Tropical Timber Market Report since 1990

Volume 14 Number 5, 1-15 March 2009

The ITTO *Tropical Timber Market* (*TTM*) *Report*, an output of the ITTO Market Information Service (MIS), is published in English every two weeks with the aim of improving transparency in the international tropical timber market. Its contents do not necessarily reflect the views or policies of ITTO. News may be reprinted without charge provided that the ITTO *TTM Report* is credited. A copy of the publication should be sent to the editor.

Snapshot

A number of price rises were seen over the past fortnight, as some select species of logs from West Africa were in short supply. Demand from European buyers continued to be low, with UK buyers expecting little turnaround in demand in the near term and traders focused on reducing existing stocks.

Disappointing results were posted in producer countries for January 2009. Malaysian timber exports fell to a 28-year low in January 2009. The volume of logs sold in Myanmar's tenders plummeted to new lows in January 2009, although there was a temporary surge in sales in February 2009. Brazil's timber exports also suffered setbacks in the Alta Floresta region during January 2009. Guyana was an exception to the negative trends seen in January 2009, as it garnered substantial price gains for many of its products exported to the US.

The furniture industry in Indonesia held an optimistic outlook for 2009, with some anticipating a 15% increase in exports due to new business opportunities resulting from massive closures of China's furniture enterprises. Demand for West African logs from Vietnam was also stable, as it continued to import its raw material needs for the country's booming furniture industry. Brazil's Association of Fine Furniture and Decoration Accessories (ABIMAD) fair also yielded positive results, with the event generating sales close to USD1.2 million.

Headlines

Contents

Report from Central/West Africa

Log prices firm up

Confirming price forecasts at end-February, there have been higher export prices for logs of a limited number of selected West African species. Reports indicate a shortage in supply has enabled producers to ask for higher prices as buyers look for sufficient volumes to make shipments viable. Almost all demand is from India and China, although Vietnam is still an active buyer for its steadily expanding furniture manufacturing companies. In these market conditions, price movements tend to be much larger than in more stable times and this applies to losses as well as (what may be temporary) gains.

Lumber prices have not yet shown any changes following increases in log prices, but business for sawn and processed lumber has been very low, with many mills still closed or working only at low capacity, and with little improvement forecast for Europe in the second and third quarter. As a consequence, sawmills are unlikely to successfully push for price rises in the short-term. Sapele lumber is an exception and prices in the region have been very weak with low or no demand from European buyers. UK reports are of importers and merchants selling existing stocks of sapele and other tropical hardwoods at below replacement prices when losses from the falling value of the British pound are taken into account. Both the UK pound and the euro have fallen heavily against the US dollar, making stock replacement values seem high in comparison to prices paid last autumn.

The currency factor does favor West African producers who sell in euros against Far East prices in US dollars. This has given some confidence to West African producers despite the recent downfalls of prices for some major species. As the second quarter approaches there is little prospect of reviving European demand and exports to China.

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	179↑	179↑	
Belli	170↑	170↑	-
Bibolo/Dibétou	160	140↓	
Bubinga	533	457	381
Iroko	257	260	220
Okoume (60% CI, 40% CE, 20% CS) (China only)	140↑	-	-
Moabi	289	289	206
Movingui	160↓	160↓	137
Niove	133↑	133↑	-
Okan	160↑	160↑	122
Padouk	270↑	250	215
Sapele	225	220	150↓
Sipo/Utile	280↓	280↓	215↓
Tali	180↑	180↑	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

Ghana's wood products show marginal rise

During the period January to December 2008, Ghana exported 20 wood product items with a total volume of 545,910 m³. Compared to the corresponding period in 2007, Ghana's timber and wood products exports increased 3.3%. Revenue from these wood products rose 1.3% to EUR186.6 million in the corresponding period. The table below shows Ghana's timber and wood products exports for the January to December period in 2007 and 2008:

Product	Jan - Dec 2007		Jan - Dec 2008		% change	
Sawn Timber	Vol m³ ('000)	Val (Eur) (million)	Vol (m³) ('000)	Val (Eur) (million)	Vol (m³)	Val (EUR)
Lumber (AD)*	85.17	25.31	73.89	21.07	(13.2)	(16.8)
Lumber (KD)	120.48	47.51	117.49	46.29	(2.5)	(2.6)
Veneer:	-	-	-	-	-	-
Sliced Veneer*	38.83	31.51	40.51	32.36	4.3	2.7
Rotary Veneer	28.9	6.93	29.05	7.26	0.5	4.8
Curl Veneer	0.2	2.05	0.12	1.07	(40.0)	(47.8)
Plywood*	128.66	34.57	138.39	41.03	7.6	18.7
Furniture Parts	0.39	0.74	0.04	0.07	(89.7)	(90.5)
Moldings	28.32	12.36	25.17	11.62	(11.1)	(6.0)
Boules (AD+KD)	6.68	3.22	4.79	2.42	(28.3)	(24.8)
Parquet/Flooring	3.84	2.41	2.51	1.86	(34.6)	(22.8)
Other	87.11	17.56	113.95	21.55	30.3	22.7
TOTAL:	**528.58**	**184.17**	**545.91**	**186.6**	**3.3**	**1.3**

* 1-Lumber (AD) includes lumber overland
2- Sliced veneer includes layons
3-Plywood includes overland

Table 1: Ghana exports of wood products, 2007-2008 (Source: TIDD)

From January to December 2008, plywood exports were EUR41.03 million, based on a volume of 138,390 m³. During the corresponding period in 2007, plywood exports were registered at 128,660 m³ by volume and worth EUR34.57 million. Based on these figures, plywood exports for 2008 jumped 7.6% by volume and 18.7% by value compared to 2007 levels. Overland exports to neighboring countries were 124,257 m³, accounting for 89.8% of the total plywood exports for the period and contributing 89% to the total export value. Nigeria was the largest importer of Ghana's plywood exports, accounting for about 74.6% by volume and 80.7% by value. Naja David Veneer, John Bitar &Co Ltd, Samartex Timber and Plywood and Ghana Prime wood were among the leading exports of plywood, with the main species being ceiba, mahogany, chenchen, asanfina and ofram.

For the period January to December 2008, rotary veneer exports were 29,050 m³ and valued at EUR7.26 million. Comparing figures from 2007 and 2008, veneer exports were 0.5% higher by volume and 4.8% by value. The leading species were ceiba, essa, otie and koto/kyere. The US continued its dominance as the largest destination of Ghana's rotary veneer exports, as it received 11.45% (19,290 m³) and 8.4% (EUR4.49 million) of overall total exports for the period under consideration. India, Canada and Spain were also major import destinations for Ghana's rotary veneer.

In January to December 2008, kiln dried lumber exports generated EUR46.29 million from a recorded volume of 117,490 m³. During the same period in 2007, kiln dried lumber exports earned EUR47.5 million from a volume of 120,480 m³. Correspondingly, 2008 kiln dried exports in 2008 fell 2.5% by value from the previous year, indicating a shift in production. During the period, exports of air-dried lumber recorded a volume of 73,890 m³ and were valued at EUR21 million, registering decreases of 13% by volume and 16.8% by value over the same period in 2007.

For the period under consideration, 102 exporters sent about forty-four timber species to 48 countries. Wawa, mahogany, koto/kyere, odum and ofram were some of the leading species exported to the US, Germany, the UK and Saudi Arabia. Of the 45 countries largely from Asia, Africa, Europe and the US, India alone accounted for 46.9% of total exports, contributing EUR8.7 million (42%) to the total value of Ghana's wood products exports.

Ghana Log Prices

Ghana logs, domestic	US$ per m³	
	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 m³	
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)	600	665
Makore	520	610
Niangon	560	640
Odum	655	700
Sapele	540	600
Wawa 1C & Select	260	285

Ghana sawnwood, domestic		US$ per m³
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 m³	
	CORE (1-1.9mm)	FACE (<2mm)
Bombax	315	350
Kyere, Ofram, Ogea & Otie	325	360
Chenchen	315	360
Ceiba	360	305
Mahogany	400	430

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

Rotary Veneer, FOB Core Grade 2mm & up	€ per m³
Ceiba	250
Chenchen, Ogea & Essa	295
Ofram	312

Sliced Veneer, FOB	€ per m²	
	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	1.60	1.00

Ghana Plywood Prices

Plywood, FOB	€ per m³			
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 m²		
	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

Ministry of Finance may provide rebates to furniture exporters

Malaysia's Plantation Industries and Commodities Minister Datuk Peter Chin Fah Kui recently submitted a proposal to the Ministry of Finance to provide rebates to Malaysian furniture exporters as the export market continues to dry up. The *BTimes* reported the proposal is modeled on the Chinese government's decision to give rebates of between 11% and 13% to a variety of Chinese furniture exporters. Chin noted the proposal was important, since the furniture industry provides the highest added value to the local timber industry.

Mr. Chin also forwarded an appeal to the Ministry of Finance to waive import duties on furniture parts and components. Presently, import duties are imposed on furniture parts and components. However, import duties are not imposed on fully assembled furniture. Thus, prices of Malaysian furniture exports remain uncompetitive in the current market.

Minister Chin added that the ministry was also looking into the possibility of issuing work permits for foreign workers to be exchangeable between different furniture factories. The local furniture industry is highly dependent on cheap foreign labor as it is highly labor intensive and work permits issued are not transferable. This creates an added labor cost to companies as they must bear the cost for new work permit applications.

MIFF flooded with constructive messages

According to *Bernama*, Deputy Ministry of International Trade and Industry Jacob Dungau Sagan said the Malaysian furniture industry should target higher end markets to weather the global economic downturn, during his remarks at the recent Malaysian International Furniture Fair (MIFF) 2009. He noted that Malaysia's total furniture trade stood at RM10.17 billion at end 2008, a 3% increase over 2007. Furniture exports stood at RM8.7 billion, an increase of 2% compared to 2007 levels.

Although it was hoped MIFF 2009 would generate sales of at least the same amount as in 2008, the publication *Furniture Today* reported that massive floods hit the area surrounding the venue late in the day on 3 March 2008. Despite the floods, almost all exhibitors were moved into another exhibition center unaffected by the floods the next day and the fair continued. MIFF 2009 was set to be held from 3—7 March 2009, at the Putra World Trade Center (PWTC) and MATRADE Exhibition and Convention Center (MECC).

Malaysian timber exports fall to 28-year low

Timber traders and market analysts believed that exports of Malaysian timber products could be cut by 40% to 60% in the current year. *The Star* reported the possibility of this trend as Malaysian exports fell by 27.8% in January 2009, registering RM38.3 billion when compared to January 2008. The figures showed the worst decline in 28 years. Traders do not expect the market to recover before December 2010.

Malaysia Log Prices

Sarawak log, FOB	US$ per m^3
Meranti SQ up	230-254
Small	211-242
Super small	199-224
Keruing SQ up	217-229
Small	187-218
Super small	161-192
Kapur SQ up	207-232
Selangan Batu SQ up	178-215
Pen. Malaysia logs, domestic (SQ)	US$ per m^3
DR Meranti	232-251
Balau	300-327⬆
Merbau	326-361⬇
Rubberwood	41-77
Keruing	216-232

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)	460-475⬇
Sepetir Boards	252-274
Sesendok 25,50mm	359-377
Kembang Semangkok	296-319

Malaysian Sawnwood, domestic		US$ per m^3
Balau (25&50mm,100mm+)		338-358
Merbau		484-536⬇
Kempas 50mmx(75,100 & 125mm)		266-306
Rubberwood	25x75x660mm up	194-244
	50-75mm Sq.	236-268
	>75mm Sq.	258-287

Malaysia Plywood Prices

Malaysia ply MR BB/CC, FOB	US$ per m^3
2.7mm	418-480⬇
3mm	394-424⬇
9mm & up	339-411⬇
Meranti ply BB/CC, domestic	US$ per m^3
3mm	390-431⬇
12-18mm	324-353⬇

Other Malaysia Panel Prices

Malaysia, Other Panels, FOB		US$ per m^3
Particleboard	Export 12mm & up	230-253⬇
	Domestic 12mm & up	215-232⬇
MDF	Export 15-19mm	285-317⬇
	Domestic 12-18mm	274-292⬇

Malaysia Added Value Product Prices

Malaysia, Mouldings, FOB	US$ per m^3
Selagan Batu Decking	554-564⬇
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	570-583⬇
Grade B	521-530⬇

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		559-591⬇
Standard		544-562⬇

Report from Indonesia

Plywood industry in Indonesia braces for 40% decline

The Indonesian plywood industry is facing the grim prospect of a further decline in exports by at least 40% in 2009, according to Mr. Abbas Adhar, Deputy Chairman of the Association of Indonesian Wood Panel Producers (Apkindo). With major importing countries such as the US, the EU and Japan in recession, Indonesian plywood manufacturers have yet to receive any orders to date for 2009, reported *The Jakarta Globe*.

The Indonesian plywood industry hit its peak in 1993, when Indonesian plywood manufacturers employed up to 455,500 workers and manufactured 10 million m^3 of plywood, with 90% heading to export markets. Since then, production has declined to 3.1 million m^3 in year 2008, a drop of 27% compared to 2007. In 2008, 2.5 million m^3 of plywood, worth USD1.5 billion was exported from Indonesia.

The industry's problems are further compounded by aging machinery and high production costs. Of the 130 existing plywood factories in Indonesia, only 64 were operating in 2008. This may be further reduced to 20 in 2009. Stiff competition from China, Malaysia and Brazil was another major contributor to declines in Indonesia's plywood sales. Mr. Masyhud, head of the Ministry of Forestry's information center, has suggested Indonesian plywood manufacturers focus on the local market given the current economic situation.

Furniture and handicraft manufacturers forecasting a 15% increase in exports

Furniture and handicraft manufacturers in East Java are forecasting a 15% increase in exports in 2009, as massive closures of similar manufacturers in China are taking place. To fill the gaps in production and supply left by Chinese firms, the Indonesian Furniture and Handicraft Producers Association (Asmindo) is lobbying former clients of Chinese exports to buy Indonesian products, according to Mr. Oetarjo Hariohoehojo, provincial chairman of Asmindo.

As reported in his remarks in *The Jakarta Post*, Hariohoehojo said 40% of Indonesia's furniture exports originated from East Java, of which 35% were exported to Europe, 29% to the US, 9% to Japan and 37% to Africa and the Middle-East. Exports of furniture and handicrafts from East Java were USD456 million in 2005 and USD477 million in 2006. However, exports declined to USD355 million in 2007 and USD345 million in 2008.

In addition, Gulf Cooperation Council countries are still importing Indonesian products. Given this demand, Asmindo will assist Indonesian furniture and plywood manufacturers to obtain green certification from importing countries via the verification of legal origin (VLO) process in order to enhance Indonesia's environmental and human rights credentials.

Indonesia Log Prices (domestic)

Indonesia logs, domestic prices	US$ per m^3
Plywood logs	
Face Logs	189-232
Core logs	170-203
Sawlogs (Meranti)	177-238
Falcata logs	145-179
Rubberwood	34-60
Pine	160-199
Mahoni (plantation mahogany)	494-520↓

Indonesia Sawnwood Prices

Indonesia, construction material, domestic		US$ per m^3
Kampar (Ex-mill)	AD 3x12-15x400cm	174-192
	KD	196-230
	AD 3x20x400cm	222-245
	KD	226-251
Keruing (Ex-mill)	AD 3x12-15x400cm	238-252
	AD 2x20x400cm	222-240
	AD 3x30x400cm	202-221

Indonesia Plywood Prices

Indonesia ply MR BB/CC, FOB	US$ per m^3
2.7mm	410-467↓
3mm	366-407↓
6mm	323-387↓

MR Plywood (Jakarta), domestic	US$ per m^3
9mm	260-271↓
12mm	252-262↓
15mm	241-255↓

Other Indonesia Panel Prices

Indonesia, Other Panels, FOB		US$ per m^3
Particleboard	Export 9-18mm	219-230
	Domestic 9mm	191-203
	12-15mm	182-193
	18mm	172-184
MDF	Export 12-18mm	262-274
	Domestic 12-18mm	241-252

Indonesia Added Value Product Prices

Indonesia, Mouldings, FOB	US$ per m^3
Laminated Boards Falcata wood	311-323↓
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	507-541↓
Grade B	461-483↓

Report from Myanmar

New orders trickle through Myanmar ports

Ahead of the upcoming tenders on 30 March, the market was showing little activity, unlike in previous years. Local traders say that new inquiries are still coming in small quantities but do not materialize into purchases. Only those traders dealing with teak (especially non-plantation teak) continue to experience active trading in the market. Nevertheless, they too are treading softly, uncertain of how the markets will behave the coming months. The situation is particularly concerning to those making a livelihood in the timber business.

Before the economic crisis, shipments of teak logs, non-teak hardwood logs and secondary processed wood products averaged roughly 85,000 tons per month. After the crisis, the amount dropped to 32,000 and in January 2009 was only 15,000 tons. In February 2009, the volume was back up to about 37,000 tons, as buyers rushed to make as many shipments as possible while MTE was still handling cargo and shipping documentation. MTE is expected to stop shipping cargo after 15 March. Traders are planning to assess the effects of trading in the fiscal new year in April 2009, after 'Ex-Works' sales are in force.

Myanmar Log Prices (natural forests)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)	
Veneer Quality	Jan	Feb
2nd Quality	-	-
3rd Quality	3,623 (4 tons)	4,189 (6 tons)
4th Quality	3,197 (20 tons)	3,702 (11 tons)
Sawing Quality	Jan	Feb
Grade 1 (SG-1)	2,513 (77 tons)	2,634 (95 tons)
Grade 2 (SG-2)	2,148 (82 tons)	2,366 (53 tons)
Grade 3 (SG-3)	-	-
Grade 4 (SG-4)	1,995 (439 tons)	2,034 (339 tons)
Grade 5 (SG-5) Assorted	1,558 (176 tons)	1,587 (172 tons)
Grade 6 (SG-6) Domestic	1,274 (82 tons)	1,291 (103 tons)
Grade 7 (ER-1)	1,017 (51 tons)	1,035 (29 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

New forest bill to harmonize field inspections

The governor of the state of Mato Grosso is considering a draft bill for an environmental law addressing the state's forest management practices, reported *Só Notícias.* The main purpose of the bill is to harmonize standards used in field inspections carried out by the Secretariat of the Environment (SEMA) and the Brazilian Institute for Environment and Renewable Resources (IBAMA). The draft bill, which was drafted by the Public Prosecutor's Office, would regulate statewide forest management practices and outline approaches for selective logging for industrial timber practices in 50 areas to verify forest management plans. The draft bill is a result of about thirteen consultations held with SEMA and the state Attorney General's Office to ensure the text was adjusted to take into account existing legislation.

The state aims to keep total control of timber by establishing forest management plans along the chain of custody. As forest management allows sustainable forest use, the same forest area may be utilized within 25-year cycles. Timber sector representatives have observed problems in the current system such as difficulties with forest management operations and the identification of tree species. For instance, trees are sometimes identified differently in successive inspections. As a result, a timber company could end up being sanctioned twice, both by SEMA and IBAMA under the current inspection process. The harmonized procedure proposed by the draft bill intends to make timber inspections and operations easier.

Illegal timber sales reach BRL200 million

According to figures based on a partial audit of so-called 'Ghost Hunting' operations coordinated by IBAMA in Pará and SEMA, the state of Pará in the Brazilian Amazonia traded around BRL200 million in illegally harvested timber over the past two years. This figure may reach BRL500 million in the coming days and billions in the coming months, reported *Diário do Pará*.

At least 50 companies registered with the National Registry of Private Companies (CNPJ) are considered 'ghost' companies set up falsely to conceal illegal timber operations. Inspection teams visited select locations listed in the National Registry, finding that companies registered as legal timber companies were operating as other businesses, such as auto repair shops, or were unoccupied estates. The 'ghost' companies concealed more than 40,000 m³ of timber using seemingly legal invoices issued in Pará and in other states of the region. This problem was identified based on documents from two information systems, the Sisflora (Forest System) of SEMA, and a Document of Forest Origin (DOC) of IBAMA.

The inspection team requested the president of IBAMA to send a task-force to strengthen the 'ghost hunting' operation. No entrepreneur or representative of the inspected companies has yet to be arrested on charges of fraud. Nevertheless, the companies are expected to be penalized under the Environmental Crime Law. Furthermore, the inspection team expects to send formal complaints regarding those involved in the scheme to the Federal Public Prosecutor's Office.

Wood product exports drop in Alta Floresta

Só Notícias reported on the municipality of Alta Floresta's wood products statistics for the month of January 2009. The municipality reported a significant drop in forest product exports, with the Ministry of Development, Industry and Foreign Trade (MDIC) reporting exports of USD979,000 in January 2009, 38.8% lower than the registered trade in January 2008. The largest exported share of timber products in January 2009 were non-coniferous timber products, equivalent to USD915,6000, USD1.2 million less or 23.7% lower than in January 2008. Out of the total sale of products, cedar sawnwood/sliced veneer generated USD36,900 and ipe sawnwood/sliced veneer sales were worth USD27,200. Exports to the US, the main destination of the municipality's trade in January 2009, were USD692,000. Exports to Spain were USD128,400, decreasing nearly 68% when compared to exports to the country in January 2008.

ABIMAD Fair yields positive results

The Brazilian Association of Fine Furniture and Decoration Accessories (ABIMAD) fair took place in Sao Paulo, Brazil, between 12-15 February 2009. A total of 35 international buyers attended the event, after participating in an 'international business meeting' promoted by ABIMAD and APEX-Brazil. The business meeting was attended by 35 importers and 45 Brazilian manufacturers that presented information on their products. Most international buyers were from South American countries such as Argentina, Ecuador, Peru and Paraguay as well as from South Africa, China, Algeria, Costa Rica and the US. Despite the fluctuation of the US dollar against the Brazilian real, importers made significant purchases at the ABIMAD fair. The turnover from the event was near USD2 million in sales. Many business deals were negotiated during the fair and at several meetings resulting from the business round. About USD1.2 million in furniture trade sales resulted from the fair in 2009.

Brazil Log Prices (domestic)

Brazilian logs, mill yard, domestic	US\$ per m^3
Ipê	110
Jatoba	78
Guariuba	52
Mescla (white virola)	57

Brazil Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB		US\$ per m^3
Jatoba Green (dressed)		809
Cambara KD		471
Asian Market (green)	Guariuba	266
	Angelim pedra	611
	Mandioqueira	235
Pine (AD)		195

Brazil sawnwood, domestic (Green)		US\$ per m^3
Northern Mills (ex-mill)	Ipé	523
	Jatoba	402
Southern Mills (ex-mill)	Eucalyptus (AD)	149
	Pine (KD) 1st grade	193

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	197	164

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)	410

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	682
	White Virola 15mm	498

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	434
Particleboard 15mm	274

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	608
	Ipê	1590

Report from Peru

Environmental Minister notes satisfaction with new Forest Law

Antonio Brack Egg, Peru's Environment Minister, said the recent changes to Peru's Forest Law would help reverse the slash and burn approach to clearing forests. He also noted the new law would prevent forested areas from being cleared for agricultural purposes, unless the Ministry of Environment gives its specific approval for the activity and supervises its implementation.

Peru Sawnwood Prices

Peru Sawnwood, FOB Callao Port		US\$ per m^3
Mahogany S&B KD 16%, 1-2" random		
lengths (US market)		1766-1835
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	509-549
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	1088-1108⬇
Virola	61-75
Spanish Cedar	326-378
Marupa (simarouba)	78-92⬇

Peru Veneer Prices

Veneer FOB	US\$ per m^3
Lupuna 3/Btr 2.5mm	208-210
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	415⬇
122 x 244 x 6mm	397
122 x 244 x 8mm	403
122 x 244 x 12mm	383⬇
(Pucallpa mills)	
122 x 244 x 4mm	439⬇
122 x 244 x 6mm	439
122 x 244 x 8mm	416⬇
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	975-1020⬇
Cumaru decking, AD, S4S E4S, US market		880-925⬇
Pumaquiro KD # 1, C&B, Mexican market		432-478⬇
Quinilla KD, S4S 2x10x62cm, Asian market		522-577⬇
	2x13x75cm, Asian market	677-701⬇

Report from Bolivia

Bolivia Sawnwood Prices

Sawnwood 1-3"x3x5"x7-19', FOB Arica Port		$ Avg un. val. per m^3
Ipe	(Spain and Chile markets)	1260-2000
Caviuna	(EU market)	1800-2200
Cambara	(FSC) (EU market)	650-800

Bolivia Added Value Product Prices

Doors 13/4"x36"x96", FOB Arica Port		Avg $ per piece
US market	Mara macho/Tornillo (FSC)	100-105⬇
	Yesquero	100-135⬇
	Ochoó	42⬇

Chairs FOB Arica Port		$ Avg Per piece
Ipe (US market)		48-176
Roble/Oak (UK market)		72-94
Parquet Flooring 3/4"x3-5"x1-7', FOB Arica Port		$ Avg un. val. per m^3
Jatoba	(US, EU and Mexico market)	1768⬆
Ipe	(EU and Asia market)	1650-1780⬇
Cumaru	(FSC) (US mkt)	1100

Report from Guyana

Guyana's exports continue to show positive trends

With the exception of plywood exports, North American markets have shown strong signs of growth by value during the period 01 January to 28 February 2009 when compared the same period in 2008. When comparing the two periods, sawnwood exported to the US increased 69% by value and earned a higher average price by 88%. For roundwood, volumes declined but values jumped 8% and average prices rose 89% when comparing the two periods. A significant increase in average prices paid for Guyana's shingles by the US market were also recorded over the corresponding period.

Average prices for logs and sawnwood exported over the previous fortnight decreased when compared to the same period in 2008. This was primarily the result of the larger exported volumes of the lesser valued species over the fortnight and dwindling exports of higher priced species. While the average price levels for roundwood were maintained, the average price for splitwood recorded a robust 17% increase over the previous fortnight. Other value-added products, mouldings and outdoor/garden furniture also recorded higher average prices for the fortnight when compared to the previous price levels. While the average price for mouldings jumped 77%, those for furniture increased 47%.

Guyana moves to cushion forestry sector from financial crisis

The Ministry of Agriculture has stated that several initiatives were being undertaken to mitigate the impact of the global financial crisis on the forestry sector. Agriculture Minister Robert Persaud said one of the initiatives involved the formation of the Forest Products Development and Marketing Council, which will lend essential marketing and trade advice and support to the forest sector to complement the Guyana Forestry Commission's (GFC) work.

He said greater levels of added value exports to Caribbean markets are being encouraged. Key donor support is also being targeted to industry development and added value manufacturing inclusive of quality control and assurance, efficiency and productivity. In addition, the government will work to build community and small and medium sized forest operators' capacity to cope with increasingly competitive and often unstable market conditions. The government will also encourage the targeting of niche markets (categorized by higher values and small volumes) instead of commodity markets (large volume markets) and strong relationships between buyers and sellers.

According to the Minister, Guyana's wood products possess a strong chain of custody system, which should be promoted. The verification of legality of origin has been brought about by a strong documentation system through the supply chain, field monitoring, and log tracking systems. This is a strong point of competitive advantage for Guyana's forest products exporters as the international market is becoming increasingly conscious of the need for high standards in legal and environmental SFM practices.

He noted that reduction in the costs of fuel will positively impact production costs. Minister Persaud said the GFC will continue to monitor external market environments with the assistance of international partners. The forest sector in Guyana employs approximately 20,000 to 25,000 persons and its export revenue is around USD55 million to USD61 million.

Guyana Log Prices

Logs, FOB Georgetown	SQ - $ Avg unit value per m^3		
	Std	Fair	Small
Greenheart	-	-	-
Purpleheart	220	200	190
Mora	120	120	120

*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	-	690⬆
	Select/Standard	488-806⬇	550-784⬇
Purpleheart	Prime	-	667⬇
	Select/Standard	954-1,060⬆	594-952⬆
Mora	Select	424	-

Guyana Plywood Prices

Plywood, FOB Georgetown Port			$ Avg unit val. per m^3
Baromalli	BB/CC	5.5mm	-
		12mm	365-390
	Utility	5.5mm	-
		12mm	320-435

Report from Japan

Log and lumber imports drop in 2008

In 2008, Japan's log imports registered a 31% decline and lumber imports (excluding those from Europe) dropped 4% (See Table 1 below). *Japan Lumber Reports (JLR)* noted Russian log exports dipped nearly 54% from 2007 levels. Additionally, South Sea log volumes fell, since plywood mills were consuming less. European lumber imports dropped nearly 25% after losing their competitiveness due to the strong Euro, although this trend is now reversing.

Item and Source	Volume	'08/'07
Logs (total)	6,044,532	69.0%
South Sea	727,845	71.3%
Africa	4,734	50.5%
Russia	1,804, 223	46.2%
Lumber (total)	4,395,825	95.8%
South Sea	341,021	75.9%
Russia	666,457	69.9%
European lumber	2,009,161	75.7%

Table 1: Japan - log and lumber supply in 2008 (m^3) (Source: *JLR*)

In early 2009, prices for South Sea logs have become stronger in producer countries, although Japanese import prices are starting to fall, reported *Japan Lumber Journal (JLJ)*. Prices of logs from Sarawak were down by about 100 yen, while those from Solomon Islands and PNG were up about 200 yen from the previous month. The differences in prices were due to the varying quality of items and exchange rates. Although log extraction from sites in Malaysia has been difficult due to poor weather since early March, there is adequate supply as there has been little motivation from Japanese buyers to purchase logs for plywood and lumber products. Japanese trading firms are hoping sales will pick up soon in order to move inventory.

Plywood imports and housing starts continue to weaken

Plywood imports and housing starts for January 2009 both dropped lower from January 2008 levels, reported *JLR*. Plywood imports fell 12.4% while housing starts dropped 18.7% from the previous year, and both fell further from levels registered in December 2008. *JLR* noted domestic softwood plywood production was at the lowest level seen since January 2003. In recent weeks, demand from China for imported plywood dropped, while there was continued stable demand for Vietnam's plywood. *JLJ* reported that the movement of plywood continued to be sluggish at the beginning of March.

Sumitomo forestry plantation in Indonesia receives FSC certification

According to *JLR*, Kutai Timber (KTI), the manager of Sumitomo's plantation forest in Indonesia has received FSC certification. The certificate will be the first for Sumitomo's forestry business overseas. The plantation covered about 5,000 ha in 2008. KTI along with 259 local farmers helped establish a cooperative to manage the plantation, which was an essential step for helping the company meet FSC certification requirements.

Forestry Agency announces new projects beginning 2009

As reported in *JLJ*, the Japan Forestry Agency will focus its attention on promoting a new system for processing regional timber; improving processing at regional production centers; and establishing emergency measures for the lumber industry during its period of reform. To promote processing of regional timber, the Agency will work with small scale sawmills over 2009 to 2013, with the Agency financing about 50% of the activities in the project. The agency will provide guidance to sawmills on switching from imported to domestic log supply, assist with technical equipment and applied techniques for lumber drying and provide assistance at the regional level to support high quality manufacturing systems in key factories. The Agency will spend about JPY13 billion over a three year period, 2009-2011, to support changing the type of wood products manufactured, improve product quality and streamline distribution, and ensure stability in log supply. To address emergency measures for the lumber industry, the Agency will implement programmes over a three to four-year period to help sawmills adjust to the change to using domestic log supply, support initiatives for low cost manufacturing and subsidize installation of new facilities for manufacturing.

Log and Sawnwood Prices in Japan

Logs for Ply Manufacture, CIF	Yen per Koku
Meranti (Hill, Sarawak)	(Koku=0.278 m^3)
Medium Mixed	7,800⬇
Standard Mixed	7,900⬇
Small Log (SM60%, SSM40%)	6,800⬇
Taun, Calophyllum, others (PNG)	7,600
Mixed light hardwood, G3/4 grade (PNG)	-
Keruing MQ & up (Sarawak)	12,000
Kapur MQ & up (Sarawak)	9,500⬇

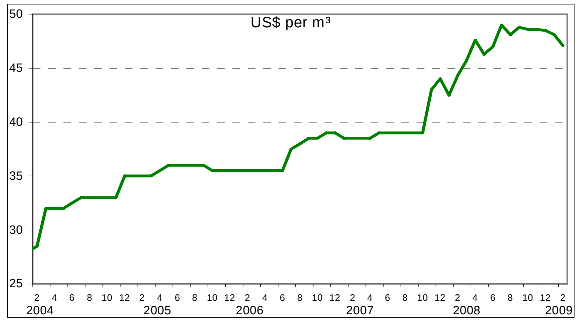
Logs for Sawmilling, CIF	Yen per Koku
Melapi (Sarawak) High Select	11,500
Agathis (Sarawak) High Select	-

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)	Feb (¥ per sheet)	Mar
2.4mm (thin plywood, F 4star, type 2)	920 X 1830	350	360 ⬆
3.7mm (med. Thickness, F 4star, type1)	910 X 1820	490	480 ⬇
5.2mm (med. Thickness, F 4star, type 1)	910 X 1820	600	590 ⬇
11.5mm for sheathing (F 4star, type 2)	910 X 1820	850	900 ⬆
12mm for foundation (F 4star, special)	910 X 1820	890	950 ⬆
12mm concrete-form ply (JAS)	900 X 1800	780	820 ⬆
12m coated concrete-form ply (JAS)	900 X 1800	960	960
11.5mm flooring board	945 X 1840	1300 ⬇	1250 ⬇
3.6mm baseboard for overlays (OVL)	1230 X 2440	700 ⬇	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

China's log imports drop, while sawnwood imports rise

In 2008, China's wood industry was strongly impacted by the international financial crisis. Based on statistics from China Customs, imports of logs dropped for the first time, while sawnwood imports continued to rise. A total of 29.57 million m³ of logs valued at USD5.182 billion were imported in 2008, down 20% by volume and 3% by value from 2007. These results, which have never been seen in the last ten years, largely resulted from low demand for international furniture and plywood. Another reason causing the reduction of imports was Russia's increased export tariff, which led to a sharp drop in China's imports of Russian logs.

On the other hand, China's imports of sawnwood continued to increase. A total of 7 million m³ of sawnwood valued at USD2 billion was imported in 2008, up 9.6% by volume and 15% by volume, respectively, from 2007. This was mainly caused by rising prices over the period. With prices of logs increasing, some manufacturers used sawnwood as materials instead of logs.

As a large producer of wood-based panels, China had historically ranked first in the world in terms of outputs of plywood and fiberboard. In recent years, however, China's imports of wood-based panels have dropped. China exported 7.18 million m³ of plywood in 2008, down 18% by volume and 5% by value from 2007 levels. The country also exported 1.88 million tons of fiberboard in 2008, down 18% by volume and up 1% by value from 2007 levels.

Due to the rapid economic development and improvement of living standards in China, imports of high-grade wooden furniture have been growing steeply, reaching a peak of USD312 million in 2008, up 41% from 2007. However, due to the severely declining economic conditions in some developed countries, especially the US, exports of wooden furniture in China dropped 14% from 2007 levels. The export value of China's wooden furniture rose slightly (3%) due to rising unit prices. Nevertheless, statistics from China Customs showed wooden furniture as the most important exported product in China's forest products trade, with its export value accounting for 36% of the nation's total export value of wood products in 2008.

In 2008, a total of 9.52 billion tons of pulp (including a small amount of non-wood pulp) valued at USD6.7 billion were imported, up 12% by volume and 21% by value from 2007. A total of 24.2 million tons of waste paper were imported, valued at USD5.55 billion and rising 7% by volume and 37% by value of 2007. Imports of these two paper materials accounted for 26% and 21% of the total import value of wood products in China. However, imports and exports of both paper and paperboard fell in 2008. With the rapid development of the domestic paper industry, demand for foreign paper products decreased gradually. Additionally, in light of the global financial crisis, demand from international markets has remained depressed.

Timber imports through Zhangjiangang Port rise slightly

Unlike other areas of China, imports of logs through Zhangjiagang Port continued to increase slightly. A total of 3.38 million m³ of logs valued at USD859 million were imported in 2008, up 0.9% and 4% respectively from 2007. Imports through peripheral ports, such as Yangzhou and Taizhou ports, fell considerably. Imports of ore and coal through the port almost stopped, which allowed docks to be used for unloading logs and enabled a variety of logs for buyers to choose.

Oceania also replaced Africa as the major supplier of logs at Zhangjiagang Port. A total of 1.66 million m³ of logs were imported from Oceania in 2008, up 11% from 2007. Of the total, 1.36 million m³ were from PNG, up 37% from 2007, and 298,100 m³ were from Solomon Islands, a jump of 13%. Logs from Oceania were mainly used for plywood, with a small amount of logs used for furniture and flooring.

A total of 1.43 million m³ of logs were imported from Africa in 2008. Gabon, Cameron, Congo and Equatorial Guinea were the main supply countries, of which 72% of total log imports came from Gabon. Compared with 2007, imports from Gabon fell 12%, Equatorial Guinea declined 66% and Cameroon fell 45%. This situation largely resulted form the above-mentioned countries having adopted new policies to ban or restrict log exports.

Imports from Southeast Asia were 268,300 m³, up 4.5% from 2007. Malaysia and Myanmar were the major suppliers of Southeast Asian logs. Imports from these two countries represented 99% of total log imports from the region. Log imports from Malaysia fell 14% from 2007, while imports from Myanmar rose 70%. Finally, about 189,400 m³ of logs arrived in containers, up 41% from the previous year. Containers were used for transporting large diameter logs mainly from Africa, which accounted for 18% of total logs in containers through the port.

China establishes first Intellectual Property Federation of the Bamboo Industry

With an area of 5.2 million ha of bamboo forest, China has the world's largest bamboo resources as well as bamboo production and processing activities. Over the past twenty years, China has developed a wide variety of bamboo products and thousands of varieties of the species. The output value of the bamboo industry in China has reached nearly RMB100 billion yuan in 2008.

However, it was reported that entities in foreign countries have infringed upon the intellectual property associated with China's bamboo industry. To counter these problems, the Bamboo Processing and Research Center of Nanjing's Forestry University and the Huacheng Legal Office in Shanghai, in cooperation with thirty bamboo enterprises, have set up the Nan Lin Intellectual Property Federation of Bamboo Industry to cope with tort procedures involving intellectual property rights.

Guangzhou City Imported Timber Market

Logs	Yuan per m^3
Lauan (50-60cm)	1900-2400↑
Kapur	1900-2450↑
Merbau 6m, 79-100cm diam.	4300-5300↓
Teak	11000-16000
Wenge	6500-7000↓
Sawnwood	
Teak sawn grade A	8500-9500
US Maple 2" KD	8800-11000↓
US Cherry 2"	14000-14200↓
US Walnut 2"	16000-16800↓
Lauan	3500-4000↓

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.	1170↑
White Pine	6m, 24-28cm diam.	1300↑
Korean Pine	4m, 30cm diam.	1450
	6m, 30cm diam.	1550

Hebei Shijiangzhuang Wholesale Market

Logs		Yuan per m^3
Korean Pine 4m, 38cm+ diam		1800↓
Mongolian Scots Pine	4m, 30cm diam.	1250↓
	6m, 30cm+ diam.	1300↓
Sawnwood		
Mongolian Scots Pine	4m, 5-6cm thick	1400↓
	4m,10cm thick	1450↓

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

No change in depressed market conditions

There is little change in the European market for tropical sawn lumber. There is still very little forward demand for sapele, the main commodity species, as large importers in the UK and the Benelux countries continue to off-load stocks at below replacement value. Due to very slim margins, there is very limited incentive for importers to engage in trade in this species – as one major UK importer commented recently 'I haven't made any money on sapele in over a year'. He noted that the same could be said of sipo, although a few other lower volume species have been performing a little better, for example iroko and framire.

Confidence has been obliterated throughout a large swathe of the European hardwood importing trade. This combined with continuing lack of access to credit and insurance cover has meant that the focus is still on reducing stocks – despite the clear evidence that supply further down the pipeline has been greatly reduced.

There is however a feeling that prices are now very close to the floor, if not already there. A frequent comment by European agents is that with the so little buying for so long, forward prices could rise quite dramatically in the second half of the year if importers do at last turn their attention to replenishing their depleted stocks.

Market perspectives from Ecobuild: Tropical hardwoods left on the bench while others score

The Ecobuild event held in Earl's Court, London, from 3-5 March reaffirmed that environmental issues are likely to play a key role in the UK construction sector despite the economic recession. This year's show featured 800 suppliers from across Europe, a very impressive increase on last year's 500 exhibitors given the current climate. Judging from the crowds, the show is likely to have achieved the organizers' pre-show estimate of over 30,000 visitors, breaking last year's record of 26,000.

High levels of interest in the show reflects both the strong focus on sustainability and green issues that now pervades the UK architectural and design professions together with a host of recent UK government initiatives aimed at boosting green performance in the construction sector. Behind many of these initiatives lies rising concern for energy efficiency as the UK – like all other EU countries - struggles to reduce carbon emissions in line with international Kyoto commitments. Conformance to the UK government's Code for Sustainable Homes (CSH) became mandatory for all UK housing developments in May 2008. CSH sets minimum standards for energy efficiency and provides UK homebuyers with information about the environmental impact of their new home.

The timber industry was strongly represented, participation being boosted by the Timber Works pavilion, an area dedicated to first-time exhibitors and supported by various UK timber trade associations. The clear message coming across from the timber sector was that increased use of timber can make a major contribution to sustainable construction. A huge range of highly technically advanced wood products and wood-based construction techniques were on show, driving home the message that timber is the material best placed to meet the challenges of 21st century construction – that is combining rapid and cost effective building methods, lasting technical performance and beautiful structures with unbeatable environmental credentials.

One particular highlight was the Eco house, a family home built in wood to very high energy and environmental standards in the space of only one week in 2008 during a live edition of Grand Designs, a hugely popular UK prime time TV show. Other highlights were ZedFactory's timber frame Zero Carbon House; KLH's Carbon Neutral Construction method comprising a honey-comb of solid timber panels recently used for construction of a 9-storey apartment block in London in the space of only 29 weeks; and JELD-WEN's launch of DreamVu, the UK's first volume made timber window to achieve a U-value of 0.7-1.0W/m²K.

The strongest hardwood presence was the American Hardwood Export Council (AHEC) with a large stand featuring a new pavilion in tulipwood designed by a leading UK architect. The pavilion demonstrates the beauty and versatility of this abundant American species. AHEC has been working with Osmose, a UK based preservative treatment company to extend utility of the species to external applications.

Other materials closing the green gap on timber

While timber maintains a strong reputation as the green material of choice, the Ecobuild show also emphasized that other material sectors are intent on closing the gap and are now scoring green points.

The plastics industry highlighted the recent achievement of an A-rating for uPVC windows in the Building Research Establishment (BRE) Green Guide, now a key reference for green procurement in the UK construction sector as it is integrated into the CSH. The A-rating means that uPVC windows are now regarded by BRE as just as environmentally-friendly as wood windows. BRE justified the A-rating at an Ecobuild side-event, pointing to the efforts of the plastics industry to recycle a higher proportion of windows at the end of their life-cycle. However, participants at the event also noted that it is difficult to judge the objectivity of BRE's rating as their methodology lacks transparency and the baseline data is not publicly available.

BRE were also playing a leading role at Ecobuild to prop up the dubious environmental claims of the UK aggregates industry – which like the plastics industry has set its sights on undermining timber's lead on sustainability issues. The UK aggregates industry promoted itself at Ecobuild as 'the Responsible Source', a claim largely dependent on their anticipated conformance to a new BRE 'Responsible Sourcing Standard'. The process to develop the BRE standard, which was chaired by Tarmac – a large UK aggregates supplier - was rushed through despite stiff opposition from the timber sector to fit with the procurement timeline for the London 2012 Olympics (which requires that all materials be 'responsibly sourced'). The BRE standard is now being used by the aggregates sector as a tool to neutralize the wood industry's sustainable source message.

Tropical hardwoods must be FSC certified

Ecobuild's message to the tropical hardwood sector was 'if you want to participate in this market, make sure you are FSC-certified – and even then watch your back'. This is well illustrated by the Wood Window Alliance which led the UK wood window sector marketing drive at the show. The wood window sector should be strong marketing territory for tropical hardwood, these being the only wood products able to perform well in exterior applications without the need for fossil-fuel intensive chemical or heat treatments. But the message from the Wood Window Alliance was a negative one. Rather than seeking to defend the use of tropical wood, the Alliance's approach was to deny their continuing role in the UK industry.

The Alliance's 'Specifiers Guide to Timber Windows', which featured at Ecobuild suggests that 'tropical deforestation is a major contributor to CO2 emissions and global warming' without bothering to qualify this with any statement about the distinction between forest conversion and sustainable tropical forest management. This error is then compounded in the Guide with the inaccurate observation that 'timber from tropical forests is rarely, if ever, used by UK wood window manufacturers' – a fact easy to disprove by a short conversation with any one of many wood window manufacturers at Ecobuild who confirmed their continuing use of sapele, meranti and a range of FSC certified tropical hardwoods.

Many window companies participating in the show – which included just about all the major UK manufacturers - did confirm that that they now require independent certification, preferably FSC, of all their wood supplies. They have been driven to this by the UK government's commitment to ensure that all their wood is 'legal and sustainable' and by internal management issues which mean that if you supply certified wood to one major customer and certified raw material is sufficiently available, it is simpler to switch over to 100% certified production.

Many window manufacturers noted that while they still supply small volumes of sapele and meranti product, they have also made a concerted effort to transfer to non-tropical substitutes that are more readily available FSC certified. These substitutes included plantation grown eucalyptus from South America and South Africa, and a range of heat-treated softwood products from Scandinavia and New Zealand. While the latter are still available only in relatively small quantities, prices are competitive against tropical hardwoods, particularly as all are provided FSC certified as standard. Their performance is also extremely strong – one manufacturer noted that he is willing to offer a 50-year guarantee for his heat-treated softwood product, compared with a 40 year guarantee for his tropical hardwood products.

Heat-treated pine products were also providing tropical hardwoods a run for their money in other sectors. The number of companies offering these products as alternatives to tropical decking, flooring, cladding, and other components is mushrooming. All the major UK hardwood importers are now diversifying into these products. Examples of heat treated branded products include Lignia and Lunawood.

The flooring products on show highlighted the continuing strength of the fashion for oak – a fashion that the manufacturers are building on and extending by offering oak products in huge diversity of finishes and stains. They are responding to a fashion for darker colors not so much by procuring tropical hardwoods, but rather by steaming or staining oak to a color that is almost black. This trend is so entrenched that one European flooring supplier at the show said his company is now sourcing product manufactured from German oak in Indonesia.

Mounting competition from non-wood substitutes

Furthermore competition from other non-wood sectors is mounting. The plastics industry seemed to have particularly set it sights on the tropical hardwood sector, developing look-alike products for exterior applications, such as garden furniture and boarding. A company called Ecogenic was promoting a new product manufactured entirely from recycled plastic that would replace tropical hardwood plywood in non-structural exterior applications (notably hoardings). Two plants each capable of churning out 400,000 panels of the new product each year will be set up in the UK during 2009.

Particularly worrying for the tropical sector, is that these competitors seemed to be playing to a receptive audience. There was a strong feeling amongst architects, designers and specifiers, that the key environmental issue at present is the ‘carbon footprint’. This was linked to a preference for any product ‘locally produced’ and not perceived to be transported over long distances. It also contributed to a strong aversion to tropical hardwoods amongst many people contacted at the show. There was a simplistic assumption that tropical hardwoods are closely associated with deforestation and therefore linked to increased emissions.

There seemed to be nobody at the show willing to explain the inherently strong environmental credentials of sustainably produced tropical hardwoods. Even those marketing FSC certified tropical hardwoods appeared determined to muddy the message. The headline marketing message of one flooring supplier specializing in FSC certified products was ‘Did you know that the UK is the second largest importer of illegally felled timber in the EU’.

People like tropical hardwoods – they just don’t know it

There were a few crumbs of comfort for the tropical wood sector at Eco-build if you were willing to look hard enough. JELD-WEN, the UK’s largest joinery supplier by a significant margin, was displaying some high quality Malaysian-manufactured windows and doors. The JELD-WEN representatives, when asked, were very ready to comment on their Malaysian suppliers’ reliability and quality. The only problem was that the doors, while backed by a meranti engineered wood product, were faced with American cherry, while the meranti window frames were painted clear white. It seems that, as things stand, many UK buyers are happy to exploit the superior technical attributes of tropical hardwoods, just as long as they remain hidden.

European Parliament pass verdict on illegal logging legislation

Moves to introduce new legislation into the EU that would require forest products operators to take steps to minimize the threat of illegal wood entering supply chains are at a critical phase. The European Parliament Committees responsible for the considering and amending the draft legislation before voting by a full plenary session of Parliament, due on 23 April, have just passed their verdict, proposing substantial amendments.

One view of the amendments proposed by the Parliamentary Committees was expressed by WWF and Greenpeace, who immediately welcomed the move, suggesting the amendments represent a significant strengthening of the original proposal. Greenpeace said that the proposed changes would ‘make the timber industry accountable and set up an effective system to control the legal origin of wood’. Many of the amendments originated from Caroline Lucas, MEP and leader of the EU’s Green Party, so it is perhaps not so surprising that green campaigning groups are so supportive.

But according to another view, the Parliamentary Committees were poorly advised, failed to grasp the underlying concept behind the original proposal, and as a result missed a real opportunity to implement more rational improvements. The amendments proposed by the Committees effectively turn a fairly moderate proposal to extend the practice of due diligence amongst operators that ‘first place’ timber on the EU market into a system of rigorous state control over the entire European wood supply chain.

The Parliament’s amended text proposes that the central objective of the EC’s original proposed legislation be changed so that all forest products operators in the EU would be placed under an obligation to prove the legality of the wood they deal in. The intent of the original proposal – that extra requirements for traceability and certification would only be required where there is a high risk of illegal wood entering supply chains – would be lost. The Parliament’s amended text might be costly to implement and require an army of technically qualified chain of custody personnel that is currently absent. The suggested measures may also be regarded as poorly targeted - wasting time and resources on tracking wood from all areas when it might be better to focus on a limited number of high risk supply chains.

Whether or not the draft legislation is eventually adopted, and the form it finally takes, remains to be seen. The legislation is being considered under the EU's convoluted 'co-decision' procedures. These require that the legislation must be agreed both by the European Parliament (directly elected by the EU population) and the Council of Ministers (representing the EU Member State governments). It is usual practice under this procedure for the Parliament to propose a long 'shopping list' of desired outcomes, which is then adapted into a more realistic compromise framework following input from the Council of Ministers – the members of which actually have to take responsibility for implementing the legislation.

The Netherlands Sawnwood Prices

FOB (Rotterdam)	USD per m^3
Sapele KD	829⬇
Iroko KD	941
Sipo KD	1007
DRM Bukit KD	847⬇
DRM Seraya KD	847⬇
DRM Meranti KD Seraya MTCC cert.	883⬇
Merbau KD	1116⬇
Sapupira (non FSC) KD	877
Sapupira (FSC) KD	1384
Anti-slip decking AD C&F Rotterdam	
Selangan batu	1328

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

FOB plus commission		€ per m^3
N'Gollon (khaya)	70cm+ LM-C	310-340
Ayous (wawa)	80cm+ LM-C	220-230
Sapele	80cm+ LM-C	290-320
Iroko	80cm+ LM-C	300-330

UK Sawnwood Prices

FOB plus Commission	Pounds per m^3
Framire FAS 25mm	440-460⬆
Sipo FAS 25mm	670-680⬆
Sapele FAS 25mm	520-540
Iroko FAS 25mm	630-650⬆
Wawa No.1 C&S 25mm	300-320⬆
CIF plus Commission	
Tulipwood FAS 25mm	330-350⬆
Meranti Tembaga Sel/Btr (KD 2"boards)	570-590⬆
Balau/Bangkirai Decking	850-900⬆
White Oak	500-540⬆

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	320-340

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.

China's diplomacy this year will focus on responding to the international financial crisis and supporting the country's economic development, Foreign Minister Yang Jiechi said. A key part of that is preparing for an April summit of world leaders in London to coordinate a response to the crisis, according to Yang. Chinese President Hu Jintao and US President Barack Obama will meet for the first time there, Yang told reporters in Beijing.
http://www.bloomberg.com/apps/news?pid=20601080&sid=aplUDNr1ZPJ4&refer=asia

For the last decade or so, an economic uplifting in Africa has brought millions out of poverty. Democracy spread farther and faster than ever before. In December, the World Bank reported that sub-Saharan Africa's 2008 economic growth was 5.4%, equalling Europe and higher than Latin America (Africa finally ceded to Latin America its place as the world's slowest-growing region). Even now, many Africans imagine they will escape the global credit crisis relatively unscathed.
http://www.newsweek.com/id/188161

Papua New Guinea has created a nearly 190,000-acre preserve to protect tree kangaroos and other endangered species, after years of criticism for turning a blind eye to environmental issues, a conservation group said. The Pacific island nation, where illegal logging is rampant, has recently tried to overhaul its image in the conservation community, taking the lead on such issues as getting tropical forest protections included in a UN climate pact.
http://www.iht.com/articles/ap/2009/03/02/asia/AS-Papua-New-Guinea-Saving-Kangaroos.php

Severe fires in Indonesia – responsible for some of the worst air quality conditions worldwide – are linked not only to drought, but also to changes in land use and population density, according to a new study in Nature Geoscience led by Robert Field of the University of Toronto.
http://www.sciencedaily.com/releases/2009/02/090222142152.htm

South Korea's Korindo Group is planning to invest $500 million to construct a pulp mill on Kalimantan Island (formerly known as Borneo). The mill would have an annual capacity to produce 600,000 tons of pulp for particle board and paper.
http://www.paperage.com/2009news/03_07_2009korindo_pulp.html

Warmer Atlantic waters spawned more severe storms in the Caribbean in 2005, including Hurricane Katrina, and had an unexpected impact on the world's largest tropical rain forest: drought.
http://www.bloomberg.com/apps/news?pid=20601086&sid=aKeY2zQNK1tc&refer=latin_america

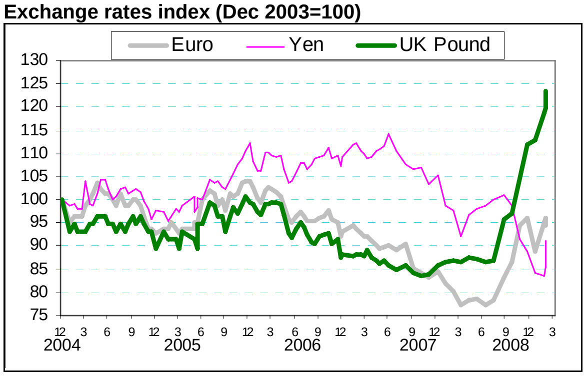
The World Bank approved a USD1.3 billion loan to help Brazil's environmental management and climate change efforts. The loan 'will support Brazil's ongoing efforts to improve its environmental management system and integrate sustainability concerns in the development agenda of key sectors such as forest management, water and renewable energy', the World Bank said.
http://www.reuters.com/article/environmentNews/idUSTRE5246ZK20090305

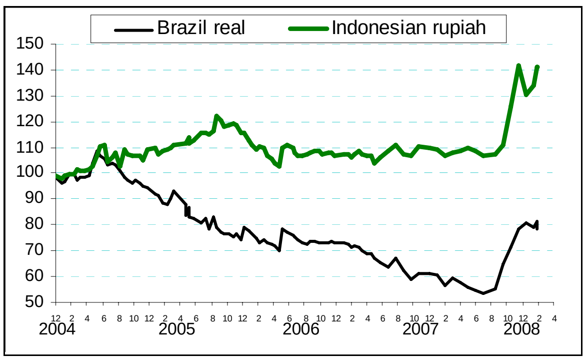
Main US Dollar Exchange Rates

As of 13 March 2009

Brazil	Real	2.2978	⬇
CFA countries	CFA Franc	507.907	⬇
China	Yuan	6.8382	⬇
EU	Euro	0.7743	⬇
Indonesia	Rupiah	11,976.00	
Japan	Yen	98.03	⬆
Malaysia	Ringgit	3.7051	⬇
Peru	New Sol	3.1726	⬇
UK	Pound	0.7154	⬆

Exchange rates index (Dec 2003=100)

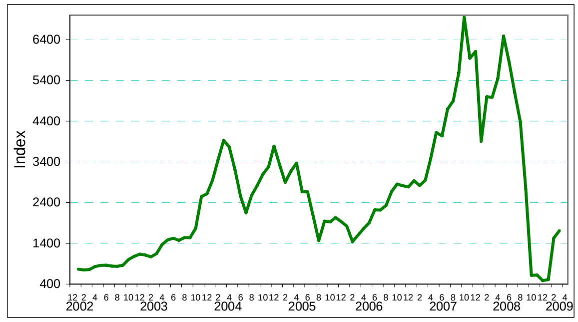




Abbreviations and Equivalences

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

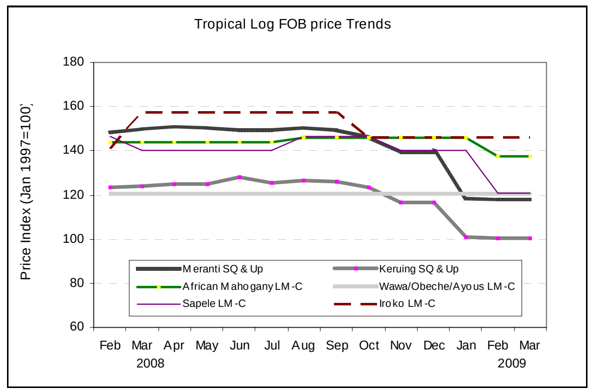
Ocean Freight Index



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

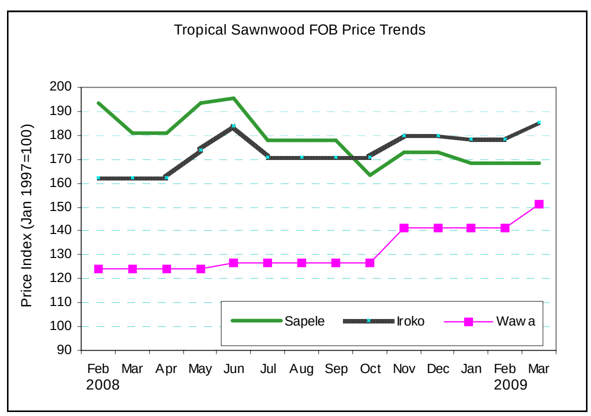
Appendix. Tropical Timber Price Trends

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.*

Tropical Plywood Price Trends