Tropical Timber Market Report since 1990

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Snapshot

Timber trade continued slowly throughout the last fortnight, primarily due to declining demand for tropical timber in traditional market destinations. While some producers, particularly Brazilian and Malaysian furniture producers, continued to hold a positive outlook for 2009, others were coping with the full effects of the economic downturn on the timber trade.

Despite the bleak market conditions, there was heightened attention to legislative and policy initiatives on a range of issues. The EU began negotiating a Free Trade Agreement with Ecuador, Peru and Colombia; Bolivia's President Evo Morales enacted a new constitution recognizing indigenous rights; the EU and China signed a bilateral coordination mechanism on Forest Law Enforcement and Governance; the European Parliament and European Council had been considering new illegal logging legislation; and the US clarified arrangements for the US Lacey Act amendments, which are expected to be implemented beginning 1 April 2009.

Editor's note: Due to technical difficulties with our servers during the week of 2-6 February, your email may not have been received by the MIS. Kindly resend any email correspondence to mis@itto.or.jp if you sent an email during this time.

Headlines

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Report from Central/West Africa

Trade continues to be low during start of year

West African prices have not changed from those reported at end January. Trade volumes have been low as has production, and exporters have been concentrating on matching particular species to specific demand rather than offering a normal mix of species and sizes. There have been pockets of demand, with Vietnam looking for tali and buyers from China interested in tali, okan and padouk logs. India was asking for two of their favorites, padouk and belli in logs and lumber. Apart from such specialities, demand from Asian markets has been low. Observers estimate around 50% of production capacity in Gabon, Cameroon and Congo Brazzaville has shut down and producers have been requesting temporary relief from governments on the various forest and export taxes. Governments have been finding it difficult to agree as income from forest and export taxes have already been severely hit by various mill and concession closures.

European markets have been very quiet; demand has been low even for favored species and as noted in our last report (TTMR 14:2) the ban on harvesting of four species in Gabon has not stimulated any sudden rush to mop up the very limited stocks remaining in the hands of producers, possibly because importers have already been holding more than adequate stocks. One exporter reports a buyer would agree to place a contract for moabi only if credit has extended for three months. Italy in particular has been very quiet, with normal demand for ayous and okoume having fallen away. The producers' overlying sapele stocks have been slowly absorbed and due to low or no production in Northern Congo and Central African Republic, it is likely sapele lumber prices will during the second quarter finally become more stable. Sipo firmed up marginally during January and has held on to the higher price. Exporters that still have some reasonable production capacity have been concentrating on supply of a very limited range of species in logs and lumber to Asian markets.

There have been no predictions of how the market in China will be affected due to the present global economic downturn, although there have been some indications Chinese demand for African sawn timber in the medium-term will increase in proportion to total demand for sawn lumber. Demand for Vietnam is expected to continue on an upward trend. Sawmills report much difficulty in finding orders sufficient to keep mills running economically.

West Africa Log Prices

West Africa logs, FOB	€ per m^3		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	205	191	153
Ayous/Obéché/Wawa	195	192	150
Azobe & Ekki	168	168	122
Belli	161	161	-
Bibolo/Dibétou	160	160	
Bubinga	533	457	381
Iroko	257	260	220
Okoume (60% CI, 40% CE, 20% CS) (China only)	132	-	-
Moabi	289	289	206
Movingui	191	191	137
Niove	129	129	-
Okan	152	152	122
Padouk	259	250	215
Sapele	225	220	175
Sipo/Utile	300	300	228
Tali	152	152	114

West Africa Sawnwood Prices

West Africa sawnwood, FOB		€ per m^3
Ayous	FAS GMS	300
	Fixed sizes	360
Okoumé	FAS GMS	300
	Sel. & Bet. GMS Italy	250
	Sel. & Bet. fixed sizes	-
Sipo	FAS GMS	570
	FAS fixed sizes	-
	FAS scantlings	585
Padouk	FAS GMS	585
	FAS scantlings	585
	Strips	425
Sapele	FAS Spanish sizes	500
	FAS scantlings	500
Iroko	FAS GMS	440
	Scantlings	475
	Strips	360
Khaya	FAS GMS	380
	FAS fixed	420
Moabi	FAS GMS	540
	Scantlings	560
Movingui	FAS GMS	300-320

Report from Ghana

Little movement in Ghana's prices

Prices for most of Ghana's species remained unchanged during the last fortnight. Asanfina was the only species increasing in price for logs. This lack of movement in the market was attributed by local experts to the effects of the global economic slowdown, which negatively impacted timber and wood product exports to European and US markets. Since trading has been slow, Ghana's Timber Industry Development Division (TIDD) has not reviewed the Guiding Selling Prices (GSP) of timber and wood products for the first quarter of 2009. Experts are eagerly awaiting the first budget of the new government, which is expected to be released in March 2009. The budget is widely anticipated to reduce certain taxes on petroleum products, a key promise made during the recent elections campaigns, and affect a wide range of Ghana's goods and services.

Ghana Log Prices

Ghana logs, domestic	US$ per m^3	
	Up to 80cm	80cm+
Wawa	100-115	120-145
Odum Grade A	160-170	175-185
Ceiba	90-100	105-120
Chenchen	60-90	95-112
Khaya/Mahogany (Veneer Qual.)	80-100	110-135
Sapele Grade A	135-150	155-175
Makore (Veneer Qual.) Grade A	125-135	140-166

Ghana 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	490	560
Ceiba	200	260
Dahoma	330	390
Edinam (mixed redwood)	415	465
Emeri	425	475
African mahogany (Ivorensis)	585	670
Makore	520	610
Niangon	560	640
Odum	660	750
Sapele	540	600
Wawa 1C & Select	260	285

Ghana sawnwood, domestic		US$ per m^3
Wawa	25x300x4.2m	255
Emeri	25x300x4.2m	345
Ceiba	25x300x4.2m	210
Dahoma	50x150x4.2m	318
Redwood	50x75x4.2m	280
Ofram	25x225x4.2m	330

Ghana Veneer Prices

Rotary Veneer, FOB	€ per m^3	
	CORE (1-1.9mm)	FACE (<2mm)
Bombax	315	350
Kyere, Ofram, Ogea & Otie	325	360
Chenchen	315	360
Ceiba	360	305
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	250
Chenchen, Ogea & Essa	295
Ofram	312

Sliced Veneer, FOB	€ per m^2	
	Face	Backing
Afrormosia	1.80	1.00
Asanfina	2.00	1.00
Avodire	1.12	0.80
Chenchen	1.00	0.55
Mahogany	1.40	0.79
Makore	1.75	0.90
Odum	1.66	1.00

Ghana Plywood Prices

Plywood, FOB	€ per m^3			
B/BB, Thickness	Redwoods		Light Woods	
	WBP	MR	WBP	MR
4mm	560	475	500	380
6mm	340	325	335	285
9mm	380	300	290	270
12mm	300	300	280	250
15mm	310	280	300	270
18mm	300	280	285	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	8.20	10.18	11.00
Hyedua	13.67	13.93	17.82
Afrormosia	13.72	18.22	17.82

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

Report from Malaysia

Malaysia to launch new National Wood Industry Policy

Deputy Prime Minister Datuk Seri Najib Tun Razak plans to launch a new National Wood Industry Policy (NATIP) later this month, which is expected to shift the timber industry's structure. The announcement came from the Plantation Industries and Commodities Minister Datuk Peter Chin Fah Kui, who said the new policy needed to address both upstream and downstream industries as well as exports. With changes under the new policy, officials from Malaysia hope to generate exports worth RMB53 billion by 2020, with 60% of this amount to be generated from downstream activities and 40% from upstream activities. Chin said the new policy is aimed at decreasing waste and increasing the amount of value-added products for export. The government is also expected to create programmes to showcase local furniture, which would stimulate greater participation in the forest plantation scheme established in 2006. Nevertheless, Chin expressed concern over the falling prices for primary timber products such as sawn logs, fiberboard, and plywood and prospects for the market in 2009.

Malaysian furniture producers urged to sharpen competitiveness

The Ministry of International Trade and Industry (MITI) called on furniture manufacturers to sharpen their focus and marketing strategies to broaden their engagement with underdeveloped markets such as the Middle East, India, Russia and the countries of the Commonwealth of the Independent States (CIS), reported *Bernama News*. Faced with challenges on several fronts in the marketplace such as the weakening Malaysian ringgit against other major currencies, a rapidly declining international export market and shortage of trade financing within Malaysia, MITI will organize Malaysian furniture exhibitions to promote the country's brands at international trade shows. These include I-Saloni in Milan this April.

Although the furniture industry only grew 1.7% during the first 10 months of 2008 to RM8.37 billion, MITI officials are optimistic the Malaysian furniture industry will grow 2% to 7% in 2009. China's decreasing competition in the marketplace has helped Malaysia's wood products gain a competitive edge in the markets, said MITI. However, trade analysts have dismissed the projections as overly optimistic as global financial trade continues to bottom out in light of the financial crisis.

New EU rules on pesticides for timber products

Exports of raw timber products to the EU, including sawnwood and logs, will be subjected to a new regulation on pesticides residues used in agricultural production, reported *Bernama News*. The European Parliament approved the regulation, which will take effect in 2009, with the view to ensure increasing stringency on the use of pesticides on EU imports. Under the new regulation, pesticide residues must not exceed the general default maximum residue level (MRL) of 0.01mg/kg.

Prices slide amid worsening economic situation

Prices of Malaysian timber products, particularly sawnwood, continued to decline in the international market. Saw mills have been pondering the next course of action, since excessive sawnwood stocks continue to pile up in sawmill yards across the country. Nevertheless, timber traders were attempting to resist further price erosion for their products, as most of them are already operating at a loss.

With the first national economic stimulus plan failing to register any improvement in the economy, the number of housing construction project failures is expected to rise dramatically, resulting in abandoned projects. This may in turn negatively affect the local banking industry as most banks have high exposure to the construction industry in their lending portfolios.

Malaysia Log Prices

Sarawak log, FOB	US$ per m^3
Meranti SQ up	231-255
Small	211-242
Super small	199-224
Keruing SQ up	218-230
Small	187-218
Super small	161-192
Kapur SQ up	208-233
Selangan Batu SQ up	178-215
Pen. Malaysia logs, domestic (SQ)	US$ per m^3
DR Meranti	234-253
Balau	300-325↓
Merbau	330-365↓
Rubberwood	41-77
Keruing	217-233

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		283-314↓
Seraya Scantlings (75x125 KD)		464-479↓
Sepetir Boards		252-274
Sesendok 25,50mm		360-378↓
Kembang Semangkok		296-319
Malaysian Sawnwood, domestic		US$ per m^3
Balau (25&50mm,100mm+)		340-360↓
Merbau		490-542↓
Kempas 50mmx(75,100 & 125mm)		266-306
Rubberwood	25x75x660mm up	195-245
	50-75mm Sq.	237-269
	>75mm Sq.	259-286

Malaysia Plywood Prices

Malaysia ply MR BB/CC, FOB	US$ per m^3
2.7mm	422-484↓
3mm	395-425↓
9mm & up	340-412↓
Meranti ply BB/CC, domestic	US$ per m^3
3mm	391-432↓
12-18mm	325-354↓

Other Malaysia Panel Prices

Malaysia, Other Panels, FOB		US$ per m^3
Particleboard	Export 12mm & up	231-254
	Domestic 12mm & up	216-233
MDF	Export 15-19mm	286-318
	Domestic 12-18mm	275-293

Malaysia Added Value Product Prices

Malaysia, Mouldings, FOB	US$ per m^3
Selagan Batu Decking	560-570↓
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	576-589↓
Grade B	527-536↓

Malaysia Furniture and Parts Prices

Malaysia, Rubberwood, FOB		US$ per piece
Semi-finished dining table		
solid laminated top 2.5'x4', extension leaf		58-74
As above, Oak Veneer		65-79
Windsor Chair		57-59
Colonial Chair		55-60
Queen Anne Chair (soft seat)	without arm	55-63
	with arm	55-64
Chair Seat 27x430x500mm		43-48
Rubberwood Tabletop		US$ per m^3
22x760x1220mm sanded & edge profiled		
Top Grade		566-598↓
Standard		551-570↓

Report from Indonesia

Indonesia mulls export of plantation logs

Antara News reported on the Ministry of Forestry's proposal to open exports of logs from timber plantations. The move would address the disparity in price between logs sold to the pulp and paper industry and those available in the international timber market. If the measure is approved, logs offered from Indonesia would be more competitive with those from neighboring Sarawak. Although two pulp and paper giants, Asia Pulp&Paper and Riau Andalan Pulp and Paper (Riaupulp) consume 85% of logs produced from timber plantations, prices offered by the two companies have not generated enough profit for the plantation forest industry to contribute to its development. President Director Mustoha of the state-owned forestry company PT Inhutani IV commented that log prices, set at a range from Rp220,000 to 230,000 per m^3 were too low, and price fixes were needed to expand Indonesia's export market and counter the decline in domestic demand for timber.

Regional administrations seek approval for local forest conversions

A number of local administrations have been submitting applications to the Indonesian Ministry of Forestry to convert their natural forests into forest plantations, reported *The Jakarta Post*. Central government officials noted they were struggling to comply with laws for forestry and spatial planning while attempting to meet demands from local governments.

The Director of the National Development Planning Board, Basah Hernowo, expressed concern over the uncertainty associated with the spatial planning law, as the 2008 spatial planning law allows local administrations to revise the regulations after five years; this could cause further deforestation and damage to the environment.

Moreover, the Indonesian Association of Forestry Concessionaires (APHI) expressed reservation over the future of Indonesia's forests. Indonesia's reported deforestation rate between 1987 and 1997 was 1.8 million ha per year, climbing rapidly to 2.8 million ha per year from 1998 to 2000, before returning to about 1.8 million ha per year from 2000 to 2006.

Perhutani supports lifting teak export ban

Forestry Minister M.S. Kaban said the government could lift a ban on teak exports from industrial forests, since the government is expecting a decline in demand from the domestic market in the midst of the global economic crisis.

State-owned company PT Perhutani said it would support such a plan if approved. According to Upiek Rosalina Wasrin, chief executive of Perhutani, about 90,000 m³ to 100,000 m³ of teak logs would be available for export in 2009. The company produced 300,000 m³ of teak in 2008, although the local furniture industry could only absorb up to 15,000 m³ of teak logs, an amount which could decline in light of the ongoing global economic turmoil.

Elfian Effendi, Executive Director of the non-profit Greenomics, said the ban should be lifted only on exports to Japan, but only if Japan agreed to forgive Indonesia's foreign debt. Elfian noted that more than 70% of Indonesia's foreign debt is with Japan.

Indonesia Log Prices (domestic)

Indonesia logs, domestic prices	US$ per m³
Plywood logs	
Face Logs	190-233⬇
Core logs	171-204⬇
Sawlogs (Meranti)	178-239⬇
Falcata logs	146-180⬇
Rubberwood	35-61
Pine	161-200
Mahoni (plantation mahogany)	547-573

Indonesia Sawnwood Prices

Indonesia, construction material, domestic		US$ per m³
Kampar (Ex-mill)	AD 3x12-15x400cm	175-193⬇
	KD	197-231⬇
	AD 3x20x400cm	223-246⬇
	KD	227-252⬇
Keruing (Ex-mill)	AD 3x12-15x400cm	239-253⬇
	AD 2x20x400cm	223-241⬇
	AD 3x30x400cm	203-222⬇

Indonesia Plywood Prices

Indonesia ply MR BB/CC, FOB	US$ per m³
2.7mm	413-470⬇
3mm	369-410⬇
6mm	326-392⬇

MR Plywood (Jakarta), domestic	US$ per m³
9mm	266-277⬇
12mm	258-268⬇
15mm	247-261⬇

Other Indonesia Panel Prices

Indonesia, Other Panels, FOB		US$ per m³
Particleboard	Export 9-18mm	220-233⬇
	Domestic 9mm	191-203
	12-15mm	182-193
	18mm	172-184
MDF	Export 12-18mm	264-276⬇
	Domestic 12-18mm	243-254⬇

Indonesia Added Value Product Prices

Indonesia, Mouldings, FOB	US$ per m³
Laminated Boards Falcata wood	317-329⬇
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	513-547⬇
Grade B	467-489⬇

Report from Myanmar

MTE changes sales of teak from FOB to Ex-works

The Myanmar Timber Enterprise (MTE) issued a notice on 6 February 2009 indicating all direct sales of timber would be made on an Ex-works basis in lieu of the usual FOB basis. However, the exception to this rule is where the MTE will continue to act as the shipper. This decision has been taken after an incident occurred on the Rangoon River involving an MTE container that was reportedly shipped by MTE on behalf of a private company (see story below).

As a result of the decision, all sawn timber, secondary processed wood products and logs from direct sales will be made on an Ex-works (sawmill, factory or deposit) basis. This will be applicable to all contracts including those already issued. Exception will be made for some shipments for which export documentation has been processed and an export license issued. In general, the tender quantity is very small, at about 1,000 tons per month, although direct sales volumes are huge.

Heroin seized in Rangoon port

On 25 January 2009, police in Myanmar seized more than 89 kilograms of heroin packed in a container ship bound for Singapore, reported the *AFP*. The ship, Kota Tegap, was Singaporean flagged and left from Rangoon's Asia World Port Terminal, reportedly owned by a 'family of notorious drug traffickers'. The container was owned by the Myanmar Timber Enterprise, which has been subject to US sanctions since last year. The Rangoon police indicated the container was not inspected before leaving the port in Rangoon and was seized on the Rangoon River. A Special Police Force was questioning various government officials and businessmen in light of the recent drug seizure. Myanmar follows Afghanistan as the world's largest producer of opium, which is used to produce heroin.

No price changes for Myanmar logs

As shown below, there have been no changes to prices during the previous fortnight. The next tender sales are scheduled for 22 February 2009.

Myanmar Log Prices (natural forests)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)	
Veneer Quality	Dec	Jan
2nd Quality	-	-
3rd Quality	3,877 (5 tons)	3,623 (4 tons)
4th Quality	3,253 (22 tons)	3,197 (20 tons)
Sawing Quality	Dec	Jan
Grade 1 (SG-1)	2,509 (80 tons)	2,513 (77 tons)
Grade 2 (SG-2)	2,063 (82 tons)	2,148 (82 tons)
Grade 3 (SG-3)	-	-
Grade 4 (SG-4)	1,991 (312 tons)	1,995 (439 tons)
Grade 5 (SG-5) Assorted	1,596 (165 tons)	1,558 (176 tons)
Grade 6 (SG-6) Domestic	1,261 (54 tons)	1,274 (82 tons)
Grade 7 (ER-1)	1,065 (82 tons)	1,017 (51 tons)
Grade 8 (ER-2)	-	-

Hoppus ton=1.8m^3; All grades, except SG-3/5/6, are length 8' x girth 5' &up. SG-3/4/6 are girth 4' &up. SG-3 grade is higher than SG-4 but with lower girth and price.

Logs, FOB	€ Avg per Hoppus Ton (traded volume)
Pyinkado (export)	431 (210 tons)
Gurjan (keruing-exp)	238 (70 tons)
Tamalan	--
Taungthayet	--

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

Report from Brazil

Brazilian forest sector sees falling exports

Folha da Mata Online reported that forest products exported from the State of Pará dropped by volume and value in 2008 compared to 2007 levels, according to a statement made by the Timber Exporting Companies Association of Pará (AIMEX). Exports were USD631 million in 2008, a decrease by value of 20.4% compared to the previous year. Exported timber fell 35.8% by volume, a larger drop than by value. Among the products showing the largest decrease by volume in 2008 were: sawnwood (-41.8%); veneer (-54%); flooring (-24.5%); and plywood (-41.4%). The drop in exports of industrialized and manufactured timber products from Pará was attributed to the delay in approval of forest management and reforestation projects and unfavorable exchange rates, which undermined the performance of the timber sector.

At the end of 2007, Pará's exports decreased due to the US subprime mortgage crisis, since the US civil construction sector accounted for one-third of timber exported from Pará. By the end of June 2008, exports had dropped 8.98% by value and 28.19% by volume compared to the same period of 2007. Despite the crisis, other countries continued buying timber until the third quarter of 2008. As a result, price increases in the third quarter compensated losses from the falling US dollar. Once the general economic crisis began in late October 2008, there was a significant reduction in the purchase of industrial and manufactured timber products, which lowered results for the state of Pará in 2008.

Sao Bento furniture cluster holds optimistic outlook for 2009

After three years of a continuous slump in sales and job generation, furniture companies of the Sao Bento do Sul cluster in the Southern state of Santa Catarina reportedly held high hopes for recovery in 2009. The reason, reported *Diário Catarinese/Centro Gestor de Inovação Moveleiro*, was that April has historically been a refurnishing period in the US and Europe, the main international markets for Brazilian furniture. Companies hope demand will increase again around this time in 2009.

According to the Sao Bento do Sul Trade Association (ACISBS), the furniture sector once accounted for 40% of the local economy. However, the sector currently accounts for only 22%, partially due to the ongoing crisis in the forest sector, along with the growth of other sectors such as the metal, mechanics, textile, cleaning products and services industries. As an initiative for the sector's improvement, the Bento Gonçalves Furniture Industry Association (Sindmóveis) has been implementing activities to promote Brazilian furniture abroad. Aware of the need to make the industry more global, the Association has set an agenda to promote business in other countries in 2009. In 2007, sales abroad only reached BRL1 billion of the total BRL21.3 billion in revenue for the sector - less than 5% of sales of the furniture industry in Brazil.

Alta Floresta wood exports plunged 34% in 2008

Só Notícias reported on the municipality of Alta Floresta's wood products statistics in 2008, noting it was one of the major timber producers in the Brazilian Amazon. Alta Floresta closed 2008 with 32.1% drop in wood product exports. According to the Ministry of Development, Industry and Foreign Trade, exports of various timber products from January to December 2008 reached USD14.2 million, compared to the USD20.9 million recorded in 2007. Exports of timber products faced substantial reductions in trade, including of non-coniferous parts (-22.9%), which were worth USD11.8 million.

Exports of sawnwood cut into sheets (thicker than six millimeters) were USD1.9 million, 52.6% lower than in 2007, when total exports reached USD2.9 million. On the other hand, exports of some items such as Ipe parts (116%) increased in 2008 from 2007. The largest share of exports in 2008 went to the US (USD7.5 million), although overall sales dropped 28.5% from 2007 levels. Alta Floresta exported USD2.2 million to Spain in 2008, a fall of 29.8% compared to 2007. The exception to the slump in exports was Israel, which registered imports of USD1 million, a 28.8% jump from 2007 levels.

Buyers cancel export orders of Brazilian timber

The global economic crisis has continued to affect timber exports from Brazil, reported *Folha de São Paulo*. According to the Timber Producers and Exporters Association (ABPMEX), Brazilian timber producers have already reported a 40% cancellation of export orders. If the external demand for products continues to decrease, the expectation is that timber exports will be reduced by 15-20% in 2009. Foreign importing companies have cancelled orders with already approved credit letters. This situation has never before occurred in Brazil. Even with approved credit, importers are not making purchases because domestic buyers would not be able to consume them.

According to the ABPMEX, 15% of Brazilian solidwood production is exported, with 60% being sent to the US. In 2008, total timber exports reached USD2.7 billion, 17.3% less than in 2007. With the fall of external demand, entrepreneurs have attempted to redirect their products to the domestic market. Some items, however, are made specifically for foreign markets and do not have buyers in the domestic market. This is the case, for instance, of wooden fences manufactured for American houses. Thus, the domestic market cannot absorb all production. Instead, part of the solution will involve reducing production and extension of holiday vacations.

Layoffs in the timber industry may eventually happen, but so far this has not occurred at a significant level. The timber sector has already been facing problems before the economic crisis. In the first half of 2008, the sector already experienced a decline in exports due to the depreciation of the US dollar. When the Brazilian real depreciated against the US dollar because of the economic crisis in the second half of 2008, sales in the domestic market further deteriorated.

Brazil Log Prices (domestic)

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	112
Jatoba	80
Guariuba	53
Mescla (white virola)	58

Brazil Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB		US$ per m^3
Jatoba Green (dressed)		810
Cambara KD		472
Asian Market (green)	Guariuba	266
	Angelim pedra	611
	Mandioqueira	235
Pine (AD)		201

Brazil sawnwood, domestic (Green)		US$ per m^3
Northern Mills (ex-mill)	Ipé	532
	Jatoba	409
Southern Mills (ex-mill)	Eucalyptus (AD)	152
	Pine (KD) 1st grade	199

Brazil Veneer Prices

Veneer, FOB (Belem/Paranagua Ports)	US$ per m^3
White Virola Face 2.5mm	298
Pine Veneer (C/D)	210

Rotary cut Veneer, domestic	US$ per m^3	
(ex-mill Northern Mill)	Face	Core
White Virola	201	168

Brazil Plywood Prices

Plywood, FOB	US$ per m^3
White Virola (US Market)	
5.2mm OV2 (MR)	469
15mm BB/CC (MR)	405
White Virola (Caribbean market)	
4mm BB/CC (MR)	512
12mm BB/CC (MR)	411

Pine Plywood EU market, FOB	US$ per m^3
9mm C/CC (WBP)	275
15mm C/CC (WBP)	252
18mm C/CC (WBP)	250

Plywood, domestic (ex-mill Southern mill)		US$ per m^3
Grade MR (B/BB)	White Virola 4mm	695
	White Virola 15mm	507

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	442
Particleboard 15mm	279

Brazil Added Value Products

FOB Belem/Paranagua Ports		US$ per m^3
Edge Glued Pine Panel		
Korean market (1st Grade)		640
US Market		493
Decking Boards	Cambara	609
	Ipê	1630

Report from Peru

EU to negotiate FTA with Peru, Ecuador and Colombia

The *Peruvian Times* and *Andina* reported that Peru, Ecuador and Colombia have been undertaking negotiations on a Free Trade Agreement (FTA) with the EU. The first meeting for the negotiations was held in early February and the countries hope to conclude their discussions by mid-2009. The negotiations were initially postponed due to Bolivia's refusal to engage in the talks and threats to veto bilateral negotiations. Despite this setback, the discussions with Peru, Ecuador and Colombia are due to continue and address issues such as market access, trade facilitation and sustainable development.

Peru targets 900,000 ha of certified forests in 2009

José Camino, Chief of the National Institute of Natural Resources (INRENA), expects Peru will certify or re-certify 900,000 ha of forests by the end of this year. Camino noted Peru ranked third after Brazil and Bolivia for having the largest area of certified forests in Latin America. He said Peru's goal was to certify about 2 million ha of forests. The areas currently containing the most certified forests in Peru are Huanuco, Madre de Dios, Ucayali, Loreto and Pasco.

Peru Sawnwood Prices

Peru Sawnwood, FOB Callao Port		US$ per m^3
Mahogany S&B KD 16%, 1-2" random lengths (US market)		1798-1844⬇
Spanish Cedar KD select		
North American market		925-948⬇
Mexican market		918-950⬇
Pumaquiro 25-50mm AD	Mexican market	485-515⬇

*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	315-362↓
Grade 2, Mexican market	269-296↓
Cumaru 4" thick, 6'-11' length KD	
Central American market	809-836
Asian market	778-797
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	518-568↓
Dominican Republic	558-569↓
Marupa (simarouba) 1", 6-11 length Asian market	366-388↓

Peru Sawnwood, FOB Iquitos	US$ per m^3
Spanish Cedar AD Select Mexican market	912-938↓
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	299-323↓
Grade 2, Mexican market	266-280↓
Grade 3, Mexican market	145-165↓
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	226-237↓

Peru sawnwood, domestic	US$ per m^3
Mahogany	1137-1188↓
Virola	61-75↓
Spanish Cedar	366-389↓
Marupa (simarouba)	88-101↓

Peru Veneer Prices

Veneer FOB	US$ per m^3
Lupuna 3/Btr 2.5mm	210-215↓
Lupuna 2/Btr 4.2mm	217-243↓
Lupuna 3/Btr 1.5mm	236-248↓

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		406-416↓
Cedar fissilis, 2 faces sanded 4x8x5.5mm		745-755
Lupuna, treated, 2 faces sanded, 5.2x4x8mm		348-359↓
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.		368-388

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	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		1388-1442↓
Cumaru KD, S4S	Swedish market	680-728
	Asian market	980-1085
Cumaru decking, AD, S4S E4S, US market		910-969
Pumaquiro KD # 1, C&B, Mexican market		455-496
Quinilla KD, S4S 2x10x62cm, Asian market		549-590↓
2x13x75cm, Asian market		698-716↓

Report from Bolivia

Bolivia passes new constitution recognizing indigenous rights

According to the *BBC*, a new constitution was enacted by President Evo Morales, which strengthens rights for country's indigenous people. Morales, saying Bolivia had been 'refounded' as a result of the new constitution, is the country's first indigenous president. The new constitution will grant rights to Bolivia's 36 indigenous groups on numerous issues, including setting new limits on ownership of land to 5,000 ha, although the measure is not retroactive. Despite this perceived victory for Morales, opposition to Morales still lingers in the country's eastern lowlands.

Bolivia Sawnwood Prices

Sawnwood 1-3"x3x5"x7-19', FOB Arica Port		$ Avg un. val. per m^3
Mahogany	(US market)	1400-1800
Spanish Cedar	(US market)	800-99
Oak	(US and EU market)	400-760

Bolivia Added Value Product Prices

Doors 13/4"x36"x96", FOB Arica Port		Avg $ per piece
US market	Mara macho/Tornillo (FSC)	100-300
	Yesquero	100-175
	Ochoó	80

Parquet Flooring 3-5"x4-6"x5-13', FOB Arica Port	$ Avg un. val. per m^3
Santos Mahogany (China market)	200-600
Caviuna (FSC) (US market)	500-700
Cumaru (FSC) (US, EU and Asia mkt)	500-1000
3/4"x3-5"x1-7'	
Jatoba (US, EU and Mexico market)	1035-1300
Ipe (EU and Asia market)	1140-1900
Curupay (US market)	1473

Report from Mexico

Community forest programme receives further funding

The National Forest Agency (CONAFOR) received a new loan from the World Bank in the amount of USD100 million to implement its Programme of Communitarian Forest Development (Procymaf) through year 2010. The programme focuses on the management of natural resources of common lands and forest communities, giving particular attention to local development. In 2010, actions to address the mitigation and adaptation of climate change are included in the programme, as well as establishment of commercial forest plantations and the extension of proposals to increase productive capacities of marginalized groups.

Report from Guyana

Log exports off to slow start in 2009

Log exports for the year are off to a slow start owing to the low volumes of harvest in the month of December and the higher demand for Guyana's sawnwood. Only 43 m³ of logs were exported in the second fortnight of 2009, mainly consisting of standard sawmill quality purpleheart heading to destinations in India. Nevertheless, log prices jumped by 52% compared to January 2008 average prices. Log exports in January 2008 were 8,929 m³, which highlights the significant drop in this year's log exports compared with the corresponding period last year. The export markets targeted show a similar trend to that which prevailed in 2008, when the total volume of logs exported was mostly consumed in the Asian/Pacific region and accounting for the majority of volume and value totals. In this region, the two main destinations for Guyana's logs in 2008 were China and India. China consumed 45% of all logs exported while India consumed 42%.

For added value products, shingles showed strong results in 2009 with an 81% increase in value over January 2008. The overall price level has also jumped by 60%. Similarly, the export of other value-added products including doors has increased substantially over the January 2008 levels. The highest revenue earner for January 2009 was Dressed Lumber, accounting for 42% of total export value. Shingles were the second largest revenue earner for the month.

Lending to forest sector on the rise

According to reports from the Central Bank of Guyana, loans and advances to business enterprises in the forest sector have shown considerable increases in 2008 compared to same period of 2007 (January to November). A robust 38.9% increase in investment recorded in the sector reflects a continued interest in Guyana's timber products of Guyana, both locally and internationally.

Guyana establishes REDD Secretariat

As part of its REDD preparedness activities, the GFC received support from Conservation International (CI) Guyana in January 2009 for the establishment of a Reducing Emissions from Deforestation and Degradation (REDD) Secretariat. The Secretariat will be tasked with coordination of relevant activities to link key institutions and stakeholder groups in the implementation of activities and dialogue on REDD.

It is hoped the Secretariat will create a formal structure and framework for REDD activity implementation through the development of a methodology to conduct a national assessment and create a forest carbon stock monitoring system that are appropriate, applicable, feasible and relevant to the Guyana context. Activities are also expected to generate a continuous updated information base on forest carbon storage capacities and serve as the basis for securing global carbon financing mechanisms, performance based payments and positive incentives.

One of the first activities of the REDD Secretariat, working in collaboration with the Guyana Forestry Commission, will be to conduct a nationwide sensitization and consultation programme on climate change and REDD. Several teams were dispatched to various regions in the country with the purpose of engaging forest-based communities and other stakeholders.

A total of 27 outreach sessions were made, with participation from over 35 community groups, including a number of indigenous communities. Additionally, through continuing work of this kind, an integral link will be established to encourage sustainable development and improve livelihoods for local communities including indigenous populations - all within the wider context of sustainable forest management (SFM).

Guyana Log Prices

Logs, FOB Georgetown	SQ - $ Avg unit value per m^3		
	Std	Fair	Small
Greenheart	-	-	-
Purpleheart	220	-	180
Mora	-	-	-

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

Guyana Sawnwood Prices

Sawnwood, FOB Georgetown		$ Avg unit val. per m^3	
EU and US markets		Undressed	Dressed
Greenheart	Prime	-	-
	Select/Standard	509-575⬇	509-785⬆
Purpleheart	Prime	-	-
	Select/Standard	-	594-779⬆
Mora	Select	-	-

Guyana Plywood Prices

Plywood, FOB Georgetown Port			$ Avg unit val. per m^3
Baromalli	BB/CC	5.5mm	-
		12mm	-
	Utility	5.5mm	-
		12mm	427

Report from Japan

MAFF publishes results of timber distribution in Japan

The Ministry of Agriculture, Forestry and Fisheries' (MAFF) survey of lumber factories, including sawmills, plywood factories, and laminated lumber factories, showed the number of factories have fallen since the survey was last conducted in 2001. According to the *Japan Lumber Journal (JLJ)*, although the number of large-scale factories had increased, there were 2,212 less factories than in 2001. The number of plywood factories fell by 62 and laminated lumber factories were 294, 7.8% less than in 2001. Lumber markets have also fallen to 516, down by 51. Those with sales of less than JPY50 million increased from 13 to 35. The amount of lumber enterprises fell to 9,430, 10.9% down from 2001.

End January plywood situation shows little movement

JLJ reported that domestic plywood manufacturers were decreasing their production of plywood by suspending operations in factories using an employment subsidy system. *JLJ* suggested this was a sign prices had hit new lows and had spread across the industry. The publication also reported Japanese manufacturers were switching their foundation materials from plywood to particleboard and MDF wood boards. There is fear in the industry that other manufacturers of wooden construction materials will make similar changes. It is likely the amount of logs traded in January and February will be quite low since there is almost no inventory of logs in the producing regions, with the potential for a drastic decrease in the future.

KM Hybrid Plantation SDN recognized for SFM results

JLJ noted Sabah Afforestation Co.'s investment in KM Hybrid Plantation SDN had been recognized by the Sabah Regional Assembly in Malaysia for its outstanding results in SFM. Koshii & Co., Ltd. and Asahi Woodtec Corporation are joint investors in Sabah Afforestation Co. Sabah Afforestation Co. supports initiatives related to afforestation, forest expansion and harvesting. KM Hybrid Plantation SDN has been involved in producing young Acacia hybrid trees, afforestation and forest expansion in Sabah.

Log and Sawnwood Prices in Japan

Logs for Ply Manufacture, CIF	Yen per Koku
Meranti (Hill, Sarawak)	(Koku=0.278 m^3)
Medium Mixed	8,200
Standard Mixed	8,300
Small Log (SM60%, SSM40%)	7,200
Taun, Calophyllum, others (PNG)	7,600
Mixed light hardwood, G3/4 grade (PNG)	-
Keruing MQ & up (Sarawak)	12,000
Kapur MQ & up (Sarawak)	10,500

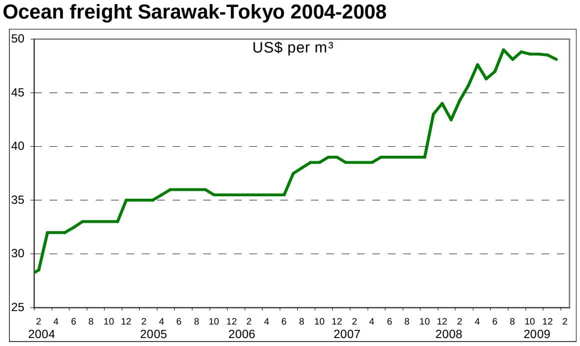
Logs for Sawmilling, CIF	Yen per Koku
Melapi (Sarawak) High Select	11,500
Agathis (Sarawak) High Select	-

Lumber, FOB	Yen per m^3
White Seraya (Sabah) 24x150mm, 4m, Grade 1	145,000
Mixed Seraya, Sangi 24x48mm, 1.8-4m, S2S	53,000

Wholesale Prices (Tokyo)

Indonesian & Malaysian Plywood	Size (mm)	Jan (¥ per sheet)	Feb
2.4mm (thin plywood, F 4star, type 2)	920 X 1830	350 ↓	350
3.7mm (med. Thickness, F 4star, type1)	910 X 1820	490 ↓	490
5.2mm (med. Thickness, F 4star, type 1)	910 X 1820	600 ↓	600
11.5mm for sheathing (F 4star, type 2)	910 X 1820	850 ↓	850
12mm for foundation (F 4star, special)	910 X 1820	890 ↓	890
12mm concrete-form ply (JAS)	900 X 1800	780 ↓	780
12m coated concrete-form ply (JAS)	900 X 1800	960 ↓	960
11.5mm flooring board	945 X 1840	1450 ↓	1300 ↓
3.6mm baseboard for overlays (OVL)	1230 X 2440	750 ↓	700 ↓
OSB (North American)			
12mm foundation of roof (JAS)	910 X 1820	1000	1000
9mm foundation for 2 by 4 (JAS)	910 X 2440	1050	1050
9mm conventional foundation (JAS)	910 X 2730	1250	1250
9mm conventional foundation (JAS)	910 X 3030	1350	1350

Ocean freight Sarawak-Tokyo 2004-2008



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

Report from China

Moderate increase seen in China's forest products trade during 2008

According to the latest statistical data issued recently by the General Administration of China's Customs, the foreign trade of China's forest products rose moderately in 2008, although trade was significantly impacted by the global economic crisis. Statistics showed the total import and export value of the forest sector's products (including non-wood forest products) reached just over USD63 billion, a year-on-year increase of 9.6%. However, the growth rate decreased by 12.9 percentage points from 2007. Of the total, the import value grew 14% to over USD27 billion and the export value of forest products rose 6% to USD35.9 billion.

In 2008, the total foreign trade value of China's major forest products accounted for 32% of the national total value of the forest sector's output. Of the total, the export value of China's forest products accounted for 18.5% of total output value. The total value of China's major forest product foreign trade represented 2.5% of the national total in 2008, dropping 0.18% from 2007.

1.1 Imports

1.1.1 Logs

Log imports totaled 29.57 million m^3 and were valued at USD5.18 billion in 2008, down 20% by volume and 3% by value from 2007. In terms of value, log imports ranked third after pulp and waste paper. The imports of tropical logs were 7.18 million m^3, accounting for 24% of total log imports, up 1.6% from 2007.

Russia remained the most important supplier of logs in 2008. China imported 18.67 million m^3 of logs from Russia, representing 63.1% of China's total logs imports. Other significant suppliers in 2008 were Papua New Guinea (2.23 million m^3 and 7.5% of total imports), New Zealand (1.91 million m^3 and 6.5%), Solomon Islands (1.16 million m^3 and 3.9%) and Gabon (1.08 million m^3 and 3.6%).

1.1.2 Sawnwood

Sawnwood imports totaled 7.18 million m^3, valued at USD2.039 billion in 2008, up 9.6 % by volume and 15 % by value from 2007.

Imported sawnwood was mainly supplied by Russia (1.97 million m^3 and 27.4% of total sawnwood imports), Canada (1.13 million m^3 and 15.8%), the US (1.04 million m^3 and 14.5%), Thailand (0.79 million m^3 and 11%) and Malaysia (0.25 million m^3 and 3.5%).

1.1.3 Wood-based panels

Imports of various wood-based panels continuously decreased in 2008. Of the total, plywood imports were 293 900 m^3 and valued at USD167 million, down 4% by volume and 1.7% by value from 2007. Fiberboard imports totaled 318,200 tons valued at USD140 million, down 27% by volume and 16.9% by value from 2007.

Particleboard imports totaled 243,200 tons and were valued at USD92 million, down 28.7% by volume and 13.6% by value from 2007.

1.1.4 Paper pulp and waste paper
Pulp imports totaled 9.52 million tons and were valued at USD 6.7 billion in 2008, up 12% by volume and 20.8% by value from 2007. Waste paper imports totaled 24.2 million tons and were valued at USD5.5 billion, up 7% by volume and 37.5 % by value from 2007.

1.1.5 Paper, paperboard and paper products
Paper, paperboard and paper products imports totaled 3.74 million tons, which were valued at USD4.36 billion in 2008, down 11% by volume and up 1.8% by value from 2007.

1.1.6 Wooden furniture
China imported a total of 3.15 million pieces of wooden furniture in 2008, which was valued at USD312 million, up 26.9% by volume and 41.5% by value from 2007.

1.2. Exports

1.2.1 Wooden furniture
China exported a total of 243.4 million pieces of wooden furniture in 2008, valued at USD11.021 billion, down 14.4% and up 3.1% respectively over the last year. Due to the global economic crisis in late 2008, traditional Chinese furniture importing countries such as the US and Japan as well as European countries reduced their imports. China's furniture exports were subject to considerable decline for the first time in the last ten years. The value of wooden furniture exports rose 3%, but its growth rate fell 18.6%.

Among exported national forest products, wooden furniture plays an important role. In terms of export value, wooden furniture accounted for 30.7% of the total value of national major forest products in 2008.

1.2.2 Paper, paperboard and paper products
Paper, paperboard and paper products exports totaled 6.14 million tons and were valued at USD7.698 billion in 2008, down 10% by volume and up 8.5% by value from 2007. All kinds of paper products had the highest growth rates. Being the second largest exported forest products, its export value accounted for 21% of the total export value of forest products in 2008, although its export volume fell nearly 10%.

1.2.3 Other Wood products
All kinds of other wood products, including wooden doors, windows and flooring as well as wooden handicrafts, tableware and package materials, were worth a total value of USD3.3 billion, down 9% from 2007. In terms of export value, this kind of product ranked fourth in China's total exported forest products and accounted for 9% of the total export value of forest products.

1.2.4 Plywood
Plywood exports totaled 7.18 million m³ and valued at USD3.4 billion in 2008, down 18% by volume and 5% by value from 2007. Plywood exports grew rapidly before 2007. However, its export growth rate slowed in 2007 and was negative in 2008. The export value of plywood represented 9.5% of total forest products export and ranked third in terms of China's total exported forest products in 2008.

1.2.5 Fiberboard and particle board
Fiberboard exports totaled 1.88 million tons and valued at USD1.094 billion in 2008, down 17.6% in volume and up 0.8% in value from 2007. Particleboard exports totaled 243,200 tons valued at USD91.85 million, down 28.7% in volume and 13.6% in value from 2007.

Guangzhou City Imported Timber Market

Logs	Yuan per m^3
Lauan (50-60cm)	1900-2300
Kapur	1900-2350
Merbau 6m, 60cm diam.	4400-5300
Teak	12000-15000
Wenge	8500-10000
Sawnwood	
Teak sawn grade A	8500-9500
US Maple 2" KD	8800-12300
US Cherry 2"	14700-15000
US Walnut 2"	17000-17400
SE Asian Sawn 4m+, KD	3800-4000

Shanghai Furen Wholesale Market

Sawnwood		Yuan per m^3
Beech KD Grade AB		2500-3200
US Cherry, 25mm		9500-10000
US Red Oak, 50mm		9800-10500
Sapele 50mm FAS (Congo)		
	KD (2", FAS)	5500-5600↓
	KD (2",grade A)	4500-4600↓

Shandong De Zhou Timber market

Logs		Yuan per m^3
Larch	6m, 24-28cm diam.	1130↓
White Pine	6m, 24-28cm diam.	1230↓
Korean Pine	4m, 30cm diam.	1450↓
	6m, 30cm diam.	1550↓

Hebei Shijiangzhuang Wholesale Market

Logs		Yuan per m^3
Korean Pine 4m, 38cm+ diam		1900↓
Mongolian Scots Pine	4m, 30cm diam.	1300↓
	6m, 30cm+ diam.	1350↓
Sawnwood		
Mongolian Scots Pine	4m, 5-6cm thick	1420↓
	4m,10cm thick	1480↓

Zhejiang Jiashan Kaihua International Timber Market

Logs	Yuan per m^3
Okoume 80cm+	2800-3400↓
Sapele 80cm+	6000-6500
Wenge 80cm+	13000-14000
Plywood	
US Black Walnut 4x8x3 mm	6000-8000
Beech 4x8x3 mm	6000-8000
Teak 4x8x3 mm	6000-8000
Poplar (4x8x3-5 mm)	3000-4000

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

Report from Europe, the UK and Russia

EC establishes bilateral mechanism on FLEG

On Friday 30 January 2009 the Chinese government and European Commission established an EU-China bilateral coordination mechanism on Forest Law Enforcement and Governance (FLEG). The agreement was signed by Mr. Zhu Lieke, Vice-Minister of the Chinese State Forest Administration and Commissioner Dimas of the EC in the presence of EC President Manuel Barroso and Chinese Prime Minister Wen Jiabao.

The mechanism will provide a framework for policy dialogue and joint activities on issues such as timber legality verification, supply chain transparency and public and private procurement policies for timber and timber products. It also foresees the possibility of trilateral cooperation with third countries. It is expected that the mechanism will encourage the development of shared approaches to timber legality verification, in which it is likely that the systems established by countries negotiating FLEGT Voluntary Partnership Agreements with the EU will feature prominently.

Changing trends seen in European hardwood market

Until recently, the European flooring market was a key growth area for hardwood products. As in other sectors, the global economic crisis is having a significant impact on reducing short term growth prospects. It is also encouraging manufacturers to take a good hard look at their investment, sourcing and marketing strategies. While the long term outlook for hardwood flooring in Europe remains positive, there will be great pressure on materials suppliers – particularly of tropical hardwoods - to adapt quickly to new emerging demands if they are to remain competitive.

Market reports indicate that European flooring manufacturers are currently finding it very hard to generate new orders for their products and many have now built up large unsold inventories of finished goods. Producers of three-ply and multi-ply parquet that have pushed ahead with capacity development in recent times have been particularly hard hit.

Nevertheless, the flooring sector appears to be weathering the downturn better than most other hardwood end-using sectors, such as furniture and joinery. As a ‘finishing trade’, the European flooring sector was slower to respond than other timber industry sectors to the recent dramatic downturn in European residential markets. The sector has also been partially insulated from the downturn as people who can no longer afford to move home or who are unable to sell their existing home tend to spend proportionally more on renovation and restoration.

A UK-based flooring supplier noted in a recent *TTJ* article that ‘there are pockets of new build that have continued [in the recent downturn], but….the split is now 70:30 in favor of refurbishment, stimulated by the consumers decision to improve their homes rather than move’. The same *TTJ* article notes that while the residential market still represents the biggest chunk of business for major flooring players, the commercial sector has proved more immune to the downturn. It is now seen, in the UK at least, as the most promising, though not necessarily dramatic growth area.

Fall in flooring production and sales in 2008

Trade analysts suggest that European parquet floor production may have declined between 12% and 18% during 2008. Drawing on a member survey, FEP (European Parquet Federation), suggest that overall sales dropped by around 7% compared to 2007. Production in 2008 is estimated at between 82,000 million m² and 88,000 million m², while consumption at around 104 million m². This is the first significant turnaround in an upward trend in the European flooring market on-going since at least the mid 1980s. The European flooring sector is now bracing itself for an even slower year in 2009.

In absolute production figures, Sweden and Poland are the largest producers of wooden parquet flooring in Europe (each accounting for around 16%), followed by Germany (accounting for around 13%). Germany is Europe’s largest parquet market followed by Spain, Italy and France.

In contrast to the North American market which prefers solid wood flooring, the European market for wood flooring is dominated by engineered products. The popularity of engineered wood flooring is underpinned by its versatility and stability. Unlike solid wood flooring, it is less affected by movement in response to changes in atmospheric moisture. It can be used with under-floor heating and is also popular in apartments because sound insulation can be fitted underneath the wood.

Focus on high value

European real wood flooring manufacturers have faced increasing competition in recent times from manufacturers of wood look-a-like products in vinyl and laminated products with a décor paper face over a softwood or panel substrate. The quality, look and feel of these products have improved to such an extent that it can be difficult for the non-specialist to tell them apart from real wood products. Pricing of these products is often extremely low - so low that some European flooring distributors are withdrawing from this end of the market altogether in response to extremely tight margins.

Increasingly the only realistic strategy for long-term development of the real wood flooring market is to focus on the high end of the market, emphasizing long term technical performance, customer service, strong aesthetic appeal, superior design, and the strongest green credentials. These elements form key components of the ‘Real Wood’ campaign led by the European Parquet Flooring Federation (FEP), which is now supported by 53 leading European flooring manufacturers.

Changing relationship with Asian flooring manufacturers

This increased focus at the high end of the market also seems to be altering the relationship between European flooring manufacturers and suppliers in emerging markets, notably China. A key component of any high end marketing strategy must be to ensure proximity to the final customer. Manufacturers need to maintain a very detailed and up-to-date understanding of species, colors, finishes and trends and can benefit through linkage of products to broader interior design services for customers.

Increasing availability of relatively cheap real wood flooring products imported from China has played an important role in recent years to help generate demand for these products in the European market. During the growth years, European manufacturers sought to benefit from cheaper labor and production costs in East Asia either through direct investment in manufacturing capacity or through sales agreements with East Asian companies. While such tie-ups may continue into the future, signs of a change in direction are becoming more apparent as sales have slowed and competition intensified.

Some European manufacturers now seem to be actively reducing their links with Far Eastern manufacturers. The reasons are complicated and multi-faceted reflecting changing circumstances both in Europe and Asian manufacturing countries. The economic downturn has made the trend more obvious as leading European producers have been encouraged to concentrate on their own production first. But even before this, rising costs in China were making it a less attractive proposition for European manufacturers. At the same time, some Chinese manufacturers having built up the necessary technical knowledge and marketing expertise in partnership with European and other western companies, are now choosing to go it alone and to market their own brands. The economic crises in western countries has reinforced this strategy for Chinese companies that now see that long term opportunities for market development are just as likely to emerge in their domestic market as they are in Europe and North America.

European companies increasingly see that their best opportunities to counter the threat both from emerging Chinese brands and from non-wood products lie in a move up-market and exploiting the advantages to be gained from proximity to the European customer. Focusing on their domestic production has the advantage of ensuring tighter control of product quality and standards and allows more rapid and sensitive adjustment to customer preferences and changing fashions.

The green issue

Although less significant than other factors of cost and quality control, the ability of European flooring companies to respond to the green concerns of customers and other interests is another factor driving increased emphasis on high value domestic production in the European flooring sector. There is broad recognition in this industry that there is very limited end-user demand for specific product labels. Environmental issues are generally low in the list of factors influencing consumers purchasing decisions – compared to price, quality, performance and follow-up service.

On the other hand many consumers want to feel good about the flooring products they buy and want reassurance that they are not contributing to excessive environmental destruction. Manufacturers and distributors have a strong interest in protecting their brands against negative publicity of any sort. There is a perception that East Asian manufacturers drawing on complex wood raw material from fragmented and complex supply chains may have more difficulty responding to emerging European requirements to demonstrate that wood does not derive from illegal or unsustainable sources. This inability to provide adequate assurances of legal and sustainable sourcing might undermine broader efforts to market wood flooring as the most environmentally benign flooring material.

Species and fashions

In terms of species, the European flooring sector is dominated by oak which accounts for around 56% of European real wood floor manufacturing. Other temperate hardwood species (notably walnut, ash, and cherry) also play a leading role. One recent report suggests that jarrah is becoming more popular for commercial projects due to its color and environmental credentials. The share of tropical hardwood in the sector has been hovering in the range 13% to 16% in recent years showing no clear trend either up or down. More recent anecdotal reports, however, suggest that the trend is likely to be downwards. Late last year, concerns over commercial availability and sustainability issues led two major European producers - Weitzer in Austria and Meister in Germany – to announce that they would no longer source any tropical hardwood.

However there are some trends that should favor tropical wood species in the sector if other marketing and supply issues could be resolved. There have been widely reported fashions towards a preference for darker and more interesting exotic species in the furniture and flooring sectors. Design trends have also focused on sharply contrasting light and dark colors, on mixing textures, and therefore on widening the pallet of materials used.

But while these trends exist, it is also clear that rather than increase their use of tropical timbers, many manufacturers prefer to adapt temperate species by staining and other treatments. With modern stains and finishes, manufacturers can now achieve the desired look almost no matter what the species. They are also promoting heavily the natural ‘rustic’ characteristics of temperate hardwoods, making a virtue of the color variations and knots which are often a feature of temperate hardwoods.

Technical developments

There is also growing interest in heat treatment of temperate hardwoods and softwoods to achieve the hardness necessary for flooring applications. At present lack of heat-treating capacity, relatively high costs and remaining technical issues (for example heat treatment can be associated with increased brittleness) have meant that use of heat treated products is not widespread in the flooring sector. But European commentators generally expect these products to become increasingly important in the future, taking market share specifically from tropical hardwoods.

CE Marking

Another issue likely to impact on market access in the future will be the ability of manufacture products with appropriate CE Marking. At present CE Marking to the standard EN 14342 standard 'Wood flooring - Characteristics, evaluation of conformity and marking' is not obligatory. The EC had intended to introduce mandatory CE Marking from the 1 March 2009. However a recent press release issued by FEP suggests that this deadline has been postponed for another year. Mandatory CE Marking is now expected to be required from 1 March 2010 onwards. According to EN 14342, in order to CE-mark wood flooring, a manufacture must have documented conformity to an internal production control system and must perform an initial type testing.

EC Illegal logging proposal being considered by European Parliament

The European Commission (EC) proposals for new legislation designed to remove illegal wood from the supply chains of products destined for the European market are now being considered for adoption by the European Parliament and European Council.

The proposal has been influenced by the US Lacey Act Amendment passed in the US in May 2008, but differs in some significant respects. The US Lacey Act makes it an offence in the US to trade in any wood product sourced in contravention of the laws of any other country. It therefore strongly implies, but does not require, that timber trading companies in the US implement management systems to minimize the risk of any illegal wood entering their supply chains.

In contrast, the EU's proposed legislation would not make it illegal in the EU to trade in wood products in contravention of the laws of another country. The EC believes it impractical for European prosecutors to gather sufficient evidence to make a conviction. The EC has therefore proposed that the new legislation places a direct obligation on European operators to implement a 'due diligence system', essentially a management system to minimize the risk of any illegal wood entering their supply chains (sometimes referred to as a 'due diligence system').

The due diligence obligation would extend only to those operators that 'first place' a forest product on the European market. This is currently interpreted as including forest product importers and primary producers. The proposed legislation would extend to European importers and primary producers of all wood and wood based products (including furniture) as well as pulp and paper products.

Under the terms of the proposed legislative framework, while the European Commission would have responsibility for developing more detailed guidelines, for example on appropriate procedures for risk assessment of suppliers, the individual EU Member States would be responsible for enforcement and imposition of sanctions.

These proposals were the main focus of discussions involving a wide range of European policy makers at the Royal Institute of International Affairs in London during January. These discussions indicated that there is strong support in the EU for some form of legislation designed to prevent imports of illegal wood into the EU. But there is still lack of agreement over whether the EC's proposal is the right approach.

Some EU politicians and environmental groups clearly do not feel the proposals go far enough and pushed for a Lacey-style offence for trade in illegally sourced wood to be introduced alongside the requirements for a due diligence system. There was concern that the concept of due diligence was too vague and not sufficiently well defined in the draft legislation. There was also concern that EU regulatory authorities would have insufficient expertise and knowledge to ensure effective implementation. The effectiveness of due diligence systems might vary widely between EU Member States. This might encourage less scrupulous suppliers to feed products into the EU market by way of Member States with softer regimes.

Nor was there confidence in the ability of timber trading companies throughout the EU to develop and adopt appropriate procedures. To date only four EU timber trade federations are promoting environmental timber procurement policies for their members that might meet the requirements for due diligence as set out in the EC proposal and these have taken years to develop and implement effectively.

On the other hand, EC representatives emphasized that due diligence procedures need not be complicated and that sufficient capacity could be built up with appropriate support. The existing trade association environmental policy frameworks provide a model on which to build. EC officials also noted more comprehensive details of appropriate due diligence systems would be drawn up following passage of the framework legislation.

The legislative proposal is unlikely to become law until after the European Parliamentary elections in July 2009. If passed, there would be a two year phase-in period during which more detailed regulations would be developed and Member States would prepare their enforcement regimes. Therefore the earliest the due diligence requirements might be imposed on EU operators is the second half of 2011.

The Netherlands Sawnwood Prices

FOB (Rotterdam)	USD per m^3
Sapele KD	876⬇
Iroko KD	948⬇
Sipo KD	1013⬇
DRM Bukit KD	918
DRM Seraya KD	918
DRM Meranti KD Seraya MTCC cert.	953
Merbau KD	1130
Sapupira (non FSC) KD	883
Sapupira (FSC) KD	1398
Anti-slip decking AD C&F Rotterdam	
Selangan batu	1342

UK Log Prices *note: sources for UK prices have changed

FOB plus commission		€ per m^3
N'Gollon (khaya)	70cm+ LM-C	330-360
Ayous (wawa)	80cm+ LM-C	220-230
Sapele	80cm+ LM-C	330-380
Iroko	80cm+ LM-C	310-330⬆

UK Sawnwood Prices

FOB plus Commission	Pounds per m^3
Framire FAS 25mm	390-410
Sipo FAS 25mm	650-690
Sapele FAS 25mm	520-540
Iroko FAS 25mm	600-630
Wawa No.1 C&S 25mm	285-295
CIF plus Commission	
Tulipwood FAS 25mm	315-330
Meranti Tembaga Sel/Btr (KD 2"boards)	550-570
Balau/Bangkirai Decking	800-850
White Oak	485-525

UK Plywood and MDF Prices

Plywood Panels 8x4", CIF	US$ per m^3
Brazilian WBP BB/CC 6mm	500-515
Malaysian WBP BB/B 6mm	490-510
China (hardwood face, eucalyptus core) 18mm	330-340
China (hard face, poplar core) 18mm	310-330

Report from North America

Amendments to the US Lacey Act to be implemented in April 2009

Changes to the US Lacey Act (16 U.S.C. 3371 et seq.) that were enacted in May 2008 have attracted considerable attention among timber producers and traders. However, there has also been some misunderstanding of the Lacey Act. The following is a brief summary of these new provisions.

The Lacey Act was initially enacted in 1900; it is the oldest national wildlife protection statute in the United States. Prior to the 2008 amendments, the Lacey Act was an anti-trafficking measure covering a broad range of fish and wildlife, but relatively few plants. The amendments expand the scope of plants covered so that the Act can, among other things, serve as a tool to help the US support the efforts of other countries, as well as its own states, to combat illegal logging. Specifically, with these amendments, the Lacey Act now makes it unlawful to, among other things, import, export, transport, sell, receive, acquire, or purchase in interstate or foreign commerce any plant, with some exceptions, taken or traded in violation of the laws of a US state and most foreign laws.

The definition of the term 'plant' in the amended Lacey Act includes 'any wild member of the plant kingdom, including roots, seeds, parts, and products thereof, and including trees from either natural or planted forest stands'. There are certain exclusions, including: (1) common cultivars (except trees) and common food crops; (2) live plants that are to remain or be planted or replanted; and (3) scientific specimens of plant genetic material to be used for research. Exclusions under (2) and (3) do not apply for those species that are listed in an Appendix to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), as endangered or threatened under the US Endangered Species Act, or pursuant to any US state law providing for conservation of indigenous species threatened with extinction.

As of 22 May 2008, if a tree is illegally harvested, made into wood products, and then exported to the US, anyone who imported, exported, transported, sold, received, acquired or purchased the wood products made from that illegal timber, who knew or should have known that the wood was illegal, may be prosecuted for violation of the Lacey Act. The defendant need not be the one who violated the foreign law; the plants or timber, and the products made from the illegal plants or timber, become 'tainted' even if someone else commits the foreign law violation. However, the defendant must know, or in the exercise of due care should know, about the underlying violation. Illegal plants and plant products may also be seized and forfeited whether or not the person from whom they are seized knew of the illegal nature of the product. In any prosecution or forfeiture under the Lacey Act, the burden of proof of a violation rests on the US government.

The 2008 amendments also introduce the requirement for an import declaration for plants entering the US. Enforcement of this requirement will be phased in, beginning 1 April 2009, or as soon thereafter as the electronic system used to collect customs information is revised to collect the new information.

The plant import declaration will require the scientific name of the plant (tree genus and species), quantity and value of the importation and name of the country where the timber was harvested. The plant import declaration does not require information on legality and does not require certification of any kind.

A revised schedule for the initial phase-in of enforcement of the plant import declaration was published in the US Federal Register on 3 February 2009. In the initial stage (starting 1 April 2009 or soon thereafter), the requirement for the declaration will be enforced for the following Harmonized System (HS) tariff classifications:

HS code	Brief description
4401	Fuel wood
4403	Wood in the rough
4404	Hoopwood, poles, posts, stakes
4406	Railway and tramway sleepers
4407	Wood sawn or chipped lengthwise
4408	Sheets for veneering
4409	Wood continuously shaped
4417	Tools, tool handles, broom handles
4418	Builder's joinery

Current information on implementation of the amended Lacey Act can be found on the USDA-APHIS webpage: www.aphis.usda.gov/plant_health/lacey_act/.

US EPA to hold public hearings on formaldehyde emissions

The US Environmental Protection Agency (US EPA) has extended the deadline for public comment on its investigation on formaldehyde emissions from pressed wood products. In addition to extending the period of comment on the Federal Register information of 3 December 2008 to 19 March 2009, it is also holding a public consultation on the issue on 4 March 2009 at 1 pm in the Sheraton New Orleans Hotel. The investigation is to generate public feedback on the proposed national extension of California's regulations on formaldehyde emissions from hardwood plywood, particleboard, and MDF.

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.

Ahead of the United Nations Framework Convention on Climate Change in December, the European Union (EU), through its executive branch, the European Commission (EC), has tabled a proposal for developed countries to cut their emissions levels. The EC's proposal presents various options for increasing international funding for developing countries like Malaysia, including requiring EU and other economic powers to help defray the costs related to reducing greenhouse gases emitted by developing nations.
http://www.bernama.com/bernama/v5/newsbusiness.php?id=387324

China declared the highest level of emergency in response to the rare drought which began in November. President Hu Jintao and Premier Wen Jiabao have ordered all-out efforts to combat the severe drought in the country's vast wheat-growing area to ensure a good summer harvest. About half of the total, or 78.77 million mu (5.25 million hectares) of the affected wheat lands have been irrigated in the nation's eight wheat-growing provinces as of 5 February, according to data released by the Ministry of Agriculture (MOA).
http://english.people.com.cn/90001/90776/90882/6587599.html

Chinese scientists said glaciers that serve as water sources on the Qinghai-Tibet plateau are melting at a 'worrisome speed', having receded 196 km^2 over the past nearly 40 years. The decline is equal to about one-fourth of the area of New York City. Xin Yuanhong, senior engineer in charge of a three-year field study of glaciers in the region, said glaciers at the headwaters of the Yangtze, China's longest river, cover 1,051 km^2, down from 1,247 km^2 in 1971.
http://english.people.com.cn/90001/90776/90881/6586178.html

The Forestry Research Institute of Ghana (FORIG) has expressed its worry over the high rate at which medicinal plants in the country were becoming extinct. This development, according to the Institute, could have a multiplying negative effect on the nation's bid to achieve a breakthrough in the development of the health sector and traditional plant medicine, if serious measures were not adopted to improve the situation.
http://news.myjoyonline.com/news/200902/26060.asp

Local furniture dealers in Mombasa are facing a major onslaught from importers despite high prices. The coastal town has experienced a mushrooming of furniture marts, showrooms and workshops in the recent past with most selling fittings imported from China and Malaysia.
http://www.bdafrica.com/index.php?option=com_content&task=view&id=12632&Itemid=5880

The World Resources Institute (WRI) and NewPage Corporation announced a partnership to protect forests in Indonesia. NewPage will substantially fund WRI's 'Project POTICO' (Palm Oil, Timber, Carbon Offsets), an initiative to combat illegal logging and preserve virgin rainforests in Indonesia by diverting new oil palm plantations to degraded lands.
http://sev.prnewswire.com/paper-forest-products-containers/20090205/NY6714705022009-1.html

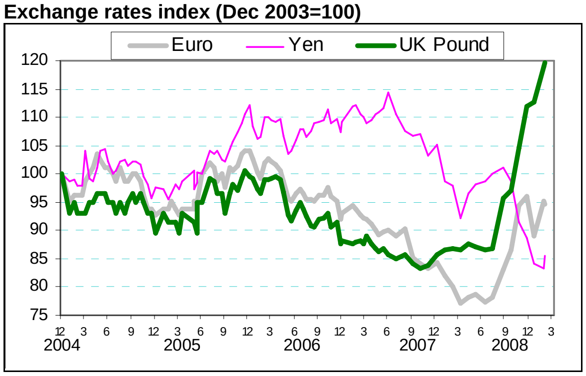
The local mahogany industry will be boosted by the establishment of a local mahogany carving business for furniture making in Vatuwaqa, Fiji. Extreme Pacific Furniture formally began late last year with seven local and two expatriate employees with a total investment of USD100,000. Managing Director Manoj Kumar said he was happy that in the next five years he would be able to utilize some of the best local mahogany timber while contributing to the livelihood of mahogany farmers, most of whom were indigenous Fijian.
http://www.fijitimes.com/story.aspx?id=112683

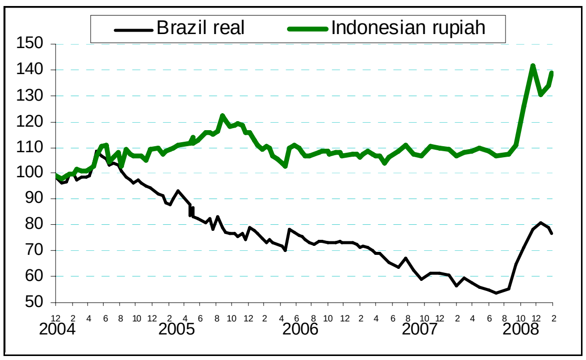
Main US Dollar Exchange Rates

As of 15 February 2009

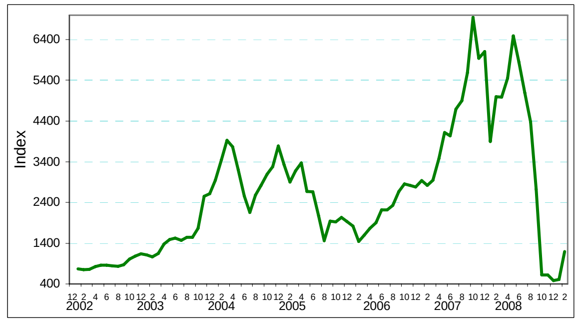
Brazil	Real	2.2553	⬆
CFA countries	CFA Franc	508.957	⬇
China	Yuan	6.8397	⬆
EU	Euro	0.7759	⬇
Indonesia	Rupiah	11,765.00	⬆
Japan	Yen	91.97	⬆
Malaysia	Ringgit	3.6049	⬇
Peru	New Sol	3.2383	⬆
UK	Pound	0.6944	⬆

Exchange rates index (Dec 2003=100)





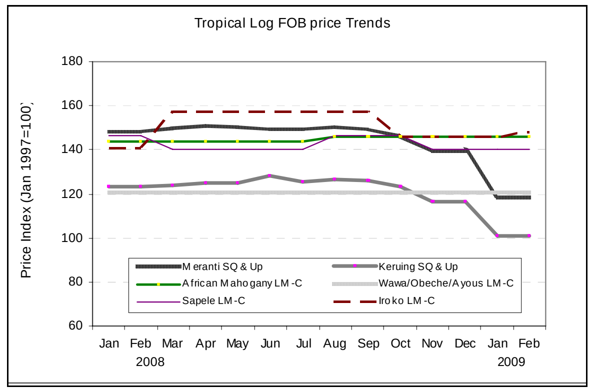
Ocean Freight Index



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

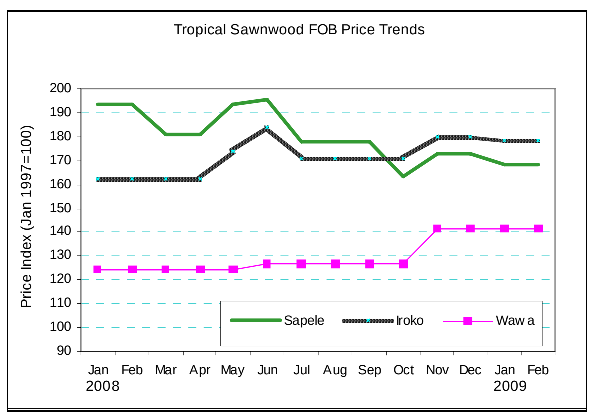
Appendix. Tropical Timber Price Trends

Tropical Log Price Trends



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

Tropical Sawnwood Price Trends



**Please note that our price series have changed since January 2008. Prices for selected UK imported species, which are used in log and sawnwood price charts above, are now collected from different suppliers.*

Abbreviations and Equivalences

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

Tropical Plywood Price Trends