Tropical Timber Market Report

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New tax incentives to promote forest plantations

A new tax incentive regime will soon be in place to promote the development of large-scale forest plantation projects in Malaysia. The incentive is planned to cover both planting and harvesting phases.

The tax incentive will allow plantation companies to offset the costs during the planting period against the income from the harvest. The costs can be fully deducted from the aggregate income during the first 10 years of a new forest plantation project, and 5 years for an expanded forest plantation project.

In addition, forest plantation companies are allowed to claim a reinvestment allowance for approved plantation projects. The allowance will be credited through the Exempt Income Accounts for the purpose of declaring dividends. Dividends received by holding companies will not be subjected to taxation.

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Headlines

Report from Central/West Africa

Log demand remains steady

For the period under review, some price changes were experienced from September. Prices firmed as a result of good demand from China, India and Vietnam.

Iroko logs are still in good demand and sawnwood prices also gained due to increased demand from European and Asian buyers. Sapele log prices are a little higher and demand for niove logs for the Indian market remains steady lifting prices. Okoumé log prices also inched up, even though supply from Equatorial Guinea and Congo Brazzaville is now sufficient to meet demand in consumer countries, says an analyst.

Okoumé logs from Congo Brazzaville have been used to replace what was sourced from Gabon before the log export ban. However, there remains a possibility that Congo Brazzaville may at some point revert to the limits on log exports that were in force up to the early months of this year, says an analyst.

In Cameroon log exports are continuing and due to the high demand there are shortages of azobe and ayous logs for domestic processing industries.

European sawnwood demand still sluggish

Sawnwood demand has remained steady except from Continental Europe where most buyers are unsure about business prospects over the coming winter months. The market in Italy is more active with demand for ayous sawnwood but otherwise European trade is reportedly dull.

Demand from Middle East countries is moderate and African exporters have been making headway in competition against Malaysian exporters suffering from higher ocean freight costs and an appreciating Ringgit.

Gabon eyes employment through processing industry

Major industries in Gabon now have begun to adapt to the log export ban and are starting to seek new processing opportunities. Due to reduced harvest volumes, the sector currently employs fewer people.

Since processing is relatively more labour intensive, it is hoped that there will be more job opportunities as mills increase their capacities and outputs.

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	210	210	-
Bibolo/Dibétou	145	130	
Bubinga	600	530	390
Iroko	260⬆	245⬆	190
Okoume (60% CI, 40% CE, 20% CS) (China only)	230	-	-
Moabi	275	275	190
Movingui	180	150	140
Niove	140⬆	140⬆	-
Okan	320	320	-
Padouk	370	340	235
Sapele	245⬆	245⬆	170
Sipo/Utile	270	250	200
Tali	270⬆	270⬆	-

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	470⬇
	FAS fixed sizes	-
	FAS scantlings	490
Padouk	FAS GMS	550⬆
	FAS scantlings	550⬆
	Strips	300
Sapele	FAS Spanish sizes	390
	FAS scantlings	460
Iroko	FAS GMS	510⬆
	Scantlings	530⬆
	Strips	350
Khaya	FAS GMS	380
	FAS fixed	390⬆
Moabi	FAS GMS	495⬆
	Scantlings	440
Movingui	FAS GMS	345⬆

Report from Ghana

Ghana issues more permits in second quarter

The Timber Industry Development Division (TIDD) of the Forestry Commission vetted, processed, and approved 1,974 export permits during the second 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 3.6%, 5.3%, 25% and 66% of the total export permits issued during the second quarter respectively.

Compared to the first quarter of 2010, second quarter approvals increased sharply by 22.5%. The number of sawnwood export permits rose as did the number of export approvals for rotary veneer, sliced veneer, veneer layons, mouldings and block boards. However, the number of export permits for flooring, teak billets/poles/logs, gmelina billets/poles and rubberwood billets dropped considerably.

Sawnwood (both air dried and kiln dried) continues to account for the largest share (53%) of the total export permit applications followed by plywood (18.5%), sliced veneer (9.5%), mouldings (9.1%), rotary veneer (3.7%) teak billet/poles (2.9%)

The number of export permits approved for sawnwood (both air dried and kiln dried) for the months of April, May and June were 356, 351 and 339 respectively.

In the second quarter of 2010, a total of 694 export permits, covering about 43,380 cu.m of timber products, were granted to a number of timber companies to export sawnwood, block boards, sliced veneer and plywood by road to Burkina Faso, Nigeria, Niger, Benin, Mali and Togo.

Special permit exports

During the period under review, six special export permits were issued solely for Takoradi shipments including 84 cu.m of kiln dried okoumé mouldings and 59 cu.m of kiln dried iroko decking strips. These products were shipped by Machined Wood Ltd to their clients in Italy.

The mouldings were manufactured from okoumé sawnwood imported from Gabon while the decking strips were made of iroko sawnwood from Cameroon. The total value of these shipments was Euro 100,132.

Ghana Log Prices

Ghana logs, domestic	US$ per m^3	
	Up to 80cm	80cm+
Wawa	130-140	145-165
Odum Grade A	160-170	175-185
Ceiba	107-114⬆	120-140
Chenchen	90-100	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	215	266
Dahoma	318⬆	390
Edinam (mixed redwood)	396⬇	445
Emeri	350	414
African mahogany (Ivorensis)	563	690
Makore	520	585
Niangon	505	590⬇
Odum	630	690
Sapele	540⬆	590
Wawa 1C & Select	250	295

Ghana sawnwood, domestic		US$ per m^3
Wawa	25x300x4.2m	260⬆
Emeri	25x300x4.2m	310
Ceiba	25x300x4.2m	225⬆
Dahoma	50x150x4.2m	284⬆
Redwood	50x75x4.2m	315
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	318	355
Chenchen	315	350
Ceiba	310⬇	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	274
Chenchen	305
Ogea	300
Essa	290
Ofram	310⬆

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afrormosia	1.19	1.00
Asanfina	1.40	0.90
Avodire	1.12	0.70
Chenchen	1.20⬇	0.70
Mahogany	1.25	0.70
Makore	1.20	0.72
Odum	1.80	1.12⬆

Ghana Export Plywood Prices

Plywood, FOB	€ per m^3		
BB/CC	Ceiba	Ofram	Asanfina
4mm	370	546	597
6mm	367	540	575
9mm	307	384	436
12mm	305	381	397
15mm	281	327	334
18mm	261	320	330

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

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

New tax incentives to promote forest plantations

A new tax incentive regime will soon be in place to promote the development of large-scale forest plantation projects in Malaysia. The incentive is planned to cover both planting and harvesting phases.

The new tax incentives are provided under the Income Tax Rules 2009 (Deduction for investment in an approved forest plantation project) and the Income Tax Order 2009 (Exemption) (No. 10), which are effective until the end of 2011.

The Tax Exemption Order will allow plantation companies to offset the costs during the planting period against the income from the harvest. The costs can be fully deducted from the aggregate income during the first 10 years of a new forest plantation project, and 5 years for an expanded forest plantation project. According to the Sarawak Timber Association (STA), investments into any approved forest plantation project of a subsidiary by a holding company may now be deducted at the beginning of the planting period for the purpose of determining the adjusted income of the holding company, resulting in lower income tax for the holding company.

In addition, forest plantation companies are allowed to claim a reinvestment allowance for approved plantation projects. The allowance will be credited through the Exempt Income Accounts for the purpose of declaring dividends. Dividends received by holding companies will not be subjected to taxation.

Six major timber groups in Sarawak including Rimbunan Hijau Group, Samling Global Ltd, WTK Holdings Bhd, Shin Yang Forestry Sdn Bhd, KTS Forest Plantations Sdn Bhd and Ta Ann Holdings Bhd have welcomed this new tax incentive regime. These groups have been given approval by the Sarawak state authorities to reforest more than 1 million hectares of logged-over areas. The six groups are also among 41 active forest plantation licence-holders in Sarawak.

With the targeted 1 million hectares of forest plantations to be developed, Sarawak could double its supply of raw materials for its timber processing industry. Currently, Sarawak produces about 10.4 million cu.m of logs per year. Some 60% of the logs harvested are reserved for local processing industries and the balance is for export. As of 2009, up to 255,000 hectares of forest plantations worth RM2 billion in investments (RM7,843 per hectare), have been developed in Sarawak against the set target of 500,000 hectares. Three main fast-growing commercial tree species favoured in forest plantation projects are acacia (Acacia hybrid), kelempayan (Neolamarckia cadamba) and binuang (Octomeles sumatrana). The average establishment cost of all these three species is about RM8,200 per hectare.

The Federal Government grants soft loans to fund forest plantation projects based on the forest plantation area. Applications for such a loan are restricted to 5,000 hectares per application. Earlier, the Ministry of Plantation Industries and Commodities had estimated that some RM1.1 billion was needed to develop 150,000 hectares of forest plantations (RM7,333 per hectare) nationwide from 2006 to 2013.

Intensified innovative R&D required to meet 2020 export target

The Ministry of Natural Resources and Environment Malaysia, stressed that innovative research and development initiatives have to be intensified in order to achieve the target of RM53 billion in wood and timber product exports by 2020, as outlined in the National Timber Industry Policy.

In order to achieve the target, at least 60% of export earnings must derive from downstream products and the balance 40% from primary processed products.

Exports of Malaysian wood and timber products generated RM19.5 billion in revenue and the industry employed around 300,000 people in 2009. The ministry stated that the industry must respond to the changes in global business environment promptly or risk losing its market share.

Financing for development of local FSC standards

The HSBC Bank Malaysia Bhd will provide financing facilities up to RM150,000 in its partnership with Forest Sustainability (M) Sdn Bhd (FSM), to help develop the Forest Stewardship Council (FSC) standards in the country.

HSBC added that by providing support for the development of local FSC standards, the bank is not only helping the industry at large but also reinforcing its strong commitment to the forestry sector. Local FSC standards are expected to help create more international markets for Malaysian timber products.

The local FSC standards are expected to be ready by the end of year 2011.

Log Prices

Sarawak log, FOB	US\$ per m^3
Meranti SQ up	242-267
Small	227-257
Super small	225-246
Keruing SQ up	228-240
Small	214-242
Super small	198-224⬆
Kapur SQ up	219-244
Selangan Batu SQ up	209-243

Pen. Malaysia logs, domestic (SQ ex-log yard)	US\$ per m^3
DR Meranti	251-270⬆
Balau	309-338
Merbau	340-372
Rubberwood	79-113⬆
Keruing	228-244

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	401-437
White Meranti A & up	292-322⬆
Seraya Scantlings (75x125 KD)	440-453
Sepetir Boards	260-282⬆
Sesendok 25,50mm	352-370
Kembang Semangkok	314-337

Malaysian Sawnwood, domestic	US$ per m^3
Balau (25&50mm,100mm+)	332-352
Merbau	464-516
Kempas 50mmx(75,100 & 125mm)	268-308⬆
Rubberwood	
25x75x660mm up	222-272⬆
50-75mm Sq.	261-293⬆
>75mm Sq.	283-312⬆

Plywood Prices

Malaysia ply MR BB/CC, FOB	US$ per m^3
2.7mm	419-481⬆
3mm	399-429⬆
9mm & up	346-418⬆

Meranti ply BB/CC, domestic	US$ per m^3
3mm	343-434⬆
12-18mm	326-355⬆

Other Panel Prices

Malaysia, Other Panels, FOB	US$ per m^3
Particleboard	
Export 12mm & up	237-260⬆
Domestic 12mm & up	224-241⬆
MDF	
Export 15-19mm	291-322⬆
Domestic 12-18mm	281-299⬆

Added Value Product Prices

Malaysia, Mouldings, FOB	US$ per m^3
Selagan Batu Decking	550-561
Red Meranti Mouldings	
11x68/92mm x 7ft up	
Grade A	565-578
Grade B	519-529

Furniture and Parts Prices

Malaysia, Rubberwood, FOB	US$ per piece
Semi-finished dining table	
solid laminated top 2.5'x4', extension leaf	67-83
As above, Oak Veneer	74-88
Windsor Chair	66-68
Colonial Chair	64-69
Queen Anne Chair (soft seat)	
without arm	65-72
with arm	64-73
Chair Seat 27x430x500mm	52-57

Rubberwood Tabletop	US$ per m^3
22x760x1220mm sanded & edge profiled	
Top Grade	595-626
Standard	576-596

Report from Indonesia

Lack of legally defined border status of forests in Indonesia

A report by the Supreme Audit Agency (BPK) revealed that less than 5% of forest areas in the five provinces implementing REDD Plus programme funded by Norway have legal border status. These five provinces are Riau, Jambi, Central Kalimantan, East Kalimantan and Papua. In terms of forest area, Central Kalimantan has an estimated 15 million hectares of forests, East Kalimantan 14 million hectares, Papua 40 million hectares, Riau 9 million hectares, and Jambi 2.17 million hectares.

The report noted that legally defined boundaries in Central Kalimantan province account for only less than 1% of the total forest area, while the coverage in East Kalimantan is 4%, Papua 5%, Riau 6% and Jambi 1%. Such a lack of legally defined forest boundaries will make it difficult for Indonesia to develop and operate the MRV (monitoring, reporting and verification) system. The MRV is a tool in the REDD Plus scheme to measure and report emission reductions in forests.

The Ministry of Forestry Indonesia noted that the lack of legally defined forest boundaries will not affect the implementation of the MRV system as the planned system will employ satellite images to monitor land cover changes. The ministry has plans to hire a third party to speed up the determination of forest borders in the country, including those between state forests and community forests. As of July 2010, the ministry has completed defining 219,606 km of border lines for 282,873 square kilometres of forests. Plans are ahead to define another 250,000 km of forest border lines over the next four years.

Indonesia calls for closer forestry cooperation with China

The Ministry of Forestry Indonesia is calling for closer collaboration with China in the area of forestry development, especially in the usage of non-timber forest products such as rattan and bamboo. China has the technology to produce paper from bamboo while Indonesia's utilisation of bamboo and rattan is still limited.

During a recent visit in Beijing, the Minister of Forestry Indonesia signed a five-year agreement on the sharing of forestry management information with the State Forestry Administration. In addition to the usage of non-timber forest products in paper production, the agreement addressed also the usage of biomass energy from sustainably managed forests, forest land rehabilitation, social forestry, cooperation on wildlife and plant protection, and the sustainable use of flora and fauna.

China has the fifth largest forest area in the world. A total of 1.25 million square kilometres of forests in China is equivalent to 75% of Indonesia's total land area. The Ministry of Forestry Indonesia noted that the Chinese administration has developed environmentally friendly economic activities such as community forest programmes, under which communities are able to lease land from the state for a period of 30 to 35 years for community forestry projects. The Chinese government stated that through these programmes there has been a significant increase in the volume of planted trees by local communities

Bilateral cooperation on forestry development between Indonesia and China was initiated in 1992 following the signing of agreements on forest management and conservation, including research, training and extension work.

Log Prices (domestic)

Indonesia logs, domestic prices	US$ per m^3
Plywood logs	
Face Logs	201-244⬆
Core logs	182-215⬆
Sawlogs (Meranti)	194-255⬆
Falcata logs	159-193⬆
Rubberwood	72-96⬆
Pine	174-215
Mahoni (plantation mahogany)	483-511

Sawnwood Prices

Indonesia, construction material, domestic	US$ per m^3
Kampar (Ex-mill)	
AD 3x12-15x400cm	189-208
KD	208-242
AD 3x20x400cm	229-252
KD	231-260
Keruing (Ex-mill)	
AD 3x12-15x400cm	243-257
AD 2x20x400cm	231-249
AD 3x30x400cm	213-232

Plywood Prices

Indonesia ply MR BB/CC, FOB	US$ per m^3
2.7mm	404-461⬆
3mm	361-402⬆
6mm	340-382⬆

MR Plywood (Jakarta), domestic	US$ per m^3
9mm	262-273⬆
12mm	254-264⬆
15mm	243-257⬆

Other Panel Prices

Indonesia, Other Panels, FOB		US$ per m^3
Particleboard	Export 9-18mm	226-235⬆
	Domestic 9mm	205-217⬆
	12-15mm	198-209⬆
	18mm	189-201⬆
MDF	Export 12-18mm	259-272⬆
	Domestic 12-18mm	241-252⬆

Added Value Product Prices

Indonesia, Mouldings, FOB	US$ per m^3
Laminated Boards	
Falcata wood	306-319
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	495-529
Grade B	451-472

Report from Myanmar

Purchases of Myanmar hardwoods by country in September

Purchases of Myanmar hardwoods by country during September 2010 were as follows: Singapore (3 buyers, 88 Hoppus tons), Thailand (3 buyers, 274 Hoppus tons) and Hong Kong (1 buyer, 85 Hoppus tons). In the domestic markets there were three buyers, with timber sales totalling 177 Hoppus tons in volume.

Downward trend in shipments

Harwood shipments in the first half of fiscal year 2010-11 registered a downward trend. However, teak sawnwood exports exceeded the level of 1,000 Hoppus tons in September.

Harwood shipments for the first half of fiscal year 2010-11 (Hoppus ton)

Month	Teak logs	Other hardwood logs	Teak sawnwood
April 2010*	13300	28300	820
May 2010	24250	63500	600
June 2010	21670	80200	700
July 2010	18100	55100	470
Aug 2010	22000	70150	825
Sep 2010	15200	67700	1030

*There were only 13 working days in April as there was the long Myanmar New Year holiday period.

Myanmar log prices (natural forest logs)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)	
Veneer Quality	Aug	Aug
2nd Quality	nil	7,007 (6 tons)
3rd Quality	6,378 (5 tons)	6,292 (5 tons)
4th Quality	4,400 (10 tons)	4,433 (10 tons)
Sawing Quality		
Grade 1 (SG-1)	3,261 (41 tons)	2,794 (38 tons)
Grade 2 (SG-2)	2,244 (35 tons)	2,030 (41 tons)
Grade 3 (SG-3)	nil	nil
Grade 4 (SG-4)	1,779 (216 tons)	1,625 (220 tons)
Grade 5 (SG-5) Assorted	1,325 (107 tons)	1,354 (121 tons)
Grade 6 (SG-6) Domestic	1,109 (106 tons)	1,252 (125 tons)
Grade 7 (ER-1)	834 (111 tons)	928 (60 tons)

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

Global furniture fair yields Rs.60,000 million sales

A global furniture exhibition, Index International Furniture Fair 2010, was held between 8 - 11 October in Mumbai. Altogether 700 domestic and international furniture brands were represented at the fair. During four days of exhibition, furniture sales yielded Rs.60,000 million.

Of the total brands represented, about 17% was wooden furniture. Imported furniture represented 11% of the total wooden furniture.

Large companies including Godrej & Boyce, Wipro, Zuari, Featherlite, Durian, N.R.Jasani & Co. have contributed substantially to the growth of furniture industry in India. The furniture sector in India is estimated to grow at an annual rate of 20% while that of furniture imports at a rate of 64% per year. The sector's strategy is to better meet domestic needs and also increase exports of Indian made furniture.

Domestic plywood prices revised upwards

Prices for domestically manufactured marine plywood were revised upwards again, as cost of labour, chemicals, phenolic resins and timber keeps rising. Continuing plywood shortage drives wholesalers to source plywood from overseas.

Prices of other grades of locally manufactured plywood gained as there have been less rubberwood logs for plywood production. The sharp rise in prices for natural rubber has led to a sharp drop in the supply of rubberwood logs.

CNF Plantation Teak

	US$ per m^3
Tanzania Teak sawn	760-800
Côte d'Ivoire logs	530-590↑
PNG logs	500-550
El-Salvador logs	400-450↑
Guatemala logs	425-450
Ghana logs	500-550↑
Benin logs	520-575↑
Brazil squares	400-425
Togo logs	400-450↑
Ecuador logs	350-400
Costa Rica logs	425-450↑
Panama logs	375-400↑

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.	5200-5500↑
Plantation Teak A grade	2100-3600
Plantation Teak B grade	2000-3000
Plantation Teak C grade	1500-1800

India Sawnwood Prices (imports)

Sawnwood, (Ex-mill) (AD)	Rs. per ft^3
Merbau	1300
Balau	1150↑
Kapur	900
Red Meranti	600
Bilinga	650
Radiata Pine (AD)	340-350

Sawnwood, (Ex-warehouse) (KD)	Rs. per ft^3
Beech	1100
Sycamore	1250↑
Oak wood	1350↑
American Walnut	1600
Hemlock clear grade	1000
Hemlock AB grade	850
Western Red Cedar	1350

India Plywood Prices

Plywood, (Ex-warehouse) (MR Quality)	Rs. per sq.ft
4 mm	31.8↑
6 mm	44.7↑
12 mm	60.4↑
15 mm	72.0↑
18 mm	87.0↑

Locally Manufactured Plywood "Commercial Grade"	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	Rs.10.50↑	Rs.18.40↑
6mm	Rs.15.20↑	Rs.26.80↑
8mm	Rs.19.20↑	Rs.30.00↑
12mm	Rs.23.40↑	Rs.32.25↑
19mm	RS.29.40↑	Rs.43.40↑
5mm Flexible ply	Rs.19.50↑	Rs.23.50↑

Report from Brazil

Brazilian furniture notches hefty export gains

In the period from January to July this year, Brazilian furniture exports increased 14.6% compared to the same period last year, reports Abimóvel. In value terms, furniture exports totalled US$434 million. The amount is close to the level recorded in the pre-crisis period in 2008.

The main export destination for Brazilian furniture during this period was Argentina, with exports valued at US$65 million, a 105% jump compared to the same period in 2009. Furniture sales to Argentina fell 42% in 2009, but exports seem to have recovered and exceeded the pre-crises level.

Furniture exports from Bento Gonçalves (RS), the largest furniture cluster in Brazil, lead the way. The region recorded a 20% increase in furniture export volume in the period from January to August this year, according to Sindmóveis (Bento Gonçalves Furniture Industry Association). The main destinations for furniture from Bento Gonçalves were Uruguay, the UK and Argentina.

Mato Grosso timber exports recover

According to analysts, Brazilian timber exports in 2010 are recovering. The export volume of squares from Mato Grosso state in the period from January to August 2010 was 4,286 cu.m, worth US$2.2 million. The main destination was Vietnam with a 73% share of the total square exports, followed by Indonesia (12%) and China (6.7%).

China stands out as the major destination for sawnwood with 18,275 cu.m of exports, accounting for a 37% share of the total sawnwood exports during the period. The second largest sawnwood export destination is India with a

16% share of the total, followed by the US, Hong Kong, Dominican Republic, Israel. In the period from January to August 2010, the total sawnwood export volume was 49,178 cu.m, valued at US$39 million.

During the period, the total exports of wood mouldings and plywood from Mato Grosso were 58,288 cu.m, worth US$41 million. Portugal was the major destination accounting for 35% of the total exports, followed by the US (17%), the UK (16%), Germany, Belgium, Spain, Italy and Israel.

Illegal timber seized in Mato Grosso

Since the beginning of the year, the Federal Highway Police has seized 1,519 cu.m of illegally harvested timber in Mato Grosso state. Fraudulent forest transport documents, false payment receipts, fraudulent timber volume documents and false reporting on timber species have been some of the illegal activities committed by violators involved in trade in illegal timber.

Seizures related to these violations have been increasing throughout the state. Since 2008, 5,632 cu.m of illegally harvested timber have been seized.

New forest concession in Pará

The Brazilian Forest Service (SFB) initiated public hearings on the announcement of a forest concession of over 93,000 hectares in Saracá-Taquera National Forest (Flona) in Pará state. The public hearings will be conducted in municipalities in Saracá-Taquera Flona including Faro, Oriximiná and Terra Santa.

In 2009, 140,000 hectares of forest concessions in Saracá-Taquera Flona were auctioned. With the additional area, the total forest concession area in Saracá-Taquera Flona will be 770,000 hectares.

The concession area of 93,000 hectares is divided into two management units. In total, the area is estimated to produce 79,000 cu.m of timber per year. The forest concession contracts are for period of 40 years. The Brazilian nut tree areas are excluded from the concession area as these areas are for the local communities to continue their traditional use of nut trees.

The planned forest concessions are estimated to at least yield BRL4 million tax revenues annually. According to the Public Forest Management Law, the levied funds will be divided among the federal, state and local governments.

Brazil Log Prices (domestic)

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	148
Jatoba	106
Guariuba	70
Mescla (white virola)	76

Brazil Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB		US$ per m^3
Jatoba Green (dressed)		842
Cambara KD		500
Asian Market (green)	Guariuba	271
	Angelim pedra	648
	Mandioqueira	239
Pine (AD)		199

Brazil sawnwood, domestic (Green)		US$ per m^3
Northern Mills (ex-mill)	Ipé	713
	Jatoba	545
Southern Mills (ex-mill)	Eucalyptus (AD)	190
	Pine (KD) 1st grade	244

Brazil Veneer Prices

Veneer, Export (Belem/Paranagua Ports) FOB	US$ per m^3
White Virola Face 2.5mm	299
Pine Veneer (C/D)	211

Rotary cut Veneer, domestic	US$ per m^3	
(ex-mill Northern Mill)	Face	Core
White Virola	258	214

Brazil Plywood Prices

Plywood, FOB	US$ per m^3
White Virola (US Market)	
5.2mm OV2 (MR)	472
15mm BB/CC (MR)	409
White Virola (Caribbean market)	
4mm BB/CC (MR)	525
12mm BB/CC (MR)	422

Pine Plywood EU market, FOB	US$ per m^3
9mm C/CC (WBP)	280
15mm C/CC (WBP)	263
18mm C/CC (WBP)	250

Plywood, domestic (ex-mill Southern mill)		US$ per m^3
Grade MR (B/BB)	White Virola 4mm	909
	White Virola 15mm	663

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)	315
Domestic Prices, Ex-mill Southern Region	
Blockboard White Virola faced 15mm	564
Particleboard 15mm	362

Brazil Added Value Products

FOB Belem/Paranagua Ports		US$ per m^3
Edge Glued Pine Panel		
Korean market (1st Grade)		656
US Market		498
Decking Boards	Cambara	617
	Ipê	1,624

Report from Peru

Consultations on draft forestry law conducted

The Interethnic Development Association of the Peruvian Rainforest (AIDESEP), the Confederation of Amazonian Nationalities of Peru (CONAP) and the Association of Exporters (ADEX) had a roundtable discussion on the draft Forestry Law.

At this meeting, representatives of CONAP and AIDESEP questioned some of the issues related to the territorial reorganisation, land user rights, community forest management, consultation process with indigenous people. The meeting reportedly succeeded to bring closer the views and aspirations of different stakeholders.

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	321-339
Grade 2, Mexican market	259-269⬆
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	312-339⬆
Grade 2, Mexican market	259-269⬆
Grade 3, Mexican market	139-156
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	216-235

Peru sawnwood, domestic	US$ per m^3
Mahogany	879-911
Virola	54-72
Spanish Cedar	259-311
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		402-411
Cedar fissilis, 2 faces sanded 4x8x5.5mm		746-758
Lupuna, treated, 2 faces sanded, 5.2x4x8mm		363-385
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 m^3
Cabreuva/estoraque KD12% S4S, Asian market		1298-1409⬇
Cumaru KD, S4S	Swedish market	797-920
	Asian market	1056-1221⬇
Cumaru decking, AD, S4S E4S, US market		949-1139
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

Sawnwood prices remain favourable

For the period under review, there were no greenheart log exports. Purpleheart log prices remained unchanged for standard sawmill quality, while prices for fair and small sawmill quality decreased. Mora log prices remained stable for this period.

For sawnwood, undressed greenheart (select) prices gained from US$933 per cu.m to US$1,060 per cu.m over the period under review, while prices for undressed greenheart (merchantable) remained stable. Undressed purpleheart (select) gained from US$1,000 per cu.m to US$1,350 per cu.m while mora sawnwood prices were steady.

Dressed greenheart prices inched up from US$975 per cu.m to US$1018 per cu.m. Dressed purpleheart prices were down in the period under review.

There were no baromalli plywood exports for the period under review while fair amounts of Lesser Used Species were exported to European and Asian markets as sawnwood.

Guyana's washiba (ipe) continues to be in demand attracting a price average of US$1,700 per cu.m for this fortnight period.

For roundwood, greenheart piles made a positive contribution to the total export earnings with favourable average price, with Europe and the US being the major destinations. Splitwood attracted a high price average of US$4,229 per cu.m and was exported to the Caribbean market.

For the period under review, exports of value-added products gained. The major product categories were doors (US$1,227 per piece), windows, spindles and mouldings.

Guyana mulls negotiating the VPA with EU

A workshop was held at the Guyana International Centre to address the EU Forest Law Enforcement, Governance and Trade initiative (EU-FLEGT). The workshop was a follow-up to the meeting between the European Union, the Government of Guyana, Amerindian leaders of the National Toshaos Council and several other stakeholders earlier this year on the EU-FLEGT Voluntary Partnership Agreement (VPA) between the EU and Guyana.

At the workshop, participants discussed implications of the EU measures to curb illegal logging and trade. The value of Guyana's forest product exports to the EU in 2009 was US$4.55 million. In the first half of 2010 forest products exports to the EU were valued at US$3.35 million, twice the value recorded in the same period in 2009 (US$1.5 million). Guyana's exports to the EU accounted for 14% of the total forest product exports. Exported products included dressed and undressed sawnwood, piles and splitwood but no logs were exported to the EU during the first half of 2010. The EU is the third largest market for Guyana's forest product exports after the Caribbean and Asian/Pacific markets.

According to the Minister of Agriculture, Robert Persaud, Guyana has not committed to sign any agreement with the EU since consultations are still being carried out with the indigenous people and other stakeholders. Consultations should be completed within the next three months. The Minister said that the workshop can be considered as a major stepping stone in the pathway of determining the next step in Guyana's engagement with the EU-FLEGT initiative.

The Minister added that the EU-FLEGT initiative benefits different groups of stakeholders in many ways, for example by stimulating markets, helping Guyana's exporters to retain markets, increasing reporting requirements, as well as developing chain-of-custody, forest management and monitoring at the company level.

According to the EU's representative on the EU-FLEGT initiative, John Bruneval, Guyana is on the right track but he recommended Guyana not to be rushed into any decision as there is still a need for intense debate and dialogues among all forestry stakeholders.

Guyana Log Prices

Logs, FOB Georgetown	SQ - $ Avg unit value per m³		
	Std	Fair	Small
Greenheart*	-	-	-
Purpleheart	200-230	170-200⬇	150-180⬇
Mora	150⬆	-	130

*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	645	-
	Standard	-	649-1018⬆
	Select	575-1060⬆	
	Sound	-	
	Merchantable	500	
Purpleheart	Prime	-	-
	Standard	-	700-827⬇
	Select	657-1350⬆	
	Sound	650	
	Merchantable	-	
Mora	Prime	-	
	Select	500⬇	
	Sound	450	
	Merchantable	400	

Guyana Plywood Prices

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

Report from Japan

Strong Yen pushes CIF prices down

According to the Japan Lumber Reports (JLR), CIF log prices in Japan retreated thanks to the strong Yen. In fact, log export prices (FOB) continued to rise due to log shortages in Sabah and Sarawak. Log importers have been sourcing logs swiftly as the approaching rain season is going to affect log supply.

At Tanjung Manis port in Sarawak, meranti regular log export prices gained US$5 per cu.m from month ago to US$230 per cu.m FOB and some suppliers were even asking for US$240 per cu.m. Small meranti prices inched up to US$200 per cu.m FOB. JLR anticipates that with the arrival of these shipments in Japan in November, log CIF prices will firm again.

In Japan, Sarawak meranti regular log CIF prices levelled off by Yen 100 per koku from August to Yen 7,100 per koku. Small meranti logs were priced at Yen 6,000 per koku and super small at Yen 5,800 per koku.

The appreciating Yen has the effect of making imported plywood cheaper in Japan dragging down all plywood prices. As a result of low plywood prices, plywood mills in Japan utilising imported tropical hardwood logs are maintaining much reduced production levels, reports JLR.

Petition on wood used in public buildings by timber importing associations

Wood and timber product import associations/groups including Japan Lumber Importers' Association, Japan North American Lumber Conference, Japan South Sea Lumber Conference, Russian Sawmillers' Conference of Japan and New Zealand Sawmillers' Conference of Japan sent a petition to the Forestry Agency of Japan to address both domestic and imported wood use in public buildings, reports JLR.

The law promoting wood use in public buildings and aiming at increasing the degree of self-sufficiency in industrial wood consumption in Japan came into effect on 1 October 2010. The law states that wood to be used in public buildings shall be domestic or others. According to the groups, the law gives the impression that domestic wood is strongly recommended instead of imported wood products.

The group requested the Forestry Agency to provide more options on making decision between domestic or imported wood products. They also commented that the target of 20% wood use in public buildings will be difficult to achieve without imported wood products.

Increased use of falcate plywood in flooring

Japanese building material manufacturer, Daiken Corporation, uses structural 9mm floor base boards in floor manufacturing. Falcate plywood has increasingly been used in floor base boards to produce standard flooring and since August 2010 the company has been using only falcate plywood to produce base boards, reports JLR.

Daiken's monthly sales of standard flooring have been around 140,000 tsubo (460,000 square metres). By switching to certified falcate plywood base boards, Daiken Corporation is said to raise the use of eco-materials in its production from 35% to 60%. The new standard flooring with 100% falcate plywood base board core will be marketed as 'Forestia S'.

Plans to increase plantation plywood supply

Plywood manufacturer in Sarawak Malaysia, Ta Ann Plywood, produces 25,000 cu.m of plywood from both plantation and natural logs monthly. According to JLR, the company's usage of plantation and certified wood is 50% of the total wood consumption, while the balance is hardwood logs from natural forests. The company intends to increase the use of certified wood from sustainable sources to 75% in the next three years.

The company manages 30,000 hectares of fast growing Eucalyptus, Acacia hybrid and Acacia mangium plantations and in addition slow growing kalampayan plantations for plywood face and back. Some 100,000 cu.m of wood is harvested annually from 500 hectares plantation area which was planted in 1997. In addition, the company imports 13,000 cu.m of PEFC certified eucalyptus veneer produced by Tan Ann Tasmania, a joint venture with Sumisho & Mitsuibussan Kenzai Co.,Ltd, per year. Europe and Japan are the main markets for structural plywood and floor base boards produced by Ta Ann.

August housing starts still far lower than pre-crisis levels

Total housing starts in Japan during August were 71,972, up 21% from the lowest level recorded in August last year. The housing starts increased for the third consecutive month this year and the level of 70,000 units was exceeded for the first time in 19 months. The seasonally adjusted housing starts grew 7.4% compared to levels in July. Wood frame units were up by 21% and these constituted about 59% of the total housing starts in August. According to JLR, the overall situation is improving but still subdued, as the housing starts in August this year are the fourth lowest ever recorded.

August housing starts

	Aug-10	% Change to Aug-09
Total	71,972	20.5
Owner's units	29,036	15.5
Rental units	25,892	16.9
Built for sale	16,588	35.2
Wood frame units	42,073	44.6
Prefabricated units	11,043	3.0
2x4 units	8,544	22.8

Source: JLR

European oak sawnwood to Japanese market

According to JLR, ENBC Ltd. (Tokyo) starts marketing European oak sawnwood in the Japanese market. Oak sawnwood is manufactured by Grupo Ureta Maderas (Burgos, Spain) in its two mills located in Poland and Ukraine with annual outputs of 25,00 cu.m and 20,000 respectively.

In addition, Grupo Ureta Maderas is building a wood drying facility in Hungary with an annual production capacity of 30,000 cu.m of kiln dried sawnwood.

Oak sawnwood supplied by Grupo Ureta Maderas is kiln dried and certified European oak with thicknesses of 27, 32, 38, 50, 65, 80 and 100 mm. Square sizes are 50, 65, 80 and 100 mm.

JLR reports that there have been no significant exports of European oak sawnwood to Japan due to the high prices. However, the appreciation of Yen against the Euro and the low manufacturing costs in Eastern Europe have lowered the prices to competitive levels.

Log and Sawnwood Prices in Japan

Logs for Ply Manufacture, CIF	Yen per Koku
Meranti (Hill, Sarawak)	(Koku=0.278 m^3)
Medium Mixed	7,000⬇
Standard Mixed	7,200⬇
Small Log (SM60%, SSM40%)	7,000⬇
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)	Sep (¥ per sheet)	Sep
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	910	910
12mm for foundation (F 4star, special)	910 X 1820	940	930
12mm concrete-form ply (JAS)	900 X 1800	910	890
12m coated concrete-form ply (JAS)	900 X 1800	1080	1050
11.5mm flooring board	945 X 1840	1280	1280
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

Timber imports through Zhangjiagang sea port post robust growth

Timber imports through the Zhangjiagang sea port during the first half of 2010 totalled 1.79 million cu.m, worth US$504 million. Timber imports increased by 21% in volume and 53% in value over the same period in 2009. Of the total, 61,000 cu.m were imported in containers which is 82% more compared the same period last year. Imported logs through the Zhangjiagang port accounted for 33% of the total logs imported to Jiangsu Province and 11% of total imports in China. Out of the total timber imports through the Zhangjiagang port, some 8,600 cu.m were sawnwood imports.

Timber imports through Zhangjiagang Port in the first half of 2010

	Batches	Increase (%)	Volume (1000 cu.m)	Increase (%)	Value (million US$)	Increase (%)
Ship	1 266	15	1 725.7	19	479	52
Container	356	46	60.8	82	24.6	64
Total	1 622	21	1 786.5	21	503.6	53

Major suppliers of timber to China through Zhangjiagang Port in the first half of 2010

Country/ Region	Batches	Volume 2010 (1000 cu.m)	Increase (%)	Volume 2009 (1000 cu.m)	Volume 2008 (1000 cu.m)
PNG	132	539.3	-64	576.1	665.2
Gabon	490	515.2	14	452.3	495.2
Malaysia	104	255.4	276	68	101.1
Cameron	456	157.2	53	102.9	62.4
Solomon Islands	48	154.4	-9	169.1	137.4
Congo Brazzaville	79	68.8	42	48.6	8.5
Central Africa	86	25.3	-7	27.4	10.8
Myanmar	11	24.6	367	5.3	63.3
Equatorial Guinea	8	14.4	33	10.8	65
Congo (Democratic Republic)	79	13.3	84	7.2	5.9
Mozambique	47	7.8	82	4.3	9.9
Uruguay	11	4.4	-	-	0.2
Others	87	6.6	-	8	17.7
Total	1 638	1 786.6	21	1 479.8	1 642.7

Hardwood timber imports by origins

Imports from Oceania continue to decline

In the first half of 2010, imports from Oceania through the Zhangjiagang sea port amounted to 693 800 cu.m of logs, down 7% from the same period last year. However, the decrease of imports from Oceania through Zhangjiagang resulted mainly from allocation of imports through other ports in Jiangsu Province. Total imports of logs from PNG through Jiangsu Province reached 1,131,600 cu.m and imports from Solomon Islands amounted to 693,600 cu.m, up 51% and 54% respectively.

Imports from Africa post strong gains

Imports of African logs through the Zhangjiagang sea port totalled 803,000 cu.m during the first half period of 2010. Log imports increased by 22% in volume over the same period last year.

Imports from Southeast Asia soar

Some 280,700 cu.m of logs were imported from Southeast Asia in the first half of 2010, a 282% jump over the same period last year. The main reason for a sharp increase in Southeast Asian log imports was the large amount of small diameter logs imported from Sabah Malaysia. Log imports from Myanmar also increased significantly.

Tropical timber selling prices remain sluggish

During the first half of 2010, monthly imports through the Zhangjiagang sea port exceeded 300,000 cu.m except in March. However, tropical timber selling prices in the Zhangjiagang sea port remained at low levels, despite higher FOB prices and ocean freight costs.

According to an analyst, timber demand for furniture and house decoration was dull during the period keeping timber prices down in the Zhangjiagang port. In addition, timber transportation along the Yangtze river was affected by security measures imposed on the Shanghai World Expo.

Growing timber demand from rural housing sector

According to a recent field survey “Farmers’ preferences for wooden construction materials”, 85% or 1,455 out of 1,709 interviewed households from 12 provinces, expressed their preferences for the use of wooden materials in house interior improvement and decoration.

The survey shows that 9 wooden doors and 192 square metres of flooring are required for each house in Sichuan Province, while in other provinces 6-7 doors and 50-70 square metres of flooring are required for each house. Only 36% or 615 households responded that wooden construction materials required are available in local market places.

According to the survey, some 20 million households in the countryside are going to build new houses. The estimated average cost of a house is RMB100,000, hence some RMB1.99 trillion investments in the house building sector in rural areas are envisaged. The report also reveals that about 1 billion square metres of houses and public buildings are under construction in rural areas, with a total investment of around RMB1,000 billion.

Forest cover expands in Guangxi Region

According to the Eleventh Five Year Plan for the Guangxi Autonomous Region, some 10,000 hectares of farmlands will be converted to other land uses each year, out of which 6,000 hectares must be converted to forests.

It is reported that during the period of the Tenth Five Year Plan, 390,000 hectares of forests were converted to residential areas. However, due to the measures taken by forestry authorities in Guangxi, net forest cover increased at the annual rate of 1.25%. The forest cover in the region reached 58% of the total land area in 2009, the third highest among the Chinese regions.

Large-scale eucalyptus plywood mill for Guangxi Region

Construction work of a large-scale plywood mill with a production capacity of 70,000 cu.m has been initiated by Donglin Wood Products Company Ltd in Cangwu County, Wuzhou City, Guangxi Autonomous Region. To date, 20,000 square metres of workshop, 3,000 square metres of worker dormitory and 1,000 square metres of office building have been constructed.

The company, which was established in 2000, is a plywood enterprise producing plywood for concrete frameworks as its main product. In 2009, the company's annual output of plywood was 70,000 cu.m. The products include standard plywood products, fire-retardant (FRT) plywood, plywood for concrete framework and plywood for furniture.

The plywood mill under construction is estimated to consume over 100,000 cu.m of eucalyptus timber per year. The annual output value of the mill will be around RMB200 million and it is expected to create 1,200 jobs and generate RMB20 million in tax revenues annually for the local government.

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	5000-5200
Sawnwood	
Teak sawn grade A (Africa)	9300
US Maple 2" KD	7500-10000
US Cherry 2"	10000-13000
US Walnut 2"	14000-16000
Lauan	4000-4200
Okoume	4000-4500⬇
Sapele	6100-6400⬆

Shanghai Furen Wholesale Market

Logs	Yuan per m^3
Teak (Myanmar, all lengths)	7500-8500
Sawnwood	
Beech KD Grade A	4800-5000
US Cherry, 1 inch	9500-10000
US Red Oak, 50mm	6500-7000
Sapele 50mm FAS (Congo)	
KD (2", FAS)	6500-6800
KD (2",grade A)	5700-5800

Shandong De Zhou Timber market

Logs		Yuan per m^3
Larch	6m, 24-28cm diam.	1200
White Pine	6m, 24-28cm diam.	1350⬆
Korean Pine	4m, 30cm diam.	1350
	6m, 30cm diam.	1450
Mongolian Scots Pine	6m, 30cm diam.	1460⬆

Hebei Shijiangzhuang Wholesale Market

Logs		Yuan per m^3
Korean Pine 4m, 38cm+ diam		1650⬆
Mongolian Scots Pine	4m, 30cm diam.	1400⬇
	6m, 30cm+ diam.	1500⬇
Sawnwood		
Mongolian Scots Pine	4m, 5-6cm thick	1500⬇
	4m,10cm thick	1550⬇

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 Council votes to implement Illegal Timber Law

The EU's "Illegal Timber Law" (ITL) was formally introduced by the European Council on 11 October 2010 with a proviso that there should be a 27 month preparatory period before the law becomes effective (at the beginning of 2013) in order to firm up the regulations and to give time for the development of the required procedures by the European Member States and trade.

The ITL, formerly referred to as the "due diligence" legislation, was passed with almost unanimous agreement by the European Member States. The only exceptions were Sweden and Portugal whose objections were largely on grounds of excess bureaucracy and cost and that the law might be disproportionate to the scale of the problem and might be ineffective as a means of preventing illegal logging. A number of countries (Czech Republic, Finland, Italy, Lithuania, Luxembourg, Slovenia, Sweden and Romania), issued a joint statement indicating their support for the ITL. The statement emphasised that special consideration should be given to small and medium sized enterprises/operators during implementation.

Key aspects of the finalised legislation include:

- a general "prohibition" against the "placing on the EU market of illegally harvested timber or timber products derived from such timber";

- a "traceability obligation" placed on "traders throughout the supply chain" to identify "the operators or the traders who have supplied the timber and timber products; and where applicable, the traders to whom they have supplied timber and timber products";

- a requirement for operators that "place timber or timber products on the market" (taken to include importers and primary producers in the EU) to implement the so-called "due diligence system" in line with minimum requirements established under the legislation;

- a requirement for each operator to regularly evaluate the due diligence system which it uses, either through its own procedures or those of a "monitoring organisation". The latter effectively represents a group "due diligence system" and is expected, most commonly, to be operated by a European importers' association.

The "due diligence system" must contain at minimum:

- procedures providing access to information on the operator's supply of timber products such as: the trade name and type of product as well as the common name of tree species and, where applicable, its full scientific name; country of harvest; and "where applicable", the "sub-national region where the timber was harvested" and "concession of harvest"; quantity traded; name and address of the immediate suppliers and buyers of timber products; and "documents or other information indicating compliance of those timber and timber products with the applicable legislation";

- risk assessment procedures enabling the operator to analyse and evaluate the risk of illegally harvested timber or timber products derived from such timber being placed on the market. Risk assessment procedures are required to take into account such things as third party certificates of compliance with legislation, information on the prevalence of illegal harvesting in the source region; any UN or European sanctions and the "complexity of the supply chain of timber and timber products";

- risk mitigation procedures (such as requiring extra information or third party verification) "except where the risk identified in course of the risk assessment procedures is negligible".

FLEGT Voluntary Partnership Agreement (VPA) licensed timber and timber products covered by CITES certificates are effectively given a "free pass" under the legislation and are not required to be subject to any further scrutiny or "risk mitigation" by traders.

An analysis of the final legislative text reveals ambiguity and potential conflict between clauses that will need to be resolved before the full implications of the law for European importers and external suppliers can be determined. One area of ambiguity relates to where the "burden of proof" will lie. Some European importers' associations have stated confidently in publicity material lending their support to the legislation that European authorities will be obliged to prove illegality in order to prosecute under the "prohibition" part of the law. This is in line with the widely held legal principle of "innocent until proven guilty". While this may be true in theory, the legislative text also appears to place potentially far-reaching obligations on all suppliers to positively demonstrate legality as a pre-requisite to their timber being placed on the EU market.

Another area of ambiguity is the apparent conflict between the "traceability obligations" and the requirements for the "due diligence system". The former gives the impression that all suppliers are under an obligation to establish full traceability of the supply chain. On the other hand, the due diligence requirements imply that if the risk of illegal logging is "negligible" with regard to a particular species or country, then there should be no need to go further than establishing the country of harvest.

Given the extreme complexity and fragmentation of timber product trade flows, and the inevitable challenges that these present for traceability and delivery of documents demonstrating legality, such points of interpretation are not minor considerations. How these are resolved has much potential to impact on the relative competitiveness of all timber and timber product suppliers to the EU market.

International trade considers new "illegal timber" requirements

The third International Timber Trade Federation (ITTF) meeting was held 5 to 8 October in Geneva, neatly timed to coincide with final deliberations by the European Council of Ministers over the adoption of the new "Illegal Timber Law" (ITL). The meeting, hosted by The Forest Trust under the auspices of the EC-funded Timber Trade Action Plan (TTAP), was attended by representatives of timber trade associations from both European importing countries and major timber (mainly hardwood) supplying countries.

Inevitably, the ITL was a major focus of discussions with European Commission officials on hand to try to explain the intricacies to trade delegates. EC officials also stated that "consultation starts now" and that they would welcome inputs from all interested parties as they work to develop the implementation measures. EC officials identified key implications for external suppliers of wood to the EU as: “increased demand for traceability”; “third country timber suppliers will have to provide evidence of legality”; and that “third party certified wood will be regarded by EU operators as being at a low risk of being derived from illegal sources”.

Representatives of tropical wood exporting associations at the meeting reported on their on-going efforts to improve transparency and demonstrate legality of wood supplies. There was, for example, a comprehensive report on the current status of Indonesia’s MRV (monitoring, reporting and verification) system, i.e. SVLK.

Tropical wood exporters also commented on some of the challenges arising from the new ITL and on potential solutions. For example, one exporter emphasised that “demonstrating legality with confidence can be a very expensive process” and warned that European importers should expect to pay more for tropical wood following the introduction of the legislation. Concern was also expressed at the apparent lack of a co-ordinated approach to due diligence in the EU as each national importing associations appears to be developing a different system. As a result exporters to different European markets face the prospect of being bombarded with a huge number of complex and varying requests for information. There was a call for uniformed approach, at least with respect to the process of supplier risk assessment.

Eric Boilley of Le Commerce du Bois (LCB) the French timber trade federation, presented the organisation’s responsible procurement policy as an illustration of how a due diligence system and monitoring organisation is likely to work. The policy requires members of LCB to ensure that all wood supplied is at the minimum legal (using guidance developed by the WWF) and to demonstrate that the proportion of certified wood purchased increases from year to year. It was also noted that LCB is working with WWF to develop a database of supplier risk ratings.

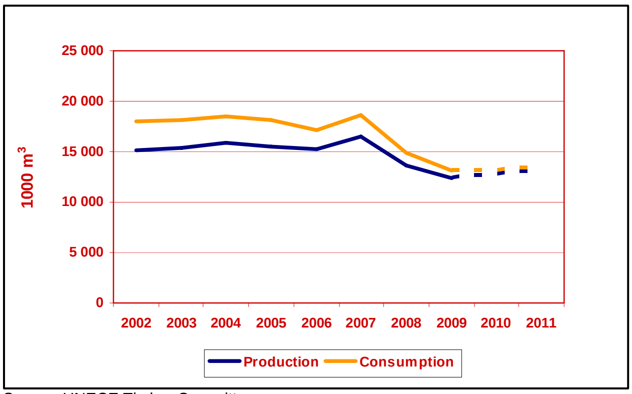
UNECE forecasts very slow recovery from recession in Europe

Between 11 and 14 October, the United Nations Economic Commission for Europe (UNECE) Timber Committee met to discuss timber markets throughout Europe, North America and the CIS countries. The committee’s conclusions and forecasts relating to sawn hardwood production and consumption across the region are shown in the chart below. The committee reckoned that total sawn hardwood consumption across the European region fell from a peak of 18.7 million cu.m in 2007 to only 13.7 million cu.m in 2009. Consumption during 2010 and 2011 is forecast to remain largely unchanged at this low level.

Underlying the forecast is the UNECE’s analysis of broader economic conditions in Europe which are projected to improve only very slowly over the next two years. For example, in a detailed analysis of construction sector growth throughout the UNECE region presented to the meeting, Delton Alderman of the US Department of Agriculture commented that “it will be several years before we see robust growth. A key problem is that an excess inventory of housing and building stock in several countries such as the US, Spain, Ireland and the UK must first be absorbed”.

Specifically on Europe, Alderman noted the continuing existence of significant downside risks to economic recovery, notably the scale of national debt. On the other hand, he also showed that while the scale of new construction in Europe has declined dramatically over the last three years, spending on remodelling activity has remained remarkably stable. This suggests continuing opportunities for hardwoods in the refurbishment sector.

Production and consumption of sawn hardwood in the UNECE Europe Sub-region 2002 to 2009 and Timber Committee forecasts for 2010 and 2011



Source: UNECE Timber Committee

African log imports into Nordenham hit record lows

The trade journal EUWID reports that timber handling at the port of Nordenham, the most important German port for imports of African hardwood logs, fell to record lows in 2009. Total timber imports through the port during 2009 stood at only 37,915 tonnes, a decline of 58% compared to the previous year. Timber import volumes through the port in 2009 were less than a third of the volume recorded in 2006. EUWID notes that imports of African wood through the port in 2010 have remained at very low levels and particularly affected by the Gabon log export ban imposed at the beginning of the year.

The Netherlands Sawnwood Prices

FOB (Rotterdam)	US\$ per m^3
Sapele KD	978⬆
Iroko KD	1160⬆
Sipo KD	1160⬆
DRM Bukit KD	932
DRM Seraya KD	939
DRM Meranti KD Seraya MTCC cert.	953
Merbau KD	1215
Sapupira (non FSC) KD	946
Sapupira (FSC) KD	1483
Anti-slip decking AD C&F Rotterdam	
Selangan batu	1504

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	500-510⬆
Sipo	FAS 25mm	695-720⬆
Sapele	FAS 25mm	595-615⬆
Iroko	FAS 25mm	710-730⬆
Wawa	FAS25mm	315-340⬆
CIF plus Commission		
Tulipwood FAS 25mm		345-370
Meranti Tembaga Sel/Btr (KD 2"boards)		545-565
Balau/Bangkirai Decking		935-980⬇
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	370-380
China (tropical hardwood face, poplar core) 18mm	350-370

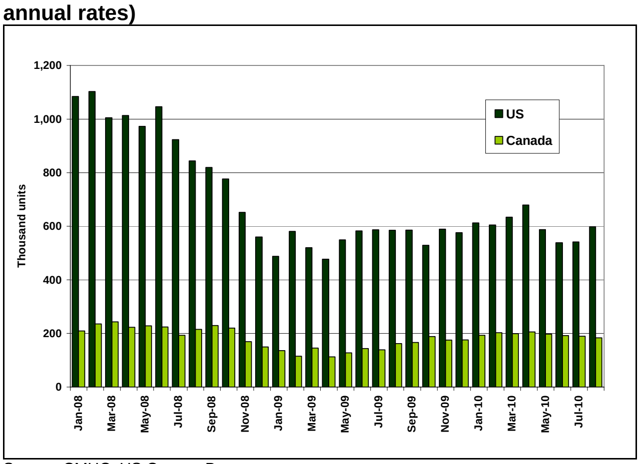
Report from North America

US housing starts rose in August

Sales of new homes continue to be hampered by the large number of foreclosed homes for sale in the US and uncertainty about the economy and the job market. Builders' confidence in the market for newly built, single-family homes remains low, according to the September National Association of Home Builders/Wells Fargo Housing Market Index.

US housing starts increased in August to 598,000 (seasonally adjusted rate). This is a 10.5% increase from the previous month and +2.2% above the August 2009 rate. Multi-family housing starts grew more than single-family starts. The number of building permits authorized in August increased slightly from July (+1.8%), but this is still 6.7% below August 2009 figures. Permits for single-family homes decreased by 1.2% from July. The number of permits issued can be an indicator of future building activity.

Housing starts in the US and Canada (seasonally adjusted at annual rates)

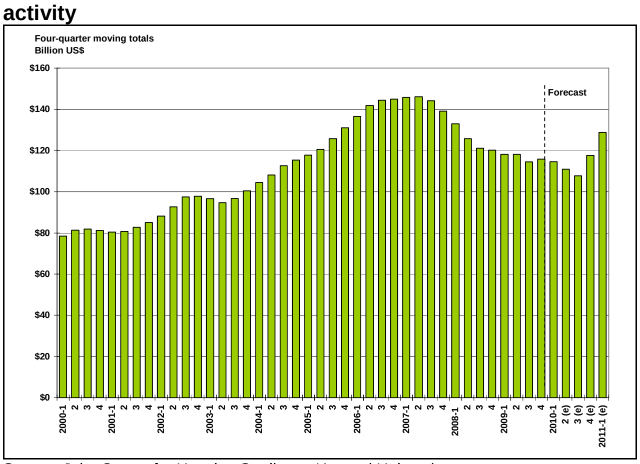


Source: CMHC, US Census Bureau

Positive outlook for home renovation

The outlook is more positive on the home renovation side. 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 expects spending on remodeling will recover this year.

Homeowner improvements leading indicator of remodeling activity



Source: Joint Center for Housing Studies at Harvard University

US housing market to remain depressed despite low mortgage rates

The US housing market could remain depressed for several years to come, according to the International Monetary Fund (IMF) World Economic Outlook report released in early October. If the economy does not recover, the risk of another decline in the US real estate market increases. Morgan Stanley predicts that home prices in the US will fall even further in 2011 and possibly 2012, followed by four years of low prices.

This is despite very low mortgage rates. The average rate for 30-year fixed loans dropped to 4.27%, according to an announcement by mortgage buyer Freddie Mac in early October. This is the lowest on records dating back to 1971. The 30-year rate was 5.08% at the beginning of April.

In the second quarter of 2010, foreclosed homes accounted for 24% of total residential sales in the US, according to a report by RealtyTrac. Nevada, Arizona and California are the hardest hit in terms of the share of foreclosure properties. About half of the home sales in these three states were foreclosed properties in the second quarter of 2010. Some eastern states and Florida also have high rates of foreclosures.

Homes that are in foreclosure or bank-owned put pressure on the US housing market. According to estimates by Standard & Poor's, this shadow inventory of homes will take about 40 months to clear. This means that US demand for new housing will remain low for almost three years.

Impact of the US housing market on the woodworking industry

Most wood manufacturing industries depend directly or indirectly on the performance of the housing market. These include manufacturers of flooring, moulding and millwork, decking, cabinets, furniture and decking. A recent survey by Virginia Tech University, the US Forest Service and the trade journal Wood & Wood Products found that 81% of the respondents (woodworking professionals) lost a significant amount of business when the US housing market declined in 2009. The downturn in home renovation and non-residential construction also affected sales. Competition from other supplier countries or non-wood products was of less concern to the survey respondents.

Although low housing starts reduced demand for wood products, the home renovation/remodelling market fared better. Many manufacturers diversified from supplying mainly new single-family homes to the remodelling market. Others focused on developing new products, improving product quality, lowering prices or reducing costs. However, among the respondents who reported no decrease in sales volumes, few mentioned lowering prices in response to the difficult market situation.

Other trends found by the survey include an increase in demand for products that comply with green building standards, and custom and semi-custom products.

New promotion programme for softwood sawnwood

Producers of softwood sawnwood have probably been hardest hit by the downturn in the US housing market. The US Department of Agriculture officially announced a softwood sawnwood promotion programme on 1 October, 2010, and it is asking for comments on the planned programme that would promote the use of softwood sawnwood in the US. The programme is industry-managed and financed. If it goes ahead, softwood sawnwood companies would have to pay US$0.35 per thousand board feet produced or imported into the US, excluding volumes below 15 million board feet. The projected income would be US$12-19 million per year, depending on shipments levels. The programme has been developed by a committee of 21 major softwood sawnwood manufacturers in the US and Canada. In the past, voluntary programmes with similar goals were not effective, and the industry hopes that this mandatory approach will provide sustainable funding for a long-term programme.

Historically, new housing starts accounted for about 40% of total softwood sawnwood consumption in the US. In 2009, this share dropped to under 20%, and total softwood sawnwood consumption halved between 2005 and 2009. The promotion programme's goal includes increasing the use of wood in non-residential construction, multi-family construction and regaining market share in outdoor living products (decking, outdoor furniture, etc.). The programme would develop consumer and industry information and advertising designed to build markets for softwood sawnwood, enhance the image and reputation of softwood sawnwood and the forests from which it comes, and develop new applications for softwood sawnwood. The promotion is generic and not origin-specific, i.e. it is for softwoods in general, whether they are from Canada, the US or other countries.

The promotion programme has the potential to affect markets for tropical wood products, especially in decking and other outdoor products. However, in most applications tropical species do not compete directly with softwood, especially with structural softwood sawnwood which represents the majority of production in the US and Canada. In outdoor living products, the target of the programme would be wood-plastic composites that are taking an ever-growing share in decking, fencing and similar outdoor products. Given that tropical sawnwood is also substituted with wood-plastic composites, the softwood promotion programme may even have a positive effect for tropical sawnwood producers, depending on how the promotional messages are worded and delivered.

US Timber prices

	Aug-10 US$ per cu.m	Sep-10 US$ per cu.m
Ipe (Brazil) Decking Premium Grade AD, 1x6, FOB Belem	2400	2425
Ipe (Brazil) Decking Premium Grade AD, 5/4x6, FOB Belem	2400	2450
Jatoba (Brazil) No.1 Common & Better AD, FOB Belem	-	-
Jatoba (Brazil) No.1 Common & Better KD, FOB Belem	-	-
Khaya (Côte d'Ivoire) FAS KD, FOB Abidjan	740	740
Khaya (Ghana) FAS KD, FOB Takoradi	880	870
Sapele (Cameroon) FAS AD, FOB Douala	720	720
Sapele (Cameroon) 4/4 to 8/4 FAS KD, FOB Douala	840	840

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.

In the latest step towards fighting illegal logging, the European Union and Cameroon have signed an agreement to ensure shipments of wood products to Europe are licensed. The deal is aimed at helping to preserve the vast rainforest of Africa's Congo Basin. Under the agreement, all timber products shipped to Europe are required by 2012 to carry licenses showing they have been legally harvested. Cameroon is Africa's largest exporter of timber products to Europe, and 80% of its wood exports head to the European Union.
http://www.voanews.com/english/news/africa/central/Cameroon-EU-Reach-Wood-Products-Agreement-104439573.html

Presently, Gambia's domestic timber production satisfies about 40% of the national consumption, the balance being imported. However, Gambia has ambitions plans to become a timber exporting country.
http://www.foroyaa.gm/modules/news/article.php?storyid=5435

The Timber Association of Zambia has welcomed President Rupiah Banda's pronouncements that Government is considering revising the Forestry Act. The Vice President of the Association, Mr Masange, called on Government to stop foreigners from exporting timber but instead allow local investors to dominate the industry. He observed that timber exportation had been dominated by foreigners who he said have now started exporting raw timber without any restrictions from the ministry.
http://www.lusakatimes.com/2010/10/04/rbs-forestry-act-announcement-welcomed/

Brazil will auction large areas of the Amazon forest to be managed by private timber companies and cooperatives to help reduce demand for illegal logging, a top official told Reuters recently. After years of legal battles and political opposition, the government is reviving concessions for private companies to log its national forests. The government will grant private companies logging concessions for nearly 1 million hectares by year-end and, within 4 to 5 years, nearly 11 million hectares.
http://www.reuters.com/article/idUSTRE69A4FI20101012

Brunei has recently started exporting "value added timber" components, comprising door frames and window frames to Korea, as part of efforts to increase revenue and support economic growth for the Sultanate.
http://www.brudirect.com/index.php/2010101130985/Local-News/brunei-enters-value-added-timber-market.html

Role of technologies, policies and infrastructure would be crucial in realising the potential of rain-fed agriculture. The resource-rich high-rainfall areas of eastern India should be promoted for enhancing agricultural production as this region received 2-3 times more rainfall than that of north-west states. Timber and non-timber forest products and bio-prospecting of improved medicinal plants should also be given special attention in the region.
http://www.fnbnews.com/article/detnews.asp?articleid=28451&sectionid=1

The turnover from timber and furniture exports in the first nine months of this year is estimated at US$2.43 billion, a year-on-year increase of 38%, according to the Ministry of Agriculture and Rural Development (MARD) of Vietnam. The ministry reported that the total export turnover of forestry products has risen to US$2.6 billion. According to Vietnam's Timber and Forest Products Association, timber exports are showing positive signs, as orders for exports from now until the end of the year have risen rapidly and many of them to the country's major markets such as the US and the EU are very substantial.
http://english.vovnews.vn/Home/Timber-exports-surge-in-major-markets/201010/120259.vov

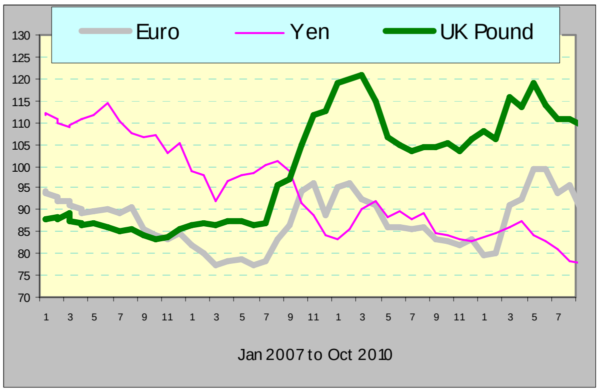
Free trade negotiations and a continued commitment to the emissions trading scheme are important to support further forestry sector growth in New Zealand, said the Prime Minister John Key. Forestry, New Zealand's third largest export industry, brought in an estimated NZD3.7 billion of export earnings export in the year to June and is forecast to grow to an annual NZD6.2 billion by 2014. Mr Key, addressing an industry conference at Te Papa yesterday, attributed a significant part of this growth to New Zealand's free trade agreement (FTA) with China, now the largest importer of New Zealand timber in volume terms. Relatively low tariffs for timber imports can rise “quite quickly” for processed timber products in countries like Korea - but can be reduced by a successful FTA agreement.
http://www.nbr.co.nz/article/pms-keys-forestry-sector-growth-131401

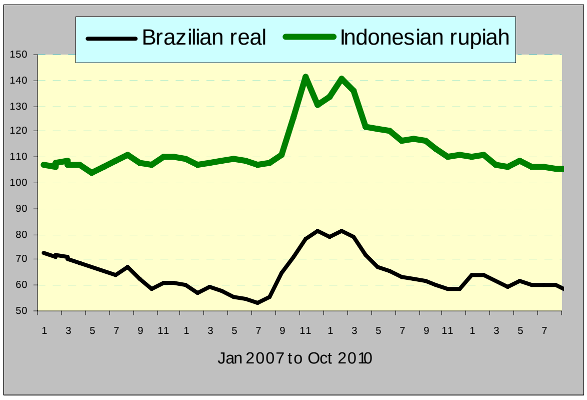
Main US Dollar Exchange Rates

As of 18th October 2010

Brazil	Real	1.6734
CFA countries	CFA Franc	472
China	Yuan	6.6442
EU	Euro	0.7147
India	Rupee	44.2282
Indonesia	Rupiah	8937
Japan	Yen	81.18
Malaysia	Ringgit	3.0969
Peru	New Sol	2.7925
UK	Pound	0.6277

Exchange rates index (Dec 2003=100)

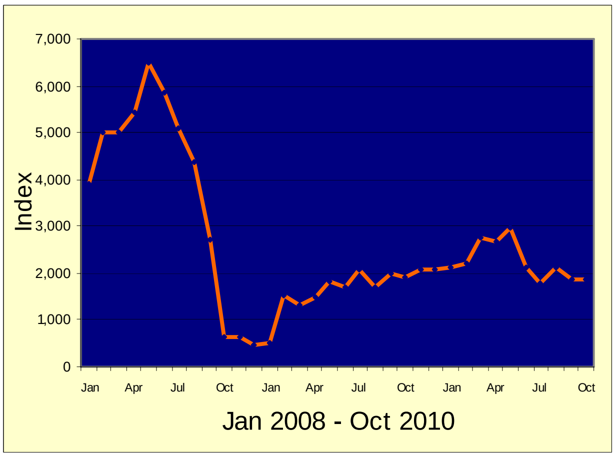




Abbreviations and Equivalences

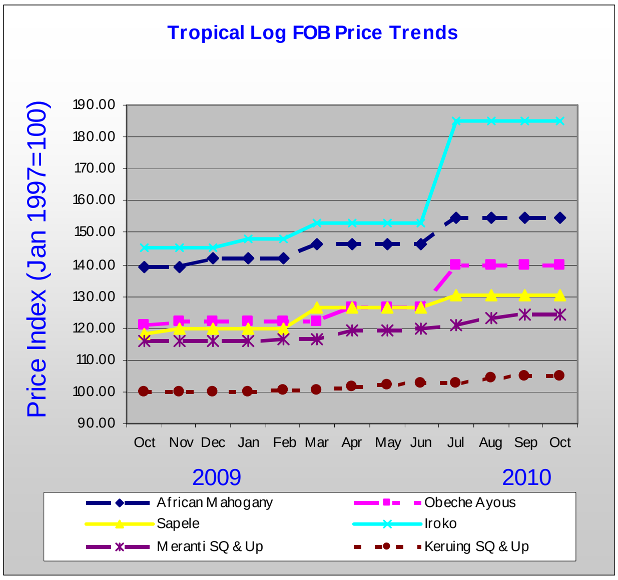
LM	Loyale Merchant, a grade of log parcel
QS	Qualite Superieure
CI, CE, CS	Choix Industriel, Economique or Supplimentaire
FOB	Free-on-Board
CIF; CNF	Cost, insurance and freight; Cost and freight
KD; AD	Kiln Dry; Air Dry
Boule	A log sawn through and through, the boards from one log are bundled together.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

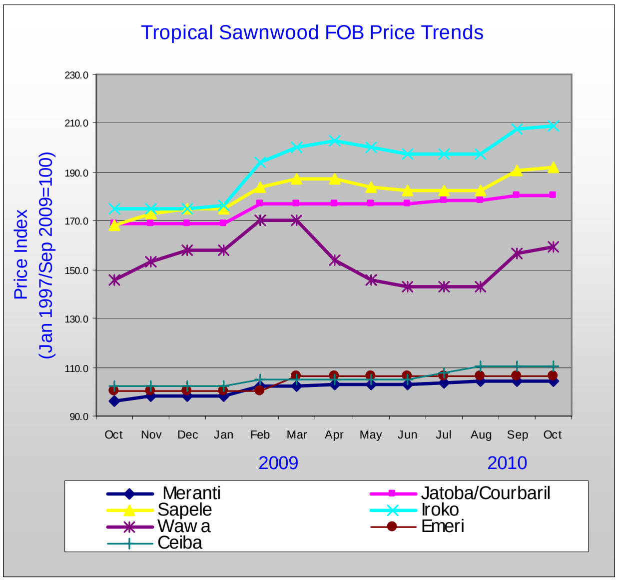


The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes. It is based on a 52,454 mt bulk carrier carrying commodities such as timber.

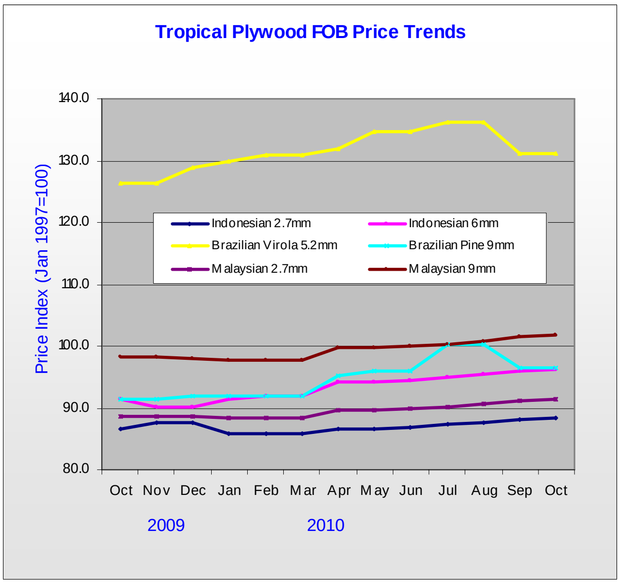
Tropical Log Price Trends



Tropical Sawnwood 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

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