Tropical Timber Market Report since 1990

Volume 12 Number 17, 1-15 September 2007

Snapshot

Indonesian and Malaysian markets were rather quiet due to the effects of the U.S. subprime mortgage and housing fallout. At the same time, some owners of timber products companies had been trying to shore up prices of their company's stocks in the media. Prices were generally flat or slightly down for more expensive species and products in both countries. In Latin America, Brazilian furniture producers were attempting to retain their share of the U.S. market by turning to more competitive products for export, such as wooden flooring.

Japan is in the midst of a political transition, with Prime Minister Abe having announced his resignation this week, triggering fears that the Japanese economy may weaken with new leadership. Japan's plywood imports and housing starts had also fallen, an effect of the weak building materials market and changes in the domestic production of plywood. The Chinese plywood industry, on the other hand, showed its strength over the last few years, as a cause of growing reliance on high yielding plantations.

L. Flejzor

Contents

Central/West Africa	2
Ghana	2
Malaysia	3
Indonesia	4
Myanmar	4
Brazil	5
Peru	6
Mexico	7
Bolivia	7
Guyana	7
Japan	7
China	8
Europe/Scandinavia	10
UK	10
Australia	10
North America	11
Internet News	12
Currencies and Abbreviations	13
Ocean Freight Index	13
Appendix: Tropical Timber Price Trends	13

Headlines

Ghana forum tackles critical forest finance issues	**2**
Ghana's TIDD approvals fall in second quarter	**2**
US provides Indonesia with USD20 million for reforestation	**4**
Australia sets deal with Indonesia to cut greenhouse gases	**4**
Indonesian companies to rehabilitate forests	**4**
Log scarcity to affect prices in Myanmar	**4**
Brazilian Ministry criticized over settlements	**5**
Brazilian furniture producers shift focus to flooring	**5**
Mexican Forest Expo to reunite forest community	**7**
Steady growth seen in Bolivia's regional exports	**7**
Japan Forestry Agency sets new target for domestic lumber	**7**
Japan housing starts plummet	**8**
Chinese plywood industry boosted by plantations	**8**
Australian PM announces new forestry programme	**10**
RAN claim refuted by Australian government	**10**
Marginal growth expected in North American MDF capacity	**11**

International Tropical Timber Organization (ITTO)
Market Information Service (MIS)

International Organizations Center - 5th Floor, Pacifico-Yokohama
1-1-1 Minato-Mirai, Nishi-ku, Yokohama 220-0012, Japan
E-mail: mis@itto.or.jp **Website:** http://www.itto.or.jp

Report from Central/West Africa

Cameroon and EU agree to investigate illegal logging

Sky News reported that Cameroon and the EU will investigate illegal logging in Cameroon, which costs the country about USD100 million a year. Local individuals, sometimes working individually with chainsaws, can sell wood in local markets illegally as rough timber or cooking charcoal. Cameroon is in the early stages of an agreement to regulate timber exports as part of the EU Voluntary Partnership Agreements; Ghana and Liberia are in similar talks on such agreements.

West Africa Log Prices

West Africa logs, FOB	€ per m^3		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	221	190	175
Ayous/Obéché/Wawa	221	205	168
Azobe & Ekki	152⬇	152⬇	91⬇
Belli	244	244	-
Bibolo/Dibétou	168	168	114
Bubinga	533	457	381
Iroko	289	274	259
Okoume (60% CI, 40% CE, 20% CS)	-	150	-
Moabi	297	297	236
Movingui	205	190	152
Niove	129	129	-
Okan	198	198	152
Padouk	289⬇	289⬇	267
Sapele	267	252	205
Sipo/Utile	320	290	251
Tali	190	190	152

Gabon Okoumé logs, FAS*		€ per m^3	
		Asia	Europe
Grade	QS	213	219
	CI	171	171
	CE	146	150
	CS	108	111

*Based on SNBG official prices

West Africa Sawnwood Prices

West Africa sawnwood, FOB		€ per m^3
Ayous	FAS GMS	396
	Fixed sizes	427
Okoumé	FAS GMS	335
	Sel. & Bet. GMS Italy	310
	Sel. & Bet. fixed sizes	-
Sipo	FAS GMS	540
	FAS fixed sizes	-
	FAS scantlings	550
Padouk	FAS GMS	600
	FAS scantlings	630
	Strips	425
Sapele	FAS Spanish sizes	550
	FAS scantlings	580
Iroko	FAS GMS	458
	Scantlings	519
	Strips	304
Khaya	FAS GMS	396
	FAS fixed	427
Maobi	FAS GMS	630
	Scantlings	645
Movingui	FAS GMS	460

Report from Ghana

Forum tackles critical tropical financing issues

The Forestry Commission (FC) of Ghana hosted the ITTO's three-day forum "West and Central African Tropical Forest Investment Forum" to discuss critical issues in tropical forest investment. The event, which was sponsored by the ITTO in collaboration with the Ghana FC, World Bank, African Development Bank and the Food and Agriculture Organization, aimed at increasing understanding of the opportunities and constraints to investments in natural tropical forests. The forum was also used to identify the types of tools and incentives needed to promote responsible investment.

A number of African ministers were present, including those from Cameroon, the Republic of Congo, Ghana, Gabon and Togo. During his keynote address, the Vice President of the Republic of Ghana, Hon. Aliu Mahama, advised African governments to develop strong policies to protect the fast depleting forest cover on the continent. He said that bold initiatives should be taken to promote regional collaboration in the forest sector, despite the numerous challenges to harmonizing regional forestry. Ghana's Minister for Lands, Forestry and Mines, Ms. Esther Obeng Dapaah stressed that it was critical to examine practices such as the felling of trees for firewood to save the forests from depletion.

TIDD contract approvals fall in second quarter

During the second quarter of 2007, total contract volume as reported by the Ghana Timber Industry Development Division (TIDD) fell 11.42% from the previous quarter, registering a total contract volume of 167,293 m³. The reduction in contract volume could be attributed to the rainy season, which has affected log extraction and the execution of already approved contracts. Of total contracts approved, furniture parts increased 11.42% over first quarter figures to total 29,200 pieces, which were processed and approved during the period. Notably, 400 tons of sawdust was also processed and approved during the second quarter. The contract was agreed to by RGM Impex Company Limited and its sister company, RGM International of Britain, with a contract price of USD90 per ton, which will be sent to Cyprus.

Plywood contracts rose 36.75% over those for lumber during the period under review. During the second quarter, however, the total volume of plywood contracts was 61,473 m³, representing a fall of 30.25% compared with the previous quarter. Contracts were mainly from Nigeria, Mali, Belgium, and the US. There was a marginal increase of 8.76% in the volume of lumber approved as compared to the previous quarter.

There was a 47.13% rise in the volume of teak poles, billets and logs, which reached 18,146 m³. Of 84 teak contracts and addenda approved during the second quarter, 54 were supported by permits approved from private plantations while 30 were from government plantations.

Most products experienced a drop in volume during the quarter under review. In comparison with previous quarter volumes, boules, parquet flooring, finger jointed and rotary veneer decreased by 39.77%, 49.83%, 31.63% and 20.53%, respectively, to achieve corresponding volumes of 1,295 m³, 437 m³, 4,435 m³, 8,614 m³, respectively.

Ghana Log Prices

Ghana logs, domestic	US$ per m^3	
	Up to 80cm	80cm+
Wawa	70-90	95-120
Odum Grade A	150-160	165-185
Ceiba	60-80	85-110
Chenchen	55-80	85-105
Khaya/Mahogany (Veneer Qual.)	70-90	95-120
Sapele Grade A	130-150	155-175
Makore (Veneer Qual.) Grade A	125-135	140-166

Ghana Sawnwood Prices

Ghana Sawnwood, FOB	€ per m^3	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	855	-
Asanfina	500	560
Ceiba	205	260
Dahoma	330	400↑
Edinam (mixed redwood)	380	450
Emeri	360↓	435
African mahogany (Ivorensis)	580	660
Makore	510	570
Niangon	550	-
Odum	750	750↓
Sapele	500	555↓
Wawa 1C & Select	250	280

Ghana sawnwood, domestic		US$ per m^3
Wawa	25x300x4.2m	170
Emeri	25x300x4.2m	255
Ceiba	25x300x4.2m	145
Dahoma	50x150x4.2m	274
Redwood	50x75x4.2m	210
Ofram	25x225x4.2m	230

Ghana Veneer Prices

Rotary Veneer, FOB	€ per m^3	
	CORE (1-1.9mm)	FACE (<2mm)
Bombax	325	350
Kyere, Ofram, Ogea & Otie	325	360
Chenchen	260	360
Ceiba	235↓	315
Mahogany	425	460

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

Rotary Veneer, FOB Core Grade 2mm & up	€ per m^3
Ceiba	245
Chenchen, Ogea & Essa	295
Ofram	305

Sliced Veneer, FOB	€ per m^2	
	Face	Backing
Afrormosia	1.80	1.00
Asanfina	1.80	0.88
Avodire	1.05	0.75
Chenchen	0.72	0.61
Mahogany	1.45	0.85
Makore	1.70	0.80
Odum	1.54	1.10

Ghana Plywood Prices

Plywood, FOB	€ per m^3			
B/BB, Thickness	Redwoods		Light Woods	
	WBP	MR	WBP	MR
4mm	560	487	500	360
6mm	380	315	335	385
9mm	388	305	290	280
12mm	340	290	270	280
15mm	360	290	280	260
18mm	300	290	265	260

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

Ghana Added Value Product Prices

Parquet flooring 1st	FOB € per m^2		
	10x60x300mm	10x65-75mm	14x70mm
Apa	12.00	14.47	17.00
Odum	7.90	10.18	11.00
Hyedua	13.67	18.22	17.82
Afrormosia	13.25	14.22	17.82

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

Report from Malaysia

Malaysia ringgit declines on U.S. central bank remarks

The ringgit fell for a straight week after U.S. central bank officials indicated that the U.S. economy is slowing, reported *Bloomberg*. The ringgit was at three week lows, with traders betting that the U.S. Federal Reserve would reduce its overnight rate from 5.25% at the September 18 meeting. The potential downturn in the U.S. economy could hurt the outlook for Asian exports, particularly those from Malaysia, which sends one-fifth of its goods to the U.S. Second Finance Minister Nor Mohamed Yakcop said that Malaysia may consider measures to counter the effect of the U.S. economic situation.

Malaysian states likely to tap into LUS

Tree harvesting practices in Malaysia is largely in dipterocarp tree species, but it is projected that by 2010, most of the primary production forests would be completely exploited, noted *Bernama*. The secondary rotation forests that would need to be tapped into will contain many lesser known or used species (LUS) that have not been previously utilized.

The Forest Research Institute of Malaysia (FRIM) reported that in Peninsular Malaysia alone, there are 2,650 tree species, of which 890 can be used for their wood. Yet, 50 of these species are well known in the market, while the rest are traded as mixed hardwoods. Since there is a huge potential for LUS but little has been done to promote them, FRIM will likely review its research on LUS and may further explore the issue at its upcoming management of second forest rotation seminar in December 2007.

Minister calls for use of nuclear technology to improve timber resilience

Bernama captured Malaysian Science, Technology and Innovation Minister Datuk Seri Dr. Jamaludin Jarjis's recent remarks on how nuclear technology could improve the quality of Malaysian timber products meant for the international market. The new technology, he said, could be used to make timber more resilient to pests such as termites. Dr. Jamaludin called for Malaysia to be prepared to meet its own energy needs, in view of the high usage of electricity and rising hydrocarbon costs. He noted that the ministry would be submitting a proposal to construct a 30-megawatt nuclear reactor under the Ninth Malaysia Plan.

Malaysia Log Prices

Sarawak log, FOB	US$ per m^3
Meranti SQ up	306-329↑
Small	277-302↑
Super small	258-274↑
Keruing SQ up	273-288↑
Small	237-267↑
Super small	223-235↑
Kapur SQ up	249-265↑
Selangan Batu SQ up	277-303↑

Pen. Malaysia logs, domestic (SQ)	US$ per m^3
DR Meranti	356-403↑
Balau	285-317↑
Merbau	423-443↑
Rubberwood	235-253
Keruing	282-296↑

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

Malaysia Sawnwood Prices

Malaysia Sawnwood, FOB	US$ per m^3
White Meranti A & up	440-465
Seraya Scantlings (75x125 KD)	728-765⬇
Sepetir Boards	323-338
Sesendok 25,50mm	450-481
Kembang Semangkok	433-451

Malaysian Sawnwood, domestic		US$ per m^3
Balau (25&50mm,100mm+)		346-365
Merbau		568-588⬇
Kempas 50mmx(75,100 & 125mm)		281-302
Rubberwood	25x75x660mm up	275-304
	50-75mm Sq.	293-323
	>75mm Sq.	318-347

Malaysia Plywood Prices

Malaysia ply MR BB/CC, FOB	US$ per m^3
2.7mm	490-515
3mm	466-491
9mm & up	420-441

Meranti ply BB/CC, domestic	US$ per m^3
3mm	463-473
12-18mm	395-413

Other Malaysia Panel Prices

Malaysia, Other Panels, FOB		US$ per m^3
Particleboard	Export 12mm & up	223-240
	Domestic 12mm & up	207-226
MDF	Export 15-19mm	290-316
	Domestic 12-18mm	262-288

Malaysia Added Value Product Prices

Malaysia, Mouldings, FOB	US$ per m^3
Selagan Batu Decking	697-715⬇
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	736-755⬇
Grade B	641-656⬇

Malaysia Furniture and Parts Prices

Malaysia, Rubberwood, FOB		US$ per piece
Semi-finished dining table		
solid laminated top 2.5'x4', extension leaf		54-71
As above, Oak Veneer		63-77
Windsor Chair		51-55
Colonial Chair		45-53
Queen Anne Chair (soft seat)	without arm	45-60
	with arm	50-60
Chair Seat 27x430x500mm		30-35

Rubberwood Tabletop	US$ per m^3
22x760x1220mm sanded & edge profiled	
Top Grade	625-635
Standard	588-608

Report from Indonesia

US provides Indonesia USD20 million for reforestation

Antara News covered U.S. President George Bush's meeting with Indonesian President Susilo Bambang Yudhoyono, during which Bush announced that the U.S. would provide USD20 million in financial assistance for Indonesia's reforestation programme. The meeting was held on the sidelines of the Asia-Pacific Economic Cooperation (APEC) leaders' summit in Sydney, where Bush said the U.S. supported the Indonesian commitment to protecting the environment. The Indonesian leader thanked the U.S. administration for the assistance and attention to Indonesia's environmental protection efforts, especially those to address climate change and coral reef destruction.

Australia sets AUD30 million deal with Indonesia to cut greenhouse gases

Prime Minister John Howard and Indonesian President Susilo Bambang Yudhoyono signed an agreement to preserve thousands of hectares of forest in the Kalimantan region of Indonesia, reported *ABC News*. The Australian government announced that the deal, which is worth AUD30 million, was a step in the right direction and would help cut greenhouse gas emissions by 700 million tons. The initiative, called the Kalimantan Forests and Climate Partnership, will preserve 70,000 hectares of peat forests, flood 200,000 hectares of dried peat land and plant up to 100 million trees on deforested peat land.

State-owned forestry companies to rehabilitate forests

As reported by *Antara News*, state-owned forestry companies are to rehabilitate forest and land covering a total of 56,000 hectares at a cost of Rp256 billion. The Director General of social land and forest rehabilitation (RLPS) of the Indonesian Forestry Ministry Darori said that state-owned companies would have the responsibility to undertake the rehabilitation programme, known as Gerhan. Darori mentioned that Gerhan's 2007 forest rehabilitation target would total 900,000 hectares and cost approximately Rp3.3 trillion.

Indonesia Log Prices (domestic)

Indonesia logs, domestic prices	US$ per m^3
Plywood logs	
Face Logs	238-277
Core logs	170-202
Sawlogs (Meranti)	233-273
Falcata logs	170-188
Rubberwood	208-230
Pine	203-228
Mahoni (plantation mahogany)	620-667⬇

Indonesia Sawnwood Prices

Indonesia, construction material, domestic		US$ per m^3
Kampar (Ex-mill)	AD 3x12-15x400cm	244-253
	KD	330-343
	AD 3x20x400cm	352-370
	KD	375-385
Keruing (Ex-mill)	AD 3x12-15x400cm	280-290
	AD 2x20x400cm	270-280
	AD 3x30x400cm	274-286

Indonesia Plywood Prices

Indonesia ply MR BB/CC, FOB	US$ per m^3
2.7mm	486-513
3mm	423-483
6mm	395-417⬇

MR Plywood (Jakarta), domestic	US$ per m^3
9mm	329-343
12mm	304-326
15mm	298-332

Other Indonesia Panel Prices

Indonesia, Other Panels, FOB		US$ per m^3
Particleboard	Export 9-18mm	234-245
	Domestic 9mm	193-210
	12-15mm	182-197
	18mm	175-182
MDF	Export 12-18mm	313-325
	Domestic 12-18mm	251-273

Indonesia Added Value Product Prices

Indonesia, Mouldings, FOB	US$ per m^3
Laminated Boards Falcata wood	384-404
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	691-723⬇
Grade B	608-654⬇

Report from Myanmar

Scarcity to affect prices in September

Continuing the trend in August, unbalanced supply and demand is expected to cause fluctuation of log prices in September. A limited quantity of teak logs would be available for tender sales at Myanmar Timber Enterprise this month. As a result, price escalations are expected. Log markets for Gurjan and Pyinkado are expected to be firm.

Myanmar Log Prices (natural forests)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)		
Veneer Quality	Jul	Aug	6 mo. Avg
2nd Quality	5,066 (19 tons)	5,166 (19 tons)	4,774
3rd Quality	4,833 (19 tons)	4,904 (23 tons)	4,520
4th Quality	4,635 (52 tons)	4,367 (67 tons)	4,223
Sawing Quality			
Grade 1 (SG-1)	3,047 (245 tons)	2,882 (324 tons)	4,816
Grade 2 (SG-2)	2,445 (470 tons)	2,442 (411 tons)	2,208
Grade 3 (SG-3)	1805 (151 tons)	1,901 (151 tons)	1,636
Grade 4 (SG-4)	2,237 (405 tons)	2,129 (382 tons)	1,880
Grade 5 (SG-5) Assorted	1,515 (608 tons)	1,655 (546 tons)	1,410
Grade 6 (SG-6) Domestic	1,223 (398 tons)	1,374 (470 tons)	1,115
Grade 7 (ER-1)	951 (70 tons)	1,086 (153 tons)	831
Indonesia Plywood Prices Grade 8 (ER-2)	955 (80 tons)	1,119 (10 tons)	830

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.

Logs, FOB	€ Avg per Hoppus Ton (traded volume)
Pyinkado	258
Gurjan (keruing)	-

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

Report from Brazil

Brazilian Ministry criticized for allowing logging in Amazonian forest

The National Institute of Settlement and Agrarian Reform (Incra), which is linked to the Ministry of Agrarian Development, has settled over 33,000 families across an area of 2.2 million ha in the State of Para instead of settling them in degraded areas. The settlements have contributed to increased deforestation, since they have been populated with urban families that have sold their rights to lumber companies. Such actions by the Ministry have raised question and harsh criticism from environmental groups. The Ministry expects to use degraded land for crops to help double the Brazilian production of grains. The Ministry of Environment claims that new land will not need to be deforested in Amazonia to expand crop production in the country, reported *Kaxiana*.

Official measurement of wood pile to change

The 'estereo', a wood pile measure widely used in Brazil, will no longer be used after 31 December 2009, reported the newsletter of the *Forest Studies and Research Institute*. The estereo or 'piled cubic meter' was never considered official and legal and varies according to the sectoral area. After the discontinuation of the estereo, only measurements applied within the international system could be used.

Such change will likely affect the domestic market and the way forest companies and producers in Brazil measure logs. To adjust to this new requirement, some forest companies have started to search for feasible alternatives, and one has proved to be particularly useful. A company working with plantation forests has developed its own method using a dynamometer and water tank to determine the volume of logs on a loaded truck. The methods consist of identifying the truck; weighing the vehicle; sampling the load in the truck; and immersing the sample into the tank, with automatic identification of the log volume. The method achieves about 99% accuracy.

Brazilian furniture producers shift focus to flooring

Brazilian news reports have showed that export-oriented, high-quality wood furniture manufacturers have looked for alternatives to compensate the loss of its share in the North American market. The innovations introduced in furniture products, which were used to overcome the negative effect of the exchange rate, have been exhausted. Companies have been feeling the effect of the pressure, with one traditional furniture manufacturer in the Southern state of Rio Grande do Sul closing its solid wood furniture plant oriented to exports and making its first shipment of planted eucalypt flooring to the U.S., which was valued at USD600,000. The exchange of furniture products for flooring occurs for two reasons: (i) limited demand for the company's high value-added furniture in U.S. markets and (ii) higher demand for Chinese over Brazilian furniture in the American market.

Although the U.S. is still the main destination for Brazilian wooden furniture exports, its relative importance has gradually decreased. In the first seven months of 2002, total exports of wooden furniture were 44% and falling to 40% in 2004. In 2007, wooden furniture exports reached only 26%, resulting in a total value of USD149.7 million from January until July of 2007. In contrast, Argentina has increased its market share in U.S. markets in the last four years, with total market value in 2004 at USD16.7 million and jumping to USD41.1 million in the first seven months of 2007.

Furniture producers seek new domestic sales opportunities

SINDUSMAD noted that a group of 40 entrepreneurs of the furniture sector of Mato Grosso attended the 25th International Fair of Furniture Sales and Exports (Fenavem) and the Tecmovel, the Fair of Machinery and Equipment for the Furniture Sector, in August 2007. According to the Furniture Industries Union of Northern Mato Grosso (Simonorte), the goal of the group's participation in national and regional fairs was to expand markets and promote sales. Their attendance helped assess new alternatives for the tropical hardwood market for companies in Mato Grosso that have suffered with the fall of exports. According to Simonorte, the companies need to search for new markets in other states and for new trends to continue successfully producing furniture.

Brazil Log Prices (domestic)

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	127
Jatoba	89
Guariuba	61
Mescla (white virola)	67

Brazil Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB		US$ per m^3
Jatoba Green (dressed)		(no price avail.)
Cambara KD		464
Asian Market (green)	Guariuba	265
	Angelim pedra	580
	Mandioqueira	234
Pine (AD)		193

Brazil sawnwood, domestic (Green)		US$ per m^3
Northern Mills (ex-mill)	Ipé	590
	Jatoba	446
Southern Mills (ex-mill)	Eucalyptus (AD)	178
	Pine (KD) 1st grade	241

Brazil Veneer Prices

Veneer, FOB (Belem/Paranagua Ports)	US$ per m^3
White Virola Face 2.5mm	290
Pine Veneer (C/D)	210

Rotary cut Veneer, domestic	US$ per m^3	
(ex-mill Northern Mill)	Face	Core
White Virola	240	201

Brazil Plywood Prices

Plywood, FOB	US$ per m^3
White Virola (US Market)	
5.2mm OV2 (MR)	445
15mm BB/CC (MR)	365
White Virola (Caribbean market)	
4mm BB/CC (MR)	440
12mm BB/CC (MR)	385

Pine Plywood EU market, FOB	US$ per m^3
9mm C/CC (WBP)	308
15mm C/CC (WBP)	272
18mm C/CC (WBP)	272

Plywood, domestic (ex-mill Southern mill)		US$ per m^3
Grade MR (B/BB)	White Virola 4mm	822
	White Virola 15mm	601

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	538
Particleboard 15mm	336

Brazil Added Value Products

FOB Belem/Paranagua Ports		US$ per m^3
Edge Glued Pine Panel		
Korean market (1st Grade)		651
US Market		509↑
Decking Boards	Cambara	602
	Ipê	1728↑

Report from Peru

Workshops held to promote sustainable management of mahogany

As part of an ITTO pre-project on the evaluation of commercial stocks and development of a strategy for sustainable management of mahogany, five workshops were held in Peru in July and August 2007. The workshops, held in Iquitos, Puerto Maldonado, Pucallpa, Tarapoto and Lima, were designed to gather input on sustainable forest management techniques for mahogany (Swietenia macrophylla) that could be included in a full ITTO project proposal. Since November 2002, when mahogany was listed in CITES Appendix II, Peru has worked to build its capacity to comply with the CITES listing.

Peru Sawnwood Prices

Peru Sawnwood, FOB Callao Port		US$ per m^3
Mahogany S&B KD 16%, 1-2" random lengths (US market)		1870-1915
Spanish Cedar KD select		
North American market		965-1035
Mexican market		990-1040
Pumaquiro 25-50mm AD	Mexican market	490-525

*Cheaper and small-dimension sawnwood for this market.

Peru Sawnwood, FOB Callao Port (cont.)	US$ per m^3
Virola 1-2" thick, length 6'-8' KD	
Grade 1, Mexican market	270-300
Grade 2, Mexican market	220-235
Cumaru 4" thick, 6'-11' length KD	
Central American market	760-795
Asian market	720-760
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	550-585
Dominican Republic	565-575
Marupa (simarouba) 1", 6-11 length Asian market	395-415

Peru Sawnwood, FOB Iquitos	US$ per m^3
Spanish Cedar AD Select Mexican market	945-990
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	275-315
Grade 2, Mexican market	225-235
Grade 3, Mexican market	145-165
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	240-245

Peru sawnwood, domestic	US$ per m^3
Mahogany	1300-1345
Virola	120-122↓
Spanish Cedar	485-495↓
Marupa (simarouba)	140-145↓

Peru Veneer Prices

Veneer FOB	US$ per m^3
Lupuna 3/Btr 2.5mm	220-228
Lupuna 2/Btr 4.2mm	220-250
Lupuna 3/Btr 1.5mm	245-255

Peru Plywood Prices

Peru plywood, FOB (Mexican Market)		US$ per m^3
Copaiba, 2 faces sanded, B/C, 15x4x8mm		368-385
Virola, 2 faces sanded, B/C, 5.2x4x8mm		420-427
Cedar fissilis, 2 faces sanded 4x8x5.5mm		755-765
Lupuna, treated, 2 faces sanded, 5.2x4x8mm		365-380
Lupuna plywood	B/C 15x4x8mm	350-358
	B/C 9x4x8mm	345-350
	B/C 12x4x8mm	350-360
	B/C 8x4x15mm	420-430
	C/C 4x8x4mm	380-388
Lupuna plywood B/C 8x4x4mm Central Am.		385-395

Lupuna Plywood BB/CC, domestic	US$ per m^3
(Iquitos mills)	
122 x 244 x 4mm	426
122 x 244 x 6mm	397
122 x 244 x 8mm	403
122 x 244 x 12mm	398
(Pucallpa mills)	
122 x 244 x 4mm	450
122 x 244 x 6mm	439
122 x 244 x 8mm	427
122 x 244 x 12mm	419

Other Peru Panel Prices

Peru, Domestic Particleboard	US$ per m^3
1.83m x 2.44m x 4mm	277
1.83m x 2.44m x 6mm	230
1.83m x 2.44m x 12mm	198

Peru Added Value Product Prices

Peru, strips for parquet		US$ per m³
Cabreuva/estoraque KD12% S4S, Asian market		1445-1500
Cumaru KD, S4S	Swedish market	650-700
	Asian market	890-930
Cumaru decking, AD, S4S E4S, US market		930-950
Pumaquiro KD # 1, C&B, Mexican market		490-530
Quinilla KD, S4S 2x10x62cm, Asian market		590-620
	2x13x75cm, Asian market	700-730

Report from Mexico

Forest Expo to reunite forest community

Mexico will host the fifth 21st Century Forest Expo in Guadalajara, Mexico from 27 to 29 September 2007. The Expo will reunite the forest community to exchange experiences and solutions to forest problems and showcase forest technologies, machinery and equipment. The Expo will work towards productive and integrated forest supply chains, as well as to explore how to value and sustainably use forest resources. The Expo will be organized in collaboration with the National Forest Commission (CONAFOR), private companies and foresters associations, among others. Thirty-one state pavilions will host representative companies from Mexico. The pavilions will showcase the work of sawmills, machinery companies, wood transport service and handling, and other products and services.

Report from Bolivia

Santa Cruz and La Paz show steady growth in exports

From January until July 2007, reports revealed steady growth of exports from Santa Cruz and La Paz, with a 30% and 19% increase, respectively. These two regions account for 80% of the total value of exports. Santa Cruz exports totalled USD32 million in the first half of the year. The U.S. imported 18% of that total, the UK 14%, Chile 9%, and Brazil and Argentina 8% each. La Paz wood exports reached USD18.3 million. Of total La Paz wood exports, 57% were exported to the U.S., 18% to the Netherlands, and 14% to China.

First National Forest Congress held

More than 1,500 people from the forest sector gathered together on 31 August for the first ever National Forest Congress. Several regions and civil authorities petitioned for a number of changes in the forestry sector. First, the participants suggested to restore the independent functioning of the forest superintendent and to replace the interim superintendent by a more permanent one. Second, they noted that new concession lands should be granted to social groups, including cooperatives, and companies to promote sustainable forest management. Third, they called for further work on law enforcement and to protect legal property rights related to sustainable forest management. Fourth, they said the legal framework established for the forest sector in the new Bolivian constitution should be maintained. Finally, participants suggested that illegal human settlements in forest productive areas and natural reserves should not be promoted or allowed.

Bolivia Sawnwood Prices

Sawnwood 1-3"x3x5"x7-19', FOB Arica Port		$ Avg un. val. per m³
Mahogany	(US market)	1750-1800⬆
Spanish Cedar	(US market)	500-950⬆
Oak	(US and EU market)	600-800⬇

Bolivia Added Value Product Prices

Doors 13/4"x36"x96", FOB Arica Port		Avg $ per piece
US market	Mara macho/Tornillo (FSC)	100-390⬇
	Yesquero	105-265⬆
	Ochoó	120-140⬇

Report from Guyana

Guyana Log Prices

Logs, FOB Georgetown	SQ - $ Avg unit value per m³		
	Std	Fair	Small
Greenheart	100-145⬆	105-135⬆	100-120⬆
Purpleheart	160-190⬇	105-190⬇	-
Mora	105-110⬇	100-105⬆	85⬇

*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	495-721⬇	460-875⬆
	Select/Standard	424-550⬇	424
Purpleheart	Prime	-	509-650⬆
	Select/Standard	-	470-600
Greenheart scantlings		-	-

Guyana Plywood Prices

Plywood, FOB Georgetown Port			$ Avg unit val. per m³
Baromalli	BB/CC	5.5mm	-
		12mm	360
	Utility	5.5mm	-
		12mm	345

Report from Japan

Prime Minister Abe to resign

On Wednesday, September 12, Prime Minister Shinzo Abe announced his plan to step down after just a year in power, reported *The Japan Times.* The announcement came a few days after Abe said he would resign if he failed to continue operations related to Japan's support for NATO-led counterterrorism operations in Afghanistan. Officials also noted that Abe's health played a role in his decision to step down.

The ruling Liberal Democratic Party was scrambling to find a successor to Abe, with former Chief Cabinet Secretary Yasuo Fukuda and Finance Minister Fukushiro Nukaga already announcing their intention to run for the LDP Presidency. However, LDP Secretary General Taro Aso is seen as the front runner. In the wake of Abe's intention to resign, *The Wall Street Journal Asia* reported on analysts' fears that the next prime minister could worsen government debt and slow the drive toward higher productivity.

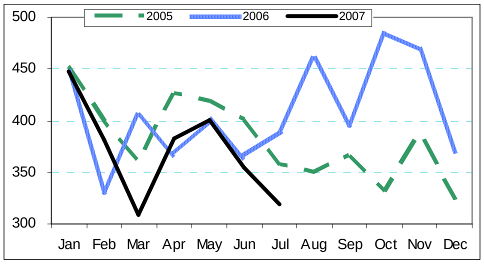
Forestry Agency sets new goal for domestic lumber supply

The Forestry Agency has set plans to expand domestic lumber supply by 35% to meet domestic demand for lumber by improving the quality of products and efficiency of physical distribution. The new initiative, entitled 'Supporting Measures for Production of Locally-Produced Lumber and Improvement of Distribution Centers', will commence in the next fiscal year.

Plywood imports continue to fall

Plywood imports dropped 17.9% from June 2007, falling to 3.19 million m³ from 3.55 million m³ in June. During the first week of September, prices for plywood also weakened, with the exception of 2.3mm thin boards and 5.5mm medium thick boards of lauan. Additionally, there have been delays in receiving construction permits in July, resulting in lowered plywood production at the domestic level beginning in August. Some plywood importers believe that the amount of plywood received in August could fall below 300,000 m³.

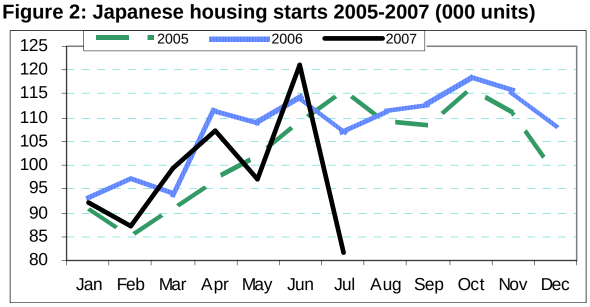
Figure 1: Japan Plywood Imports 2005-2007 (000 m³)



Japanese housing starts plummet

Total housing starts plummeted 23.40% in July, after briefly rebounding in June. Total units amounted to 81,714, a plunge not witnessed since the bubble economy collapsed since July 1997. Japanese officials claim that the drop is only temporary, attributing the July results to confusion in application procedures for building approval that became effective on 20 June 2007. Nevertheless, experts are still concerned that the weak building materials market and its effects could still have long term effects on housing starts. Wood-based units accounted for 46% of the total housing starts, just slightly up from 40% in the previous month.

Figure 2: Japanese housing starts 2005-2007 (000 units)



Log and Sawnwood Prices in Japan

Logs for Ply Manufacture, CIF	Yen per Koku
Meranti (Hill, Sarawak)	(Koku=0.278 m³)
Medium Mixed	8,700
Standard Mixed	8,800
Small Log (SM60%, SSM40%)	8,000
Taun, Calophyllum, others (PNG)	8,000
Mixed light hardwood, G3/4 grade (PNG)	7,700
Okoumé (Gabon)	14,000
Keruing MQ & up (Sarawak)	9,900
Kapur MQ & up (Sarawak)	9,600

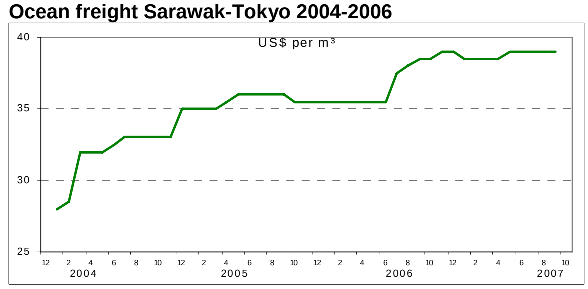
Logs for Sawmilling, CIF	Yen per Koku
Melapi (Sarawak) High Select	11,000
Agathis (Sarawak) High Select	10,800

Lumber, FOB	Yen per m³
White Seraya (Sabah) 24x150mm, 4m, Grade 1	150,000
Mixed Seraya, Sangi 24x48mm, 1.8-4m, S2S	57,000

Wholesale Prices (Tokyo)

Indonesian & Malaysian Plywood	Size (mm)	Aug (¥ per sheet)	Sep
2.4mm (thin plywood, F 4star, type 2)	920 X 1830	370 ↓	370
3.7mm (med. Thickness, F 4star, type1)	910 X 1820	580 ↓	580
5.2mm (med. Thickness, F 4star, type 1)	910 X 1820	690 ↓	690
11.5mm for sheathing (F 4star, type 2)	910 X 1820	1040 ↓	960 ↓
12mm for foundation (F 4star, special)	910 X 1820	1090 ↓	980 ↓
12mm concrete-form ply (JAS)	900 X 1800	1040 ↓	960 ↓
12m coated concrete-form ply (JAS)	900 X 1800	1320 ↓	1280 ↓
11.5mm flooring board	945 X 1840	1600 ↓	1500 ↓
3.6mm baseboard for overlays (OVL)	1230 X 2440	950 ↓	950
OSB (North American)			
12mm foundation of roof (JAS)	910 X 1820	1000	1000
9mm foundation for 2 by 4 (JAS)	910 X 2440	1050	1050
9mm conventional foundation (JAS)	910 X 2730	1250	1250
9mm conventional foundation (JAS)	910 X 3030	1350	1350

Ocean freight Sarawak-Tokyo 2004-2006



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

Report from China

Plywood industry boosted by high yielding plantations

Since 2001, fast growing and high yielding plantations in east, north and south China have helped China's plywood industry to develop rapidly. This was particularly true in Hebei, Shangdong and Jiangsu provinces where Italian poplar was introduced and cultivated. According to statistics, plywood output of these three provinces in 2006 were 14.46 million m³, or 53% of the national total.

The plywood industry developed rapidly in the South China region because of the cultivation of fast growing eucalypts and production of cement templates from small diameter eucalypts. For example, Guangdong's plywood output in 2006 had reached 2 million m³, up 39% from 2005, saving 5 million m³ of timber from natural forests. In addition, plywood production in Guangxi, Fujian, Hunan, Jiangxi and Shanghai also grew quickly, especially in Guangxi and Hainan.

China's plywood output, 2001-2006

2001	2002	2003	2004	2005	2006	2001-2006
8.64	11.35	21.02	20.99	25.15	27.29	216 %

Experts believe that China's plywood industry will keep growing in the near future, due to the strong demand for plywood at both the national and international levels. However, China will have a continuing need to import plywood from other countries.

Imports, Exports and Consumption of China's Plywood during 2004-2006 (million m³)

Year	Import volume	Export volume	Consumption
2004	0.78	4.29	17.48
2005	0.58	5.54	20.19
2006	0.41	8.30	19.39
% Change	(47)	94	11

Despite this growth in export volume and consumption in recent years, China's plywood production chain must still deal with a number of problems. First, there are insufficient raw materials for plywood production. To rectify this problem, the integration of forests and wood based panels are key for the future development of the plywood industry. China will continue to need to import high quality and large diameter timber, since it lacks forests resources, especially precious and large diameter timber for production of face, back and decorative veneer.

Secondly, plywood quality is often lower in China and thus economic returns are not as high. This effect is also magnified by the high number of family workshops. For example, in 2006, the average unit price for exported plywood was nearly US$122 per cubic meter lower than the average unit price for imported plywood. In addition, the average unit price for plywood differs greatly due to the different quality of plywood in different production areas.

Average unit prices for plywood in some provinces in 2006

Provinces	Export volume (m^3)	Export value (US$)	Unit price ($/$m^3$)
Shandong	3 101 076	806 724 952	260.14
Jiangsu	2 766 082	808 994 844	292.47
Hebei	199 694	56 902 249	284.95
Zhejiang	558 566	288 877 850	517.06
Guangdong	414 362	189 716 435	453.51
National total	8 303 695	2 910 500 989	350.51

Zhangjiang suffers from log overstocking

From November 2006 until June 2007, 1.5 million m³ of imported timber was overstocked in Zhangjiang Port. Since imported timber filled the port zone to capacity, many sites around the port zone had been rented to store imported timber resulting in timber traders losing up to RMB10 million in business at Zhangjiang Port in the first half of 2007.

The reasons for overstocking include disorderly import of timber due to traders looking to take higher profits and resulting in import volume exceeding domestic demand. Secondly, other domestic and international factors caused domestic demand to fall. For example, China's furniture, wood flooring and plywood industry continue to be subject to anti-dumping investigations in Europe and the U.S. China also has a regulated export tax rebate policy. Additionally, Chinese products must compete with prices for imported wooden products from other Southeast Asian countries, for which are prices reduced and products re-exported. Finally, many traders focus only on gaining quantity over quality, which leads to higher than needed stocks to take profits.

U.S. sawnwood exports to China to grow by 10%

In the first half of 2007, sawnwood board exports from the U.S. continued to grow. According to local experts, sawnwood board exports from the U.S. will grow 10% to 776,000 m³. China will be the top destination country of U.S. sawnwood board, exceeding Canada by 2009. The main reasons for the increase are that China's timber imports from Russia, Malaysia and Indonesia have been declining in recent years as a result of efforts to combat illegal logging and related trade. Additionally, the price for U.S. red oak has a comparative advantage in quality over Russia and the rest of Asia.

Jixiang invests RMB285 million to expand MDF production

Sichuan Leshan Jixiang Plantation Products Co., Ltd. are expected to invest RMB285 million to expand its MDF production line, adding 210,000 m³ of production. An investment agreement for the expansion project had been signed between Leshan City's government and China Jixiang Wood Industry. On completion, the annual MDF output of Leshan Jixiang will be 300,000 m³, twice as much as its current output, and the annual output value should reach RMB300 million. The project is expected to be complete by 2008.

Built in 1997, Leshan Jixiang is one of the most advanced enterprises in terms of its equipment and production technology among wood-based industries in the Asia-Oceania region. The annual profits of Leshan Jixiang in 2006 were RMB400 million, and the company has helped generate income for about 108,000 farmers in China.

Largest laminate production project in Asia to be completed

During a signing ceremony at the Third China (Mudanjiang) Wood Industry Expo, an agreement between Jiangsu Yurun Group and Dongning Jixin Industry and Trade Group signed an agreement to create the largest laminate production project in Asia, and RMB1 billion will be invested in the project. The two groups will be incorporated under the Dongning Jirun Wood Industry Co, Ltd. Of the total amount invested, 560 million yuan will be dedicated to manufacture 150,000 m³ of construction structure laminated panels annually in Dongning economic development zone. In Mudanjiang economic and technology development zone, RMB120 million will be invested to manufacture 30,000 m³ of doors and windows for construction. RMB320 million will be invested to manufacture two timber raw material bases with 1 million m³ of annual logging volume.

Guangzhou City Imported Timber Market

Logs	Yuan per m^3
Radiata 6m, 30cm diam.	1300
Luan	2200-2300
Kapur	1900-2350
Merbau 6m, 60cm diam.	5100-5300⬇
Keruing 60cm+ diam.	1900-2300
Beech 6m,30cm veneer Qual.	3300-3600
Sawnwood	
Teak Boards 4m+ for flooring	10000-13000
US Maple 2" KD	8800-12800
US Cherry 2"	12000-15000
US Walnut 2"	12500-15300
SE Asian Sawn 4m+, KD	4300-4350
Plywood	Yuan per sheet
4x8x3mm	20-34
4x8x18mm	149-188

Shanghai Furen Wholesale Market

Sawnwood		Yuan per m^3
Beech KD Grade AB		2500-3200
US Cherry, 25mm		15200-15800
US Red Oak, 50mm		10000-11000⬇
Sapele 50mm FAS (Congo)	AD	6600-6800⬆
	KD	7200-7300

Shandong De Zhou Timber market

Logs		Yuan per m^3
Larch	6m, 24-28cm diam.	1230⬆
White Pine	6m, 24-28cm diam.	1220
Korean Pine	4m, 30cm diam.	1500
	6m, 30cm diam.	1550

Hebei Shijiangzhuang Wholesale Market

Logs		Yuan per m^3
Korean Pine 4m, 38cm+ diam		1650
Mongolian Scots Pine	4m, 30cm diam.	1370⬇
	6m, 30cm+ diam.	1380⬇
Sawnwood		
Mongolian Scots Pine	4m, 5-6cm thick	1550⬇
	4m,10cm thick	1550⬇

Tian Jin City Huan Bo Hai timber Market

Logs	Yuan per m^3
Okoume 80cm+	3000
Sapele 80cm+	5350
Padauk 40cm+	6000
Sawnwood	
US Black Walnut 2.2-4m, 5cm thick	16000
Padauk 2.2-3.2m, 5cm thick	11000
Sapele 2.2-2.6m, 5cm thick	6800
Ash 4m, 5cm thick	4300

For more information on China's forestry see: www.forestry.ac.cn

Report from Europe and Scandinavia

DLH reports 7% rise in turnover

Dalhoff Larsen and Hornemann A/S (DLH) turnover increased during the first six months of 2007, up 7% from the same period in 2006, reported *EUWID*. However, the company's hardwood division was stagnant at DKR2.08 billion, due to transport problems from the company's subsidiary in the Democratic Republic of Congo. The company continues to expect turnover for 2007 to reach DKR7.5 billion, up from DKR7.2 billion in 2006, and operating profits (EBIT) of around DKR330 million.

Elliotis pine plywood prices stable despite weak demand

EUWID reported on the slowdown in demand in North America and Europe for elliotis pine plywood from Brazil. They noted that the slowdown could be partly attributed to the summer holiday period and that demand will rebound in September. However, others note that because of price hikes, importers may postpone purchases and await market developments as the year progresses. Prices of more than USD320 per m^3 for 20mm C+/C elliotis pine plywood had been reported for shipment in August and September, although the price seemed to fall to USD315 per m^3 more recently. Since August, shipments of elliotis pine plywood have been delayed due to problems at ports used for exporting plywood. As a result, importers' stocks of the plywood have fallen to low levels.

Report from the UK

Swedish tycoon new Brown forestry advisor

The *TTJ* reported that multi-millionaire John Eliasch has been appointed as a green envoy by Prime Minister Gordon Brown. Eliasch, who bought 400,000 acres of Amazon rainforest last year for environmental reasons, said he is looking forward to making a difference in UK domestic and global policy. Prime Minister Brown has made a number of special appointments for forestry over recent months.

UK Log Prices

FOB plus commission		€ per m^3
N'Gollon (khaya)	70cm+ LM-C	227-238
Ayous (wawa)	80cm+ LM-C	227-238
Sapele	80cm+ LM-C	270-275
Iroko	80cm+ LM-C	297-310

UK Sawnwood Prices

FOB plus Commission	Pounds per m^3
Teak 1st Quality 1"x8"x8"	2035-2350
Tulipwood FAS 25mm	435-440
Cedro FAS 25mm	415-430
DR Meranti Sel/Btr 25mm	410-420
Keruing Std/Btr 25mm	285-305
Sapele FAS 25mm	410-420
Iroko FAS 25mm	430-450
Khaya FAS 25mm	420-430
Utile FAS 25mm	410-420
Wawa No.1 C&S 25mm	220-230

UK Plywood and MDF Prices

Plywood Panels 8x4", CIF	US$ per m^3
Brazilian WBP BB/CC 6mm	640
Indonesian WBP BB/B 6mm	600-630
MDF	Pounds per $10m^2$
Eire, BS1142 12mm	52

Report from Australia

Australian PM announces new forestry capacity building programme

On 2 September 2007, the Australian Prime Minister announced the Asia-Pacific Forestry Skills and Capacity Building Programme. The programme, which compliments the government's AUD200 million Global Initiative on Forests and Climate, was one of three measures announced during the recent APEC meeting. The programme aims to improve capacity for sustainable forest management in the Asia-Pacific region and to reduce global greenhouse gases through international cooperation.

The AUD15.7 million programme will assist regional countries to improve their ability to capture and store carbon dioxide in forests and to develop their forest management expertise. It will consist of a number of components, including skills-based training, capacity building, technology transfer, information exchange and research. The programme is currently being developed and countries are encouraged to register their interest in the Progamme with the Australian government. For further information, contact the International Forest Policy Section in the Department of Agriculture, Fisheries and Forestry at forestry.contact@daff.gov.au or visit www.daff.gov.au/forestry/international.

Australia refutes RAN claims of unsustainable forest management

The Department of Agriculture, Fisheries and Forestry of the Government of Australia has responded to claims made by the Rainforest Action Network (RAN). *TTM 12:16* cited an article in the *Japan Lumber Reports* that claims Japanese paper manufacturers received a large supply of improperly harvested eucalyptus wood chips from Australia. The Department stated that RAN and other environmental groups continue to make misleading claims about forest management in Australia and that Australia stands by its world class sustainable forest management credentials.

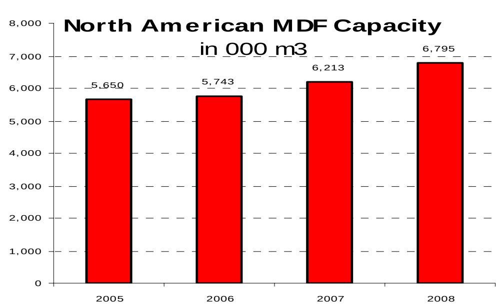
The Australian Government released an information booklet and DVD entitled ‘Australia: Sustainable Forest Management’ on 1 August 2007 to provide Japanese producers and consumers with a clear understanding of the legal framework that underpins Australia’s forestry operations. It will be prepared in a number of languages. A copy of the booklet can be found at: www.daff.gov.au/_data/assets/pdf_file/0009/342981/english_version_sfm_brochure.pdf.

Report from North America

North American MDF capacity to grow marginally

The capacity of Medium Density Fibreboard (MDF) in North America grew at a very slow pace last year from 5.6 million m^3 to 5.7 million m^3. This is a mere 1.6% and amounts to less than 100,000 m^3. As no new mills came on stream, virtually all of this increase came in the form of a few mill renovations.

In spite of the stagnant capacity situation, the industry is not standing still. Several noteworthy ownership changes took place recently or are in the negotiating stage. Flakeboard America has acquired three Weyerhaeuser mills, providing the company with over 1.2 million m^3 of capacity, or 21% of the North American total. At the end of 2006, Roseburg Forest Products, the largest overall composite panel producer in North America, purchased Georgia Pacific’s Holly Hill mill. The origin of the Holly Hill mill goes back to the mid-1970s. As such, it is one of the oldest MDF mills in North America but it has since been upgraded. Georgia Pacific still retains its thin MDF operation in Monticello.



Source: AKTRIN, APA-Engineered Wood Association, Wood Panel International

The capacity growth in the North American MDF industry was only marginally higher this year but it will likely accelerate a bit next year. In 2007, new installations added about 8.2% to capacity to reach approximately 6.2 million m^3 up from 5.7 million m^3 the year before. Next year, capacity is predicted to advance by about 9.3% or slightly in excess of one-half million m^3 to a total of approximately 6.8 million m^3.

Overall, the past and anticipated future volume growth between 2005 and 2008 is fairly modest at just slightly above one million m^3. Nevertheless, the prolonged and uninterrupted positive growth rate is a rare occurrence in the North American MDF industry.

A few noteworthy companies undertook new capital investments last year or are planning to do so in the near future. Kronotex in Barnwell, SC recently added about 8% or 440,000 m^3 to its MDF capacity raising it slightly above 6.2 million m^3. In 2008, the Kronospan plant in Eastaboga, AL will produce commercial board and add a further 300,000 m^3 to capacity. The press is configured for lengthening at a later date, with the possibility of a further 120,000 m^3.

The installation of a line at ATC Moncure is also due to start up soon with a capacity increase in excess of 200,000 m^3. Industrias Emman de Ocotlan will also open a new mill in Mexico next year. The company already operates a small particleboard facility and has bought a 45,000 m^3/year line from Shanghai Wood Based Panel Machinery Co. Ltd.

The North American MDF industry is also progressing by way of shifting its production towards higher value-added products. Almost all of North American MDF mills intend to increase their volumes of non-standard or added-value grades. The growth of such products amounted to an estimated 24% in 2007, which may result in an even higher growth rate in the 27% range. Currently, non-standard output represents about 14% and may rise to as high as 20% in 2008.

Laminate flooring is undoubtedly the brightest prospect for the North American MDF industry. This applies in particular to ATC (Shippenville and Moncure), Flakeboard, Unilin (Mt. Gilead), and SierraPine (Medford).

It is interesting to note that North American mills which are not engaged already, or only to a limited extent, in flooring substrate production do not plan to increase their involvement in the near future. The companies do not possess appropriate presses or don’t have spare capacity and seem to be afraid to compete against newer specialized flooring facilities that have recently been installed.

Other forms of new non-standard MDF being developed and coming on the market include lightweight panels, building boards, overlaid boards, and higher performance boards (using low formaldehyde resins). In response to new environmental requirements SierraPine has developed ‘Sustainable Design Fibreboard’ (SDF), which is an innovative new grade of environmentally friendly fibreboard.

Apart from laminate flooring, the future of the MDF industry in North America is full of challenges, largely as a result of the weak housing market. Residential construction is 20% below 2006 levels and it is not likely that an improvement will happen before mid-2008.

Rising imports of secondary wood products from China and other low costs countries also have a detrimental impact on the North American production of furniture, mouldings, and other secondary wood products. The low value of the US-dollar is mitigating the problem only to a minor extent. In an environment of fierce international competition, Canadian and other foreign mills exporting to the USA are usually absorbing the exchange losses themselves, rather than losing the sale to a competitor. Last but not least, the MDF industry has to grapple with expensive and ever stiffer environmental regulations (MACT and CARB) – above all in California.

The North American demand for "commodity-like" MDF is likely to grow only by about 2% this year and only marginally faster in 2008. This is slower than the new capacity growth and responsible for the oversupply of MDF. In view of this situation, MDF prices may remain soft. To make matters worse, the MDF industry is suffering rising input costs. Experts are hopeful that market conditions will improve next year allowing prices to rebound a bit in the second half of 2008. As mentioned above, companies specializing in higher-value-added products are doing better.

US Imported Sawnwood Prices

FOB unit value prices		Avg $ per m³ May	June
Balsa*	(Ecuador)	403	403
Mahogany**	(Peru)	1374	1374
	(Bolivia)	1699	1699
Mahogany*	(Peru)	1821	1821
Virola**	(Brazil)	382	382
Virola*	(Brazil)	380	380
Red Meranti	(Malaysia)	995⬇	1027⬆
	(Indonesia)	1007⬆	1025⬆
Teak**	(Taiwan)	2125	2125
Keruing**	(Malaysia)	589	589
Keruing*	(Malaysia)	599	599

*Dimension lumber; **Rough lumber; Quality variations may greatly influence monthly average prices. Data is subject to frequent revisions.

US Imported Veneer Prices

FOB avg unit value ($ per m²)	May	June
By species (all countries)		
Meranti	6.2⬇	11.4⬆
Non-meranti	1.3	1.3
By country (all tropical species)		
China	0.6	0.6
Ghana	1.1	1.1
Côte d'Ivoire	1.2	1.2
India	25.3	25.3
Thailand	2.6	2.6
Gabon	1.2	1.2
Brazil	1.9	1.9
Italy	3.4	3.4

Quality variations may greatly influence monthly averages. Data subject to frequent revisions.

US Imported Plywood Prices

FOB avg unit value ($ per m³)	May	June
All tropical plywood		
Indonesia	470	470
Malaysia	379	379
China	325	325
Brazil	418	418
All	384	384
Mahogany		
Canada	791	791
Brazil	430	430
China	915	915
Meranti, white luan, sipo, limba		
China	292	292
Taiwan PoC	1344	1344
Brazil	448	448

Quality variations may greatly influence monthly averages. Data subject to frequent revisions.

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.

Australian scientists are training foresters in neighboring APEC countries to use the Australian Greenhouse Office's National Carbon Accounting Toolbox (NCAT) to assess carbon sequestration in native and plantation forests.
http://www.sciencealert.com.au/features/20070409-16297.html

Britain and other leading powers should do more to help Third World countries preserve their rainforests, scientists urged yesterday. Scientists want poor nations to be rewarded for resisting economic pressure to clear them.
http://www.dailymail.co.uk/pages/live/articles/news/news.html?in_article_id=481278&in_page_id=1770

Climate change has become the prime cause of an accelerating spread of deserts which threatens the world's drylands, the United Nations' top climate official said.
http://www.smh.com.au/news/environment/climate-causing-spreading-deserts-un/2007/09/13/1189276858852.html

Ghana's quest to build a strong economy and vibrant business market requires the exploitation of all potential business avenues to create employment and prosperity. One such area which has lots of business potential is the forestry industry, which the government, private sector and all stakeholders have not been able to maximize.
http://www.modernghana.com/GhanaHome/NewsArchive/news_details.asp?menu_id=1&id=VFZSUmVVMTZaekU9

Indian General Secretary Prakash Karat sought the 'urgent' intervention of Prime Minister Manmohan Singh in notifying the Scheduled Tribes and other Traditional Forest Dwellers (Recognition of Forest Rights) Bill 2006.
http://www.indianexpress.com/story/216242.html

The International Institute for Strategic Studies, a security think-tank, said global warming would hit crop yields and water availability everywhere, causing great human suffering and leading to regional strife.
http://www.gulf-daily-news.com/Story.asp?Article=193743&Sn=WORL&IssueID=30177

A leading University of Leicester environmental expert has brought together international experts in order to safeguard a globally important tropical peatlands.
http://www.sciencecentric.com/news/07091002.htm

The United Nations Development Programme (UNDP) is taking steps to chart the future direction for sustainable forest management in East and Southeast Asia.
http://www.bernama.com.my/bernama/v3/news.php?id=284234

The use of carbon offsetting as a way to fund tropical forest protection drew backing from a range of

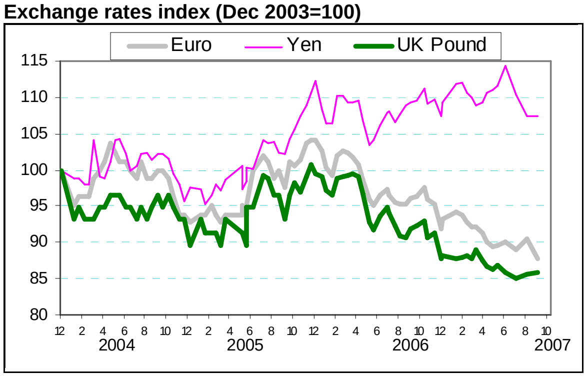
environmental and research groups, ahead of international climate change talks in December.
http://africa.reuters.com/business/news/usnBAN223821.html

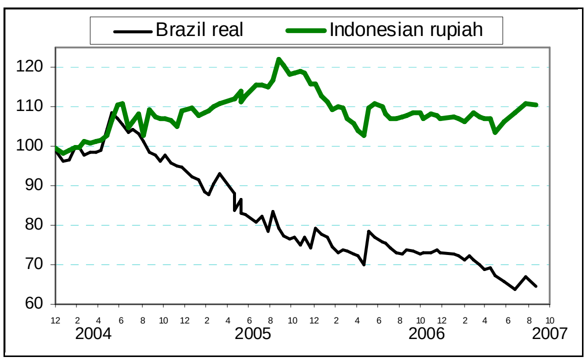
Main US Dollar Exchange Rates

As of 15th Sep 2007

Brazil	Real	1.901	⬆
CFA countries	CFA Franc	492.289	⬇
China	Yuan	7.516	⬇
EU	Euro	0.720	⬇
Indonesia	Rupiah	9,381.00	⬇
Japan	Yen	115.80	⬇
Malaysia	Ringgit	3.4819	⬆
Peru	New Sol	3.1397	⬇
UK	Pound	0.4983	⬆

Exchange rates index (Dec 2003=100)

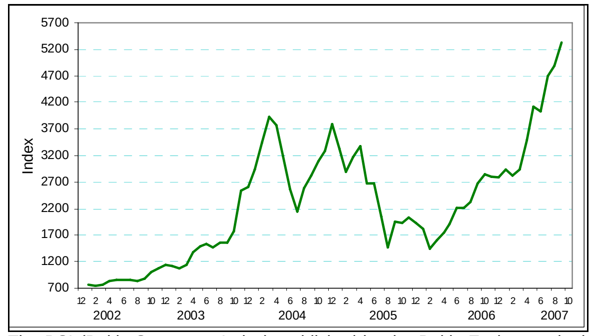




Abbreviations and Equivalences

LM	Loyale Merchant, a grade of log parcel
QS	Qualite Superieure
CI, CE, CS	Choix Industriel, Economique or Supplimentaire
FOB	Free-on-Board
CIF; CNF	Cost, insurance and freight; Cost and freight
KD; AD	Kiln Dry; Air Dry
Boule	A log sawn through and through, the boards from one log are bundled together.
BB/CC, etc.	Log/plywood grades. Letter(s) on the left indicate face veneer(s), on the right backing veneer(s). Grade decreases in order B, BB, C, CC, etc.
BF; MBF	Board Foot; 1000 Board Feet
Hoppus ton	1.8 m^3
Koku	0.278 m^3 or 120 BF
SQ; SSQ	Sawmill Quality; Select Sawmill Quality
FAS	Sawnwood Grade First and Second
GMS	General Market Specifications
MR; WBP	Moisture Resistant; Water and Boil Proof
MDF	Medium Density Fibreboard
PHND	Pin hole no defect grade
$; ⬆⬇	US dollar; Price has moved up or down

Ocean Freight Index

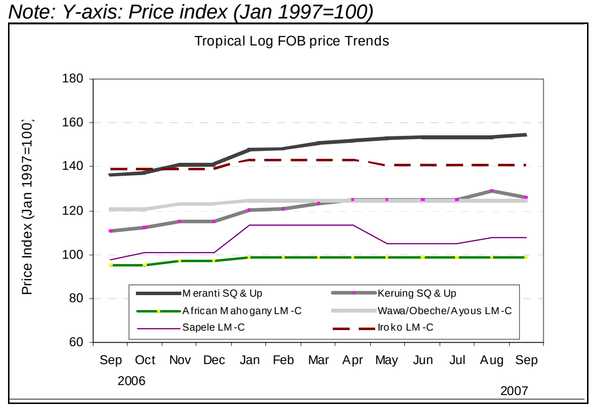


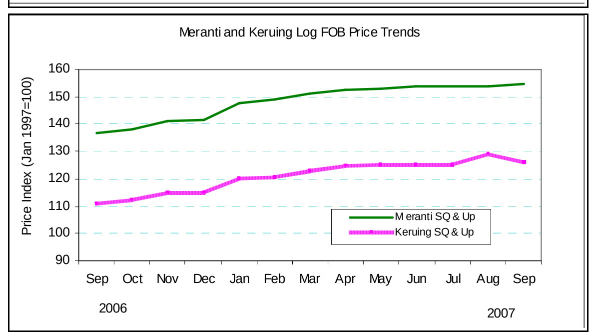
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes. It is based on a 52,454 mt bulk carrier carrying commodities such as timber.

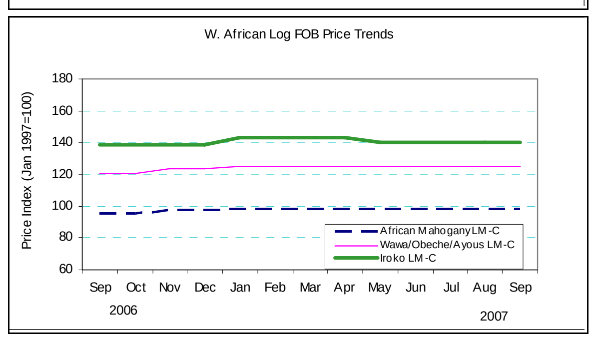
Appendix. Tropical Timber Price Trends

Tropical Log Price Trends

Note: Y-axis: Price index (Jan 1997=100)

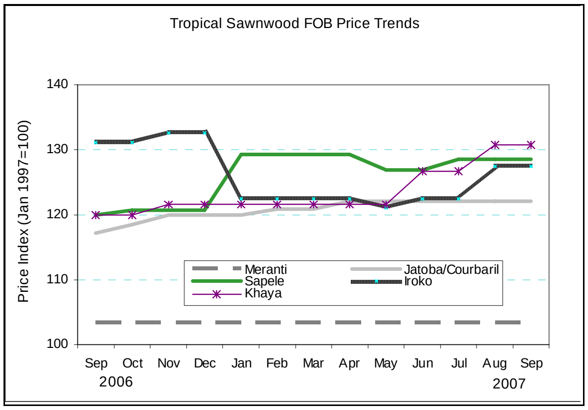


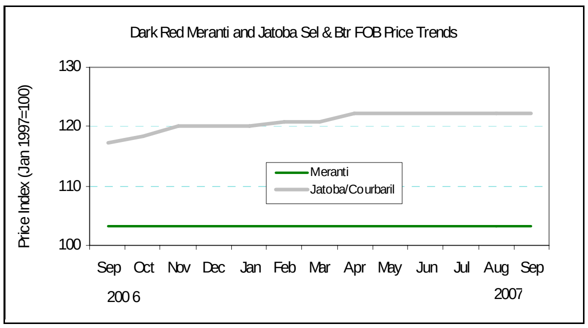


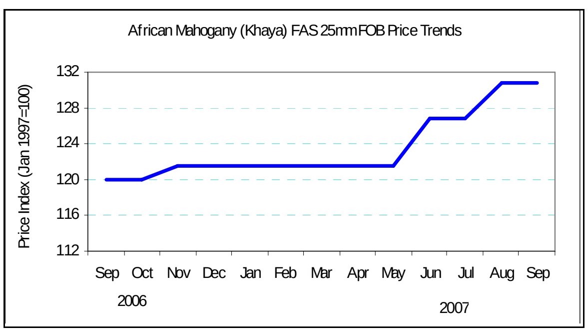


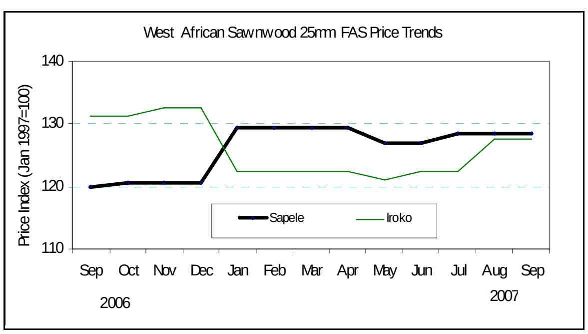
More price trends in Appendix 4, ITTO's Annual Review
http://www.itto.or.jp/live/PageDisplayHandler?pageId=199

Tropical Sawnwood Price Trends









Tropical Plywood Price Trends