical log supply is still affected by bad weather conditions and prices have been inching up in the last few months. Local plywood mills in Sarawak reportedly have strong order books and their aggressive purchasing is lifting the prices. Japanese log importers say that the tight log supply is going to last at least until late August.

Sarawak log exporters have achieved US$210 per cu.m FOB for meranti regular logs, the same price level as in early 2008, before the global financial crisis. Also the small meranti prices are up, fetching US$185 per cu.m FOB.

Log export prices in Sabah for kapur logs leveled off to US$270 per cu.m after China shifted to purchasing keruing logs for which price also rose, reaching US$240 per cu.m FOB.

In Japan, imported log prices are firming. Sarawak meranti regular logs are priced at Yen 7,000 – 7,200 per koku CIF. Current small meranti log prices are at Yen 6,300-6,400 per koku. Sabah kapur logs are now priced at Yen 9,600 per koku.

Plywood manufacturers in Japan continue to hold back production but log inventories are still falling. Plywood manufacturers are looking to rebuild their stocks, however, constantly increasing log export prices are holding them back.

Wood demand for the second half of 2010

The Japan Lumber Journal (JLJ) reports that the Forestry Agency of Japan has released its wood demand projections for the second half of 2010. The Agency is forecasting an improvement in housing starts stemming from increasing household income and various stimulus measures introduced.

The main beneficiaries of the improved activity in the building and construction sectors will be imported sawnwood, plywood and structural laminated lumber. The demand for these products is expected to exceed last year's levels.

South Sea log supply is projected to fall short of demand, thereby lifting the prices. Supply for sawnwood is expected to remain stable in meeting the demand. However, plywood supply will remain tight for the third quarter but should be improving towards the end of the year.

North American log demand is expected to remain firm but import volumes will likely stay at around 2.5 million cubic metres for the whole year, the same level as for 2009. Demand for North American sawnwood is increasing for the remainder of the year. European sawnwood imports to Japan are also projected to rise in the fourth quarter.

The Forestry Agency is also forecasting an increasing demand for domestic logs.

Housing starts relapsed in May

After positive figures recorded in April, housing starts relapsed in May, reports JLR. The total of 59,911 units recorded was the lowest ever for the month of May.

The main reason for the decline is the drop in condominium starts which were 31.5% down compared to May 2009. However, condominium starts were up 35.8% in April and according to the Ministry of Land, Infrastructure and Transport, the decline in condominium starts in May might only be temporary.

The number of building permits issued has been increasing for the past seven months and May permits were 8.7% up on levels in May 2009.

May housing starts

	May-10	% Change to May-09
Total	59,911	-4.6
Owner's units	24,243	4.6
Rental units	21,759	-13.5
Built for sale	13,173	0.8
Condo units	4,202	-31.5
Wood frame units	34,959	5.0
Prefabricated units	9,880	0.2
2x4 units	6,806	1.8

Source JLR

Declining industrial wood consumption in Japan

According to the Forestry Agency, the total industrial wood consumption was 63.2 million cu.m in fiscal 2009 representing a 19% decline compared to fiscal 2008. The depressed economy and declining housing starts have been the main reasons for the downward trend in industrial wood consumption which has declined for the third year in a row, reports JLR.

For 2009, the government's plan was to increase the domestic wood supply, aiming at 50% self-sufficiency in industrial wood consumption. Self-sufficiency improved by 3.8% in 2009 but this was only because of the greater decline in imports than in domestic supplies, both of which fell in 2009.

Log imports fell sharply by 26% to 5.6 million cu.m while the drop in domestic log supply was 6.2% to 17.4 million cu.m.

Industrial consumption of sawnwood amounted to 23.5 million cu.m, plywood 8.2 million cu.m and pulp/wood chips 29 million cu.m, all decreasing by 13.4%, 20.5% and 23.4% respectively. Total imports of sawnwood, plywood and pulp/wood chips declined sharply by 23% while the domestic supply suffered only a 6.1% drop.

Misawa Home promotes certified products

Japanese house builder, Misawa Homes Co. Ltd, intends to increase the share of certified wood used in house building. The JLR reports that Misawa Homes is aiming at 70% share of certified wood in total wood consumption by 2014. Misawa Homes' timber consumption has been around 470,000 cu.m. per year.

To achieve the target, Misawa Homes applies green procurement guidelines for wood introduced by WWF Japan.

Japan exports cedar logs to Indonesia

FSC certified domestically grown logs are now being exported from Japan to Indonesia. The Japanese cedar logs from Ishikawa Prefecture that are being shipped to Indonesia are from 3-4 metres in length and have a diameter from 22 to 24 cm.

The first shipment is expected to be made by Hanwa Co. Ltd in late July. The Indonesian company reportedly will use the certified logs for its manufacture of furniture for the EU market, replacing some of the cedar logs previously imported from North America.

Log and Sawnwood Prices in Japan

Logs for Ply Manufacture, CIF	Yen per Koku
Meranti (Hill, Sarawak)	(Koku=0.278 m^3)
Medium Mixed	6,500↑
Standard Mixed	6,700↑
Small Log (SM60%, SSM40%)	6,500↑
Taun, Calophyllum, others (PNG)	8,000
Mixed light hardwood, G3/4 grade (PNG)	-
Keruing MQ & up (Sarawak)	10,500
Kapur MQ & up (Sarawak)	9,600↑

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	135,000
Mixed Seraya, Sangi 24x48mm, 1.8-4m, S2S	53,000

Wholesale Prices (Tokyo)

Indonesian & Malaysian Plywood	Size (mm)	Jun (¥ per sheet)	Jul
2.4mm (thin plywood, F 4star, type 2)	920 X 1830	320	320
3.7mm (med. Thickness, F 4star, type2)	910 X 1820	450	450
5.2mm (med. Thickness, F 4star, type 2)	910 X 1820	560	560
11.5mm for sheathing (F 4star, type 2)	910 X 1820	890	910
12mm for foundation (F 4star, special)	910 X 1820	940	970
12mm concrete-form ply (JAS)	900 X 1800	890	920
12m coated concrete-form ply (JAS)	900 X 1800	1090	1090
11.5mm flooring board	945 X 1840	1200	1250
3.6mm baseboard for overlays (OVL)	1230 X 2440	740	740
OSB (North American)			
12mm foundation of roof (JAS)	910 X 1820	-	-
9mm foundation for 2 by 4 (JAS)	910 X 2440	-	-
9mm conventional foundation (JAS)	910 X 2730	-	-
9mm conventional foundation (JAS)	910 X 3030	-	-

Report from China

China removes tariffs on wood products from LDCs

According to the office of Customs Tariff Commission of the State Council, China had decided to remove tariffs on 4,762 commodities imported from 33 of the world's Least Developed Countries (LDCs). Commodities with zero tariffs include wood products. The zero tariff treatment came into effect on 1 July 2010.

The countries involved are 26 African countries and 7 other countries, including Ethiopia, Benin, Burundi, Equatorial Guinea, Maldives, Nepal and Bangladesh.

For some time, China has not been imposing tariffs on imports of logs, sawnwood, fuelwood, wood chips, paper pulp and waste paper from all countries. However, tariffs are levied on plywood (15%), paper products (20%) and furniture (22%). These tariff regulations were applied to all countries, before the zero treatment came into effect.

Since 2001, China has imposed zero tariff for 41 of the world's LDCs.

Buoyant timber market in Beijing

The stable development of the real estate market this year has brought improved timber sales in Beijing and its surrounding areas. Some trends in the timber market are noted:

- demand for construction timber is strong: both supply and sales of logs are flourishing;
- the main traded log species are China's Northeast conifers, Scotch pine from Russia and radiate pine from New Zealand and Australia;
- demand for industrial hardwood is growing and prices are rising;
- the market for timber and wood products for decoration has recovered and there is brisk trade in various kinds of flooring (especially rare species solid wood flooring).

As the sawnwood market is picking up, demand for hardwood is stronger than for softwood. The supply of African sawnwood is falling short of demand as African countries act against exports of illegally harvested timber. This has led to significant price increases for imported sawnwood. For instance, prices for sapelli fetched RMB7,100 per cu.m and mahogany was priced at RMB6,000 per cu.m. South East Asian sawnwood is also in short supply. Price for teak from Myanmar reached as high as RMB16,000 per cu.m.

Similarly, prices for hardwood sawnwood from Europe and North America such as beech, oak, maple and walnut have risen, albeit slightly. The average increase was RMB40-110 per cu.m. However, prices for some domestic sawnwood, such as ash, oak and linden, were relatively stable.

In May, the wood based panel market in Beijing was stable with slightly improving prices for some grades. The thick board (over 9mm) market was sluggish while thin boards were selling well. Prices for OSB increased slightly due to brisk demand and limited availability.

Consumers' preference for laminated wood is growing steadily. Sales continued to be brisk for different products of laminated wood in the triangle area of Beijing, Tianjin and Hebei province. The laminated wood made from traditional species, such as beech, ash, oak, elm and birch are the most demanded products. The laminated Southern species like rubberwood and tung wood (Aleurites fordii) also have good markets.

Different kinds of preserved wood products and decorative veneer are selling well in Beijing and its surrounding areas. According to analysts, the factors generating demand for these products are following:

- buildings must now meet stricter building codes in Beijing and its surrounding areas and this has created markets for preserved wood;
- environmental issues are emerging and supporting the use of wood in buildings;
- Chinese government has been advocating and promoting the use of preserved wood;
- wood products with decorative veneer are currently in high demand.

The prices for preserved wood have remained relatively stable while the decorative veneer prices are improving steadily.

China imposes measures on wood transportation

The State Forestry Administration recently announced that it will intensify the management of wood distribution and transportation. The revision will also include additional financing to improve infrastructure.

According to the announcement, a nationwide system with stations controlling timber transportation will be set up within three to five years. In addition to permanent control stations, supplementary mobile stations will be established around the country.

The new wood transportation regulations came into effect on 1 July 2010 and the wood transport documentation has been modified according to the new regulations.

China faces increasing labour costs for furniture manufacturing

In the past, the world furniture manufacturing centres had shifted from Europe and North America to Taiwan P.o.C in early 1970s, to South East Asia in the late 1970s and to mainland China at the end of the 1980s.

Some analysts are predicting that furniture manufacturing will gradually move out from China as labour and other costs are increasing compared to levels in some ASEAN countries.

The reason for the higher labours costs is the rapidly improving China economy. In addition, on 1st July, the Chinese government lifted the minimum wage in 18 provinces by 20%. As a result China's overall cost advantage is shrinking, say analysts.

In the future, the world furniture manufacturing centre is predicted to move to some ASEAN countries. In fact, some foreign enterprises have already increased production in Vietnam and Bangladesh. Analysts believe that this will inevitably have an impact on Chinese furniture markets and production.

Guangzhou City Imported Timber Market

Logs	Yuan per m^3
Lauan (50-60cm)	1900-2100
Kapur (up to 79cm)	2000-2100
Merbau 6m, (up to 79cm)	3500-4000
Teak	11000-13000
Wenge	5200-5300
Sawnwood	
Teak sawn grade A (Africa)	9300
US Maple 2" KD	7500-10000
US Cherry 2"	10000-13000
US Walnut 2”	14000-15500
Lauan	5500
Okoume	4500-5000
Sapele	6300-6500

Shanghai Furen Wholesale Market

Logs		Yuan per m^3
Teak (Myanmar, all lengths)		7500-8500
Sawnwood		
Beech KD Grade A		4900-5000
US Cherry, 1 inch		9500-10000
US Red Oak, 50mm		6500-7000
Sapele 50mm FAS (Congo)		
	KD (2”, FAS)	6500-6600
	KD (2”,grade A)	5500-5800

Shandong De Zhou Timber market

Logs		Yuan per m^3
Larch	6m, 24-28cm diam.	1200
White Pine	6m, 24-28cm diam.	1280
Korean Pine	4m, 30cm diam.	1350
	6m, 30cm diam.	1450
Mongolian Scots Pine	6m, 30cm diam.	1320

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	1450
	4m,10cm thick	1500

Zhejiang Jiashan Kaihua International Timber Market

Logs	Yuan per m^3
Okoume 80cm+	2900-3400
Sapele 80cm+	6000-6600
Wenge 80cm+	13000-14500
Sawnwood	
Doussie	3600-4000
European beech boules	3200-3400
Radiata	800-1200
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

European economy shows signs of recovery

Although economic trends across Europe point to some signs of improvement during the second quarter of 2010, these have yet to result in any significant improvement in demand for tropical hardwood. In fact, as the European trade prepares for the summer vacation period and against a background of volatile currency movements raising the threat of stock depreciation, the instinct of many importers is to avoid speculative purchasing and keep stocks very low.

The European economy seems to have returned to growth. The latest GDP figures for the euro-zone as a whole show annualised growth of around 2% in the second quarter, a decent number by recent standards. The upturn has been largely driven by an increase in exports as the euro weakened against the dollar. Germany, where GDP growth may have been as high as 4% at an annualised rate in the second quarter, did particularly well primarily due to rising exports of infra-structure, cars and other engineering-related goods. While Germany's high tech goods have led the way, analysts now expect sustained improvements in export demand for other products to boost growth in a wider range of European countries during the rest of the year. This should include high-end interior furniture products which remain a small, but nevertheless important, outlet for tropical hardwood sawnwood and veneers.

Less encouraging is the latest news from the European construction sector which suggests that sustained improvements in Europe's domestic consumption of tropical hardwoods and other wood products will take time to materialise. In June, delegates at the Euroconstruct conference reported that output in the European construction sector fell by 8.8% in 2009 and that a further contraction of 4% is expected in 2010 (Euroconstruct). Further deep fall in construction activity in Ireland, Spain and Portugal will be only partly compensated by gains elsewhere, notably in Poland where construction activity is expected to grow by 10% in 2010. Construction output across Europe is expected to increase by 1.2% in 2011, but this forecast rate of growth implies a much weaker rebound in most European countries.

Nevertheless, there are other reasons for greater optimism in sections of the European hardwood trade and industry. The decline in new-build across large parts of Europe has fed a tendency in the residential sector to "improve-not-move", boosting hardwood demand from continuing refurbishment and renovation activity. Refurbishment activity has also been encouraged to some extent by high-profile government measures aimed at improving the energy efficiency of existing buildings. Reports from flooring and furniture trade shows in Europe in the first half of 2010 suggest that activity in the high-end bespoke sector of these markets – which particularly value hardwoods – has often held-up better than the lower-end mass produced sectors.

Better demand for high-end veneer

This last fact is borne out by EUWID's latest report on the status of the European veneer industry. While noting that the second quarter of 2010 brought little improvement in overall market momentum and order volumes remain generally low and inconsistent, EUWID also suggests that sales opportunities for "exclusive" veneers in top-end building projects, furniture and car, boat and airplane construction are satisfactory. In contrast, shipments of medium-quality veneers to the door and furniture industries are described as "unacceptable". EUWID reports that Central European mills are now running at somewhere between 70% and 85% of their processing capacity, an improvement on last year which is partly explained by the complete closure of a number of mills.

EUWID suggests that, despite slow consumption, availability of veneer quality logs from all areas remains an issue after the big reductions in harvesting over the last two years. Gabon's ban on the export of logs from May 2010 is also set to have a dramatic long term impact on supply of tropical veneer logs to European manufacturers.

Weaker euro exchange rate leads to shifts in sawn hardwood market

The weakened euro-dollar exchange rate combined with variable availability is leading to some significant shifts in demand for different species of tropical sawn lumber in Europe. The strong dollar is an extra disincentive to any further imports of bangkarai and other dollar-denominated decking products, demand for which is already winding down as the main spring and early summer season is now at an end.

On the other hand, the stronger dollar has led to an increased level of enquiries in Europe for the leading commercial African hardwoods such as sapele and sipo – which are invoiced in euros – compared to their dollar-denominated Asian counterparts such as meranti. This is also providing scope for European importers to push through increases in their wholesale prices for African hardwoods so that they are better aligned with firming FOB prices in Africa. However very extended lead times, now upwards of 6 months for many African products, are restricting the potential for African shippers to exploit the increased level of enquiries for their products.

The stronger dollar and lack of supply of American tulipwood led to improved demand for light West African sawnwood like wawa and ayous during the second quarter of 2010. However recent indications that tulipwood in the US may be moving from shortage to over-supply may mean this trend is short lived.

European illegal logging legislation passes last major hurdle

During June, representatives of the European Commission, Council and Parliament reached agreement on the text of legislation designed to remove illegal wood from European trade. On July 7, the European Parliament voted overwhelmingly in favour of the agreed text, thereby removing the last major hurdle to passage of the legislation. It is now expected the European Council will rubber-stamp the text and formally accept it into European law in September.

The agreed text represents a compromise between the positions of the European Parliament and European Council. The former had wanted to impose tough requirements on all European traders to demonstrate the legality of all wood products and to demand a timetable for moves to mandatory sustainability certification. The latter had favoured less onerous obligations more closely allied to existing private sector procurement policies and procedures.

A key part of the compromise is that the text now includes a clause making European wood traders liable for prosecution if found in possession of wood sourced contrary to the laws of any country, including those outside the EU. This brings the legislation much closer to that of the U.S. Lacey Act Amendment of May 2008. It should also provide a strong incentive to European traders to act in accordance with the other major requirement of the law which is to implement a "due diligence" system designed to minimise the risk of their trading in illegal wood.

Under the agreed text, the requirement for a "due diligence" system extends to those European operators that "first place" timber and timber products (excluding recycled products) on to the EU market. "First placers" are taken to include both timber and timber product importers and domestic log suppliers within the EU. "First placers" must systematically assess the risk of their wood purchases being derived from illegal sources and implement procedures that are "adequate and proportionate" to minimise any risks identified. Risk mitigation may include requiring additional documents or third party verification.

European operators may establish their own due diligence procedures or they may join systems operated by so-called "monitoring organisations". The compromise text effectively represents a victory for timber trade associations in the EU as it provides scope for them to act as "monitoring organisations" despite efforts by green groups to exclude them on grounds of conflict of interest. The legislation also states that in order to avoid any undue administrative burden, operators already using systems or procedures which comply with the requirements of the regulation should not be required to set up new systems. The implication is that companies already part of independently audited systems like the UK, French and Dutch timber trade association codes of practice and responsible timber procurement policies will not be subject to any significant additional requirements.

A key clause in the agreed text is to the effect that "risk mitigation" procedures will not be required in cases where there is a "negligible risk" of illegal logging. This clause was introduced to prevent imposition of unnecessary additional bureaucracy on wood chains where illegal logging is widely acknowledged not to be a problem. Although formal definitions of "negligible risk" have yet to be agreed, it is expected that account will be taken of independent studies like that commissioned from Seneca Creek Associates by the American Hardwood Export Council (AHEC) which showed there is a less than 1% risk of any American hardwood being derived from an illegal source.

The agreed text of the legislation also makes clear that timber and timber products subject to legality licensing under the terms of bilateral Forest Law Enforcement Governance and Trade (FLEGT) Voluntary Partnership Agreements (VPAs) will not be subject to additional requirements. In fact an underlying aim of the new legislation is to provide an added incentive to timber supplying countries to enter into FLEGT VPAs by demanding that European importers introduce extra "risk mitigation" measures when dealing with wood products from non-VPA countries where there is a high risk of illegal logging. EU VPAs have so far been agreed with Ghana, Republic of Congo and Cameroon. Negotiations are also well developed with the Central African Republic, Indonesia, Liberia, Malaysia, and Vietnam.

The agreed text also makes clear that independent certification or third party legality verification schemes may be used in the risk assessment. CITES listed species are explicitly excluded from additional measures under the legislation.

Much news coverage of the law has focused on new requirements for wood tracking. These new requirements need to be clarified. The reality is that the agreed text greatly waters down earlier proposals (promoted heavily by green members of the European Parliament) for mandatory traceability of all wood products in the EU. This is in recognition of the fact that traceability is often unrealistic, particularly when dealing with complex products or when wood is sourced from numerous small family and community owned forests.

Two areas of the agreed text have a bearing on wood tracking:

- As part of their due diligence systems, "first placers" will be required "where applicable" to identify the "sub-national region and concession of harvest" of their wood products. The implication is that tracking to the specific forest of origin outside the EU will only be required in those instances where there is a significant risk of illegal logging.

- There is also an obligation on all “downstream traders” in the EU to know from whom timber and timber products are obtained and to whom sold (so-called "one-up-and-one-down" traceability). This is not expected to involve any extra bureaucracy since the evidence required need only be an invoice or receipt which in any case have to be kept for financial purposes.

Despite pressure from the European Parliament and some EU Member States to impose a tough EU-wide system of enforcement and sanctions, the agreed text establishes that responsibility for enforcement and sanctions will remain with the individual member states.

The Netherlands Sawnwood Prices

FOB (Rotterdam)	US$ per m^3
Sapele KD	869⬆
Iroko KD	1030⬆
Sipo KD	1036⬆
DRM Bukit KD	953
DRM Seraya KD	960
DRM Meranti KD Seraya MTCC cert.	975
Merbau KD	1229
Sapupira (non FSC) KD	946
Sapupira (FSC) KD	1483
Anti-slip decking AD C&F Rotterdam	
Selangan batu	1540⬆

UK Log Prices

FOB plus commission		€ per m^3
N'Gollon (khaya)	70cm+ LM-C	350-380⬆
Ayous (wawa)	80cm+ LM-C	250-270⬆
Sapele	80cm+ LM-C	320-340⬆
Iroko	80cm+ LM-C	380-420⬆
African Walnut	80cm+ LM-C	340-370⬆

UK Sawnwood Prices

FOB plus Commission	GB Pounds per m^3
Framire FAS 25mm	465-475
Sipo FAS 25mm	665-685
Sapele FAS 25mm	570-580
Iroko FAS 25mm	670-690
Wawa FAS25mm	285-305
CIF plus Commission	
Tulipwood FAS 25mm	345-370
Meranti Tembaga Sel/Btr (KD 2”boards)	560-580
Balau/Bangkirai Decking	1000-1050
White Oak	580-630

UK Plywood and MDF Prices

Plywood Panels 8x4”, CIF	US$ per m^3
Brazilian WBP BB/CC 6mm	540-560
Malaysian WBP BB/CC 6mm	560-580
China (hardwood face, eucalyptus core) 18mm	380-390
China (tropical hardwood face, poplar core) 18mm	350-370

Report from North America

US largest voluntary carbon credit buyer in 2009

In 2009, the US was the world’s largest buyer of voluntary carbon credits. According to the State of the Voluntary Carbon Markets Report by Ecosystem Marketplace and Bloomberg New Energy Finance, the total value of traded voluntary credits was US$387 million in 2009, down 47% from the previous year. The US’ market share was about half of the total. The average price of an emission reduction was US$6.5/tCO2e.

Forestry projects had the second-largest share and accounted for 24% of the total market value. The report authors link the decline in the overall market value in 2009 with the economic recession, even though the expectation of a US carbon trading programme increased the number of transactions by US companies.

National Hardwood Lumber Association accepts members from outside North America

The National Hardwood Lumber Association (NHLA) has created a new membership category for companies from outside North America. Companies in the hardwood lumber, veneer or plywood business can now join the association in the “partner” membership category.

This move recognises that the hardwood business and the US hardwood industry have become more global. In 2009, the association opened its first overseas office in Shanghai, China. The Shanghai office services include training in NHLA hardwood lumber grading rules, inspection services and dispute resolutions.

Additional three months to complete home purchases and qualify for tax credits

The US Congress has approved a measure that allows homebuyers to complete their purchases and qualify for tax credits of up to US$8000 by the end of September 2010. The federal homebuyers tax credit programme increased house sales this spring. The new bill extends the deadline only for buyers who already have signed contracts.

US housing market softens after tax credit programme expires

The most recent residential housing statistics show that US housing starts declined by 10% from April (at a seasonally adjusted annual rate). Single-family starts dropped even more by 17%. The number of building permits also decreased, but both permits and starts remain above the levels seen in May last year. The number of permits issued can be an indicator of future building activity.

As expected, home sales fell in May after the federal tax credit programme for homebuyers expired at the end of April. According to data released by the US Commerce Department, sales fell by 32.7% in May.

Builders’ confidence in the market for newly built, single-family homes declined in June, according to the latest National Association of Home Builders/Wells Fargo Housing Market Index. While builders expected home sales to fall after the programme expired at the end of April, the decline in confidence indicates that the drop in demand for new homes will be more significant than expected.

Homeowner improvement spending in the US is expected to grow by almost 5% in 2010. The Leading Indicator of Remodeling Activity by the Joint Center for Housing Studies at Harvard University shows that spending on remodeling will recover this year.

Institutional construction weak, commercial/industrial construction improving

The situation for suppliers to the non-residential construction sector remains difficult. The score of the Architecture Billings Index, a leading indicator for non-residential construction and multi-family construction activity nine to twelve months into the future, declined again in May. While many firms have moved ahead with long-delayed projects, others continue to have difficulties with obtaining financing for projects.

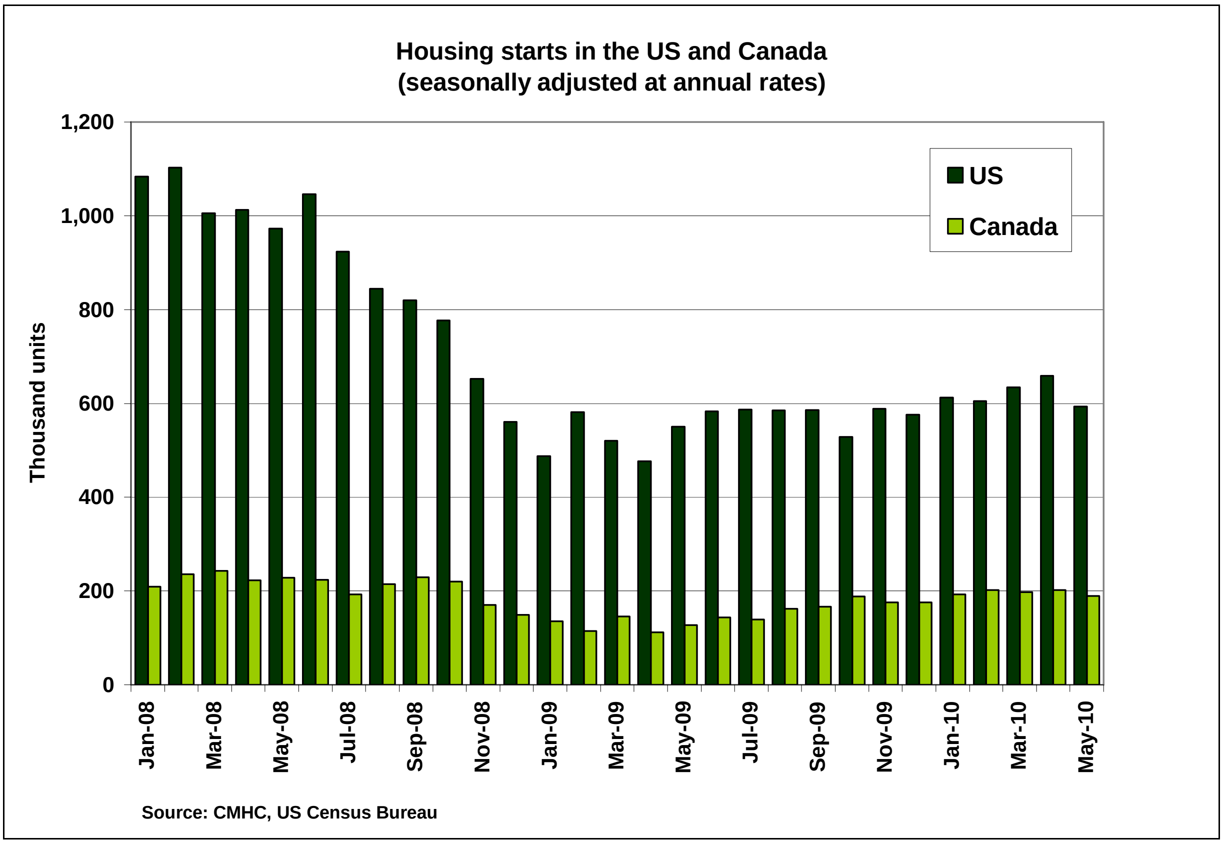
The market for institutional construction is weak because federal and state government budgets have been reduced. Prospects are better for commercial and industrial construction, according to the American Institute of Architects. The Northeast region in the US appears to be among the first to recover from the extremely difficult business conditions in late 2008 and 2009.

Canadian housing market stabilising

In Canada, housing starts declined from April to May, according to Canada Mortgage and Housing Corporation (CMHC), but the decrease in starts is consistent with CMHC's overall forecast for 2010. Following a total of 149,081 units in 2009, housing starts are expected to be 166,900 to 199,600 units in 2010. For 2011, housing start forecasts are in the range of 148,600 to 208,800 units, according to CMHC. The agency predicts that the stricter criteria for government-backed mortgages that were introduced in April will lead to long-term stability in the housing market and a better balance between supply and demand for homes.

US Timber prices

	May-10 US$ per Cu.m	Jun-10 US$ per Cu.m
Ipe (Brazil) Decking Premium Grade AD, 1x6, FOB Belem	2220	2240
Ipe (Brazil) Decking Premium Grade AD, 5/4x6, FOB Belem	2400	2400
Jatoba (Brazil) No.1 Common & Better AD, FOB Belem	-	-
Jatoba (Brazil) No.1 Common & Better KD, FOB Belem	-	-
Khaya (Cote d'Ivoire) FAS KD, FOB Abidjan	745	740
Khaya (Ghana) FAS KD, FOB Takoradi	880	880
Sapele (Cameroon) FAS AD, FOB Douala	730	710
Sapele (Cameroon) 4/4 to 8/4 FAS KD, FOB Douala	860	830



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.

According to a report by the organisation's Office of Trade Negotiations (OTN), the Bahamas is top furniture importer in the Caribbean Community and Common Market area, spending some $50 million or almost 25% of the region's furniture expenditure in 2008.
http://www.tribune242.com/business/07052010_Furniture_business_Page1-2

California has begun enforcing its new formaldehyde emission standard for products including furniture, according to the American Home Furnishings Alliance (AHFA). A furniture industry supplier here reported to AHFA that earlier this year, a state regulatory agency purchased one of its products to determine its compliance with the standard.
http://www.furnituretoday.com/article/529894-California_starts_enforcing_formaldehyde_rules.php

China will host UN climate change talks in October, says the Foreign Ministry spokesman, Qin Gang, in Beijing. The 12th session of the Ad Hoc Working Group on Long-term Cooperative Action under the Convention (AWG-LCA) and the 14th session of the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP) will be held in the northern Chinese city of Tianjin.
http://english.peopledaily.com.cn/90001/90776/90883/7055035.html

China's property market is beginning a "collapse" that will hit the nation's banking system, said Kenneth Rogoff, the Harvard University professor and former chief economist of the International Monetary Fund.
http://www.bloomberg.com/news/2010-07-05/rogoff-says-china-property-market-starting-collapse-that-will-hit-banks.html

Fears of a new banking crisis were eased after banks borrowed less money than expected in two tenders by the European Central Bank (ECB), reports DW-World. The ECB's tenders were designed to ensure that banking sector in Europe has sufficient liquidity.
http://www.dw-world.de/dw/article/0,,5755294,00.html

Home-grown furniture chain Picket & Rail has added a range of beds and rocking chairs, made with eco-friendly rubberwood, to its All American range. Made using Layered Array Pulp Integrated Structure (Lapis) technology, the bed frames from the brand's Clovis collection are the world's first.
http://business.asiaone.com/Business/News/SME%2BCentral/Story/A1Story20100702-224878.html

More than 800 exhibitors will show at International Woodworking Fair (IWF) 2010, the woodworking machinery and furniture supply fair set to run in the Georgia World Congress Center on 25-28 August 2010. IWF is held once every two years and it is owned and sponsored by the American Home Furnishings Alliance, the Wood Machinery Manufacturers of America and the Woodworking Machinery Industry Association.
http://www.furnituretoday.com/article/529891-More_than_800_exhibitors_expected_at_IWF_2010.php

New laws are expected to be approved in Europe by the end of this year imposing timber importers to ensure that the wood they buy has been legally produced. Ghana is envisaged to become the first exporting country being able to offer such a guarantee.
http://www.alertnet.org/thenews/newsdesk/IRIN/381b3d59c32081075c031d45d28ce33a.htm

The timber industry in Myanmar, hit by the recession, is struggling as consumers spend less on teak and other high-end hardwoods. But though the industry faces many problems, longer-term prospects are not all bleak, as timber merchants are looking into deals with ASEAN partners. The volume of teak and other hardwoods logged during the 2009-2010 financial year declined in comparison with the previous year, from 3.45 million cu.m to 3.18 million cu.m, according to the statistics from the Ministry of Forestry.
http://www.mmtimes.com/2010/business/530/busi003.html

Starting July 1, 2010, Australia will accept solid wood packaging material that is treated and marked as ISPM-15 compliant and meets the bark tolerance requirements defined in the revised ISPM-15 standard. This requires that solid wood packaging material is debarked, but allows some tolerance for small pieces.
http://www.materialshandling.net/articledatabase/view.asp?articleID=3158

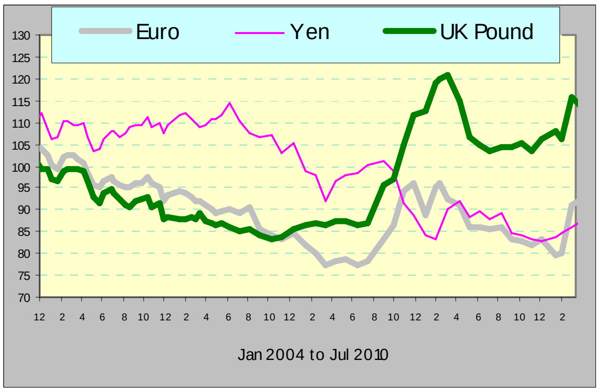
A unique community based forestry project in Bolivia aims to give farmers long-term financial incentives to keep trees standing. "Arbolivia" is a community-based forestry project working with a small group of farmers to stop land conversion and slash and burn agricultural practices that have contributed to the destruction of Bolivia's forests in the past.
http://www.theecologist.org/how_to_make_a_difference/climate_change_and_energy/527210/small_scale_bolvian_farmers_take_up_community_reforestation.html

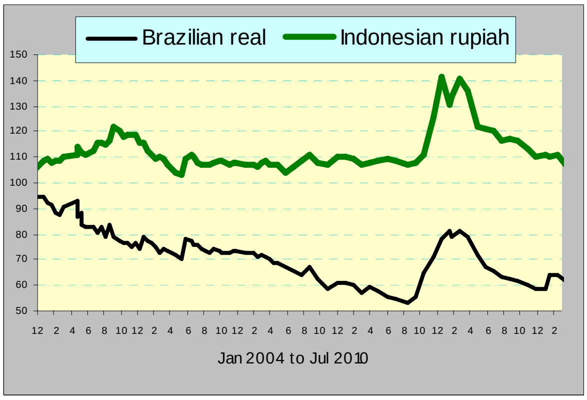
Main US Dollar Exchange Rates

As of 12th July 2010

Brazil	Real	1.7640
CFA countries	CFA Franc	522
China	Yuan	6.7710
EU	Euro	0.7941
India	Rupee	46.6853
Indonesia	Rupiah	9050
Japan	Yen	88.62
Malaysia	Ringgit	3.2041
Peru	New Sol	2.8233
UK	Pound	0.6653

Exchange rates index (Dec 2003=100)

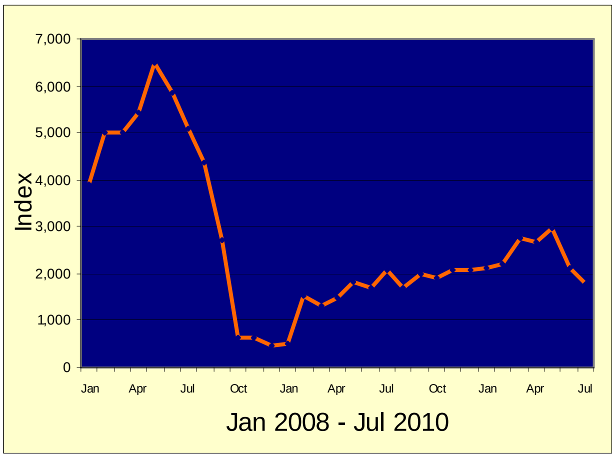




Abbreviations and Equivalences

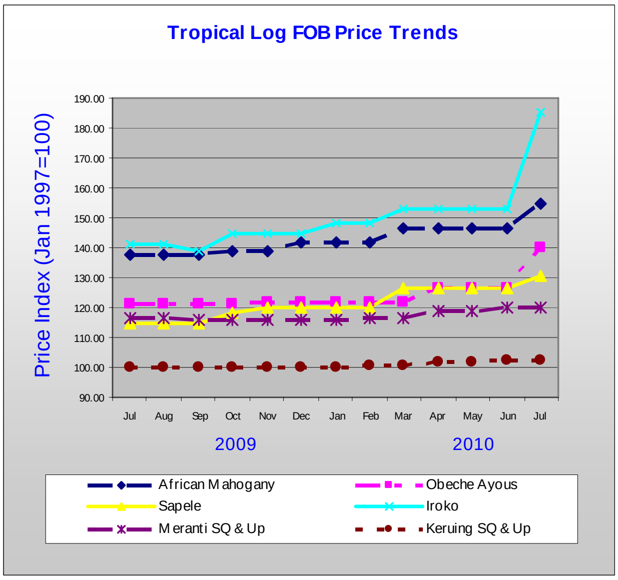
LM	Loyale Merchant, a grade of log parcel
QS	Qualite Superieure
CI, CE, CS	Choix Industriel, Economique or Supplimentaire
FOB	Free-on-Board
CIF; CNF	Cost, insurance and freight; Cost and freight
KD; AD	Kiln Dry; Air Dry
Boule	A log sawn through and through, the boards from one log are bundled together.
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
TEU	Twenty-foot equivalent unit
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
OSB	Oriented strand board
MDF	Medium Density Fibreboard
PHND	Pin hole no defect grade
$; ⬆⬇	US dollar; Price has moved up or down

Ocean Freight Index

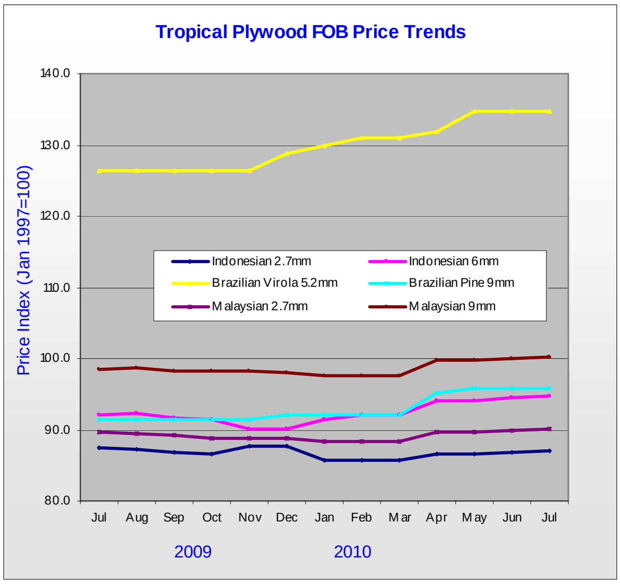


The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes. It is based on a 52,454 mt bulk carrier carrying commodities such as timber.

Tropical Log Price Trends

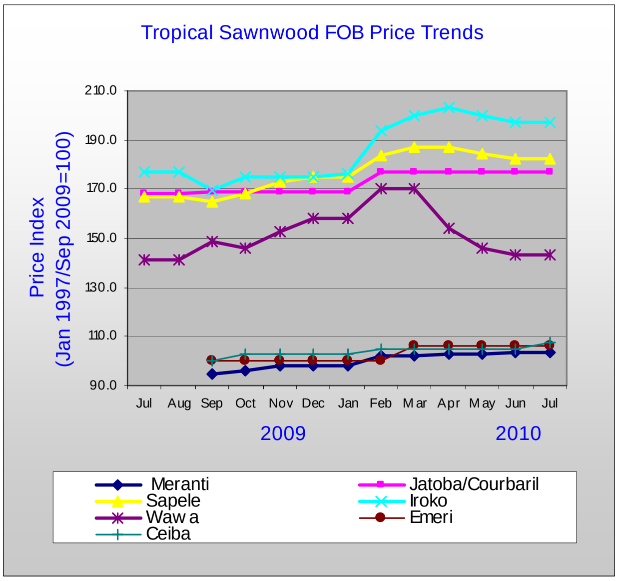


Tropical Plywood Price Trends



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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