

Tropical Timber Market Report since 1990

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Snapshot

As the European holidays commence, trading continues to be slow in producing countries relying on trade with Europe. Further reports of the global economic slowdown's effects on the timber trade were announced, including a 29.6% drop in the volume of new contracts processed in Ghana, a fall of nearly 33% in furniture exports from Brazil's Rio Grande do Sul region and a decline of 47% in Peru's first quarter timber exports.

On the other hand, the German window market was slated for a possible improvement, based on its reasonably stable trends over the past six months. In North America, experts observed a possible recovery in the US's residential remodelling market.

Producer countries also announced more plantation timber initiatives. Malaysia's Chief Minister of the state of Sabah encouraged easing the use of the state's logs and sawnwood and growing its plantation resources. India's plantation teak also showed a firm price trend and the organization Teaknet was planning new initiatives in the country. New projects in Mexico also contributed a large amount of plantation resources to the country's southeast region.

Headlines

Sawn timber business slows in West Africa	2
Ghana's first quarter contract volume drops	2
Sabah's Minister encourages stopping log and sawnwood exports	3
Malaysians keep close watch on China's skyrocketing shipping rates	3
Indonesia's business pauses as elections conclude	4
Myanmar's teak exports drop	5
India's export figures show gains by value	6
Peru's exports plummet 47%	8
Recovery rates identified as key priority by Guyana workshop	10
China's furniture exports slow through Jiangsu ports	12
Plywood prices in Europe could be on the verge of rise	13
US housing markets flat while residential remodelling market improves	15
Requests for assistance with TFLET project proposal formulation	16

Contents

Central/West Africa	2
Ghana	2
Malaysia	3
Indonesia	4
Myanmar	5
India ^{*new!}	6
Brazil	7
Peru	8
Bolivia	10
Mexico	10
Guyana	10
Japan	11
China	12
Europe, the UK and Russia	15
North America ^{*new!}	15
ITTO Announcements	16
Internet News	17
Currencies and Abbreviations	18
Ocean Freight Index	18
Appendix: Tropical Timber Price Trends	18

Report from Central/West Africa

Sawn timber business slow in West Africa

Demand from Asian buyers has been good enough to keep the remaining active log exporters reasonably busy and prices stable over the past weeks. Congo Brazzaville resumed limited volume log exports about two months ago and after a slow start a few exporters have now actively re-entered the market.

Buying for Europe has not strengthened although there have been some sales in relatively small volume for Portugal. French importers are well stocked but have recently made a few contracts for species where their inventory is low. The low demand for Continental Europe will not improve during the traditional summer vacation period that is now in full swing and traders are not convinced that business will show much if any improvement until the fourth quarter. The construction industry has been hit very hard in the recession and the number of jobs lost in this sector is larger than any except banking and finance. Log exporters expect to rely on Asian buyers for stability through the third quarter of the year and shipments to China being the largest in volume.

Sawn lumber business is very slow, with Europe still very much out of the market. Although reports indicate stocks are running low in the UK, extremely limited demand for tropical hardwoods keep buyers unwilling to speculate on new purchases. Enquiries for FSC or other certified lumber has shown some improvement but producers say price competition is such that they do not recover the extra costs for certified products.

Producers in Africa show no signs of gearing up for higher volume output in logs or sawn lumber and some are rumored to be considering a reduction in output.

West Africa Log Prices

West Africa logs, FOB	€ per m ³		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	205	205	153
Ayous/Obéché/Wawa	190	190	145
Azobe & Ekki	195	195	-
Belli	190	190	-
Bibolo/Dibétou	150	135	-
Bubinga	533	457	381
Iroko	257	250	200
Okoume (60% CI, 40% CE, 20% CS) (China only)	158	-	-
Moabi	270	270	206
Movingui	170	140	137
Niove	137	137	-
Okan	180	180	122
Padouk	295	270	235
Sapele	225	220	150
Sipo/Utile	260	240	215
Tali	220	220	114

West Africa Sawnwood Prices

West Africa sawnwood, FOB	€ per m ³
Ayous FAS GMS	300
Fixed sizes	360
Okoumé FAS GMS	290↑
Sel. & Bet. GMS Italy	215↓
Sel. & Bet. fixed sizes	-
Sipo FAS GMS	486↓
FAS fixed sizes	-
FAS scantlings	500↓
Padouk FAS GMS	540↓
FAS scantlings	555↓
Strips	390↓
Sapele FAS Spanish sizes	390
FAS scantlings	460
Iroko FAS GMS	455↑
Scantlings	455
Strips	350↑
Khaya FAS GMS	380
FAS fixed	420
Moabi FAS GMS	480↓
Scantlings	490↓
Movingui FAS GMS	300-320

Report from Ghana

Teak planting project to benefit Ashanti region

Dr. Owusu Afriyie Akoto, Member of Parliament for Kwadaso, has initiated a teak-planting project for schools in his constituency in the Ashanti region in Ghana. The project was intended to provide some 40 schools in the area with 15,000 teak seedlings for planting on school compounds. The aim was to raise awareness of school children to the value of trees. Under the project, each school child is to be given a number of teak seedlings for planting, watering, weed control and pruning as part of school daily curriculum and from all indications interest in the project is growing.

At the launch, Dr. Akoto said the vision behind the project included environmental, economic and social aspects and was designed to train students to appreciate the role of trees in environmental restoration and raise resources to finance schools' future expansion of educational facilities. To ensure the success of the project, the MP will present an award to schools that excel in the initiative. Mrs Edith Abroquah, the Ashanti Regional Minister of the Forestry Services Division (FSD), who represented the Minister of Lands and Natural Resources, commended the MP for his initiative, said she hoped the initiative would prove a success and offered FSD's support to ensure its success.

First quarter contract volume drops

Ghana's timber trade saw a further decrease in the volume of wood products processed and approved by the Timber Industry Development Division (TIDD) during the quarter under review. A total contract volume of 107,184 m³ and 1,801 pieces of furniture parts representing decreases of 29.60% and 81.06%, respectively, were processed and approved as compared to the figures achieved during the last quarter of 2008. Demand for wood products has reduced considerably in the major importing countries of Germany, Italy, Spain, the UK and the US since the onset of the global financial crisis.

With the exception of teak poles/billets/logs, which mainly go to the Indian market, all the major exportable products experienced further decreases in volume during the quarter

under review. Compared with figures from fourth quarter 2008, teak poles/billets/logs increased by 111.75% to reach a volume of 29,078 m³, while lumber, plywood, sliced veneer, rotary veneer and finger jointed products decreased in volume, ranging from 9% to 22%. The TIDD contract office in Kumasi, Accra and Sunyani processed and approved 36.91%, 5.99% and 6.93%, respectively, of the total volume of wood products during the quarter under review, with the headquarters in Takoradi contributing the remaining 50.17%.

Ghana Log Prices

Ghana logs, domestic	US\$ per m ³	
	Up to 80cm	80cm+
Wawa	110-120▲	125-155▲
Odum Grade A	160-170	175-185
Ceiba	90-100	105-120
Chenchen	70-95	100-120
Khaya/Mahogany (Veneer Qual.)	90-100	110-135
Sapele Grade A	135-150	155-175
Makore (Veneer Qual.) Grade A	125-135	140-166

Ghana Sawwood Prices

Ghana Sawwood, FOB	€ per m ³	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afromosia	855	-
Asanfina	500	555
Ceiba	195	260
Dahoma	330	410
Edinam (mixed redwood)	425	430
Emeri	360	415
African mahogany (Ivorenensis)	595	665
Makore	520	610
Niangon	510	625
Odum	645	720
Sapele	540	600
Wawa 1C & Select	260	285

Ghana sawnwood, domestic	US\$ per m ³
Wawa 25x300x4.2m	242▼
Emeri 25x300x4.2m	335
Ceiba 25x300x4.2m	205▼
Dahoma 50x150x4.2m	290
Redwood 50x75x4.2m	290
Ofram 25x225x4.2m	330

Ghana Veneer Prices

Rotary Veneer, FOB	€ per m ³	
	CORE (1-1.9mm)	FACE (<2mm)
Bombax	320	350
Ofram, Ogea & Otie	315	350
Chenchen	315	350
Ceiba	325	345
Mahogany	400	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	245
Chenchen, Ogea & Essa	295
Ofram	312

Sliced Veneer, FOB	€ per m ²	
	Face	Backing
Afromosia	1.19	1.00
Asanfina	1.50	0.90
Avodire	1.20	0.80
Chenchen	1.00	0.45
Mahogany	1.40	0.79
Makore	1.40	1.00
Odum	1.75	0.95

Ghana Plywood Prices

Plywood, FOB	€ per m ³			
B/BB, Thickness	Redwoods		Light Woods	
	WBP	MR	WBP	MR
4mm	560	475	500	370
6mm	340	325	335	285
9mm	365	305	290	270
12mm	300	295	270	280
15mm	310	300	280	280
18mm	300	290	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	7.80	10.18	11.00
Hyedua	13.67	13.93	17.82
Afromosia	13.72	18.22	17.82

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

Report from Malaysia

Minister encourages stopping log and sawnwood exports

Chief Minister Datuk Seri Musa Aman has encouraged the East Malaysian state of Sabah to stop exports of logs and sawnwood in the near future in order to generate more employment and investment in the downstream processing sector. According to *The Star*, Musa further noted that sustainable forest management would be practiced in natural forests and that tree plantations would be established in degraded and heavily logged areas.

In line with this transition, the Minister helped launch a Sino-Malaysian RM230 million joint-venture to create 12,000 hectares of rubber plantation in Sabah, reported the *Daily Express*. The project is located in the Bornion Timber concession area (Forest Management Unit 11) in Ulu Sungai Milian. The Bornion Guangken Rubber Forest Plantation project is a joint venture between Bornion Timber and Guangdong Guangken Rubber Group Co. Ltd. of Guangdong Agribusiness Group Corporation of China and is expected to be completed in six to eight years' time. When completed, it will be one of the largest rubber plantations in Malaysia. To date, Bornion Timber has planted 3,500 hectares out of the 25,000 hectares allocated for rubber planting. It has also planted 800 hectares of acacia under the Industrial Tree Planting (ITP) programme.

Similar initiatives have been seen in the state of Sarawak with 5,000 hectares of rubber trees expected to be planted by government agencies under the Ninth Malaysia Plan. *The Star* reports that 1.9 million hectares of available land in East Malaysia has been identified as suitable for rubber trees cultivation, out of a total of 41.2 million hectares of commercial agriculture land. The Sabah regional office director of the Malaysia Rubber Board, Dariman Darham, estimated that about 1.5 million hectares of land was available for rubber tree cultivation in Sarawak while 400,000 hectares was available in Sabah.

Malaysia keeps close watch on China's skyrocketing shipping rates

Malaysian timber products manufacturers are keeping a close watch on their competitors in China as the second largest container carrier in China - China Shipping Container Lines Co. - increased its rates for Asia-Europe routes by almost 100% from 1 July 2009 onwards. Rates for Asia to Europe routes would rise to as much as USD650 per 20 foot container, said China Shipping Container Lines Co's managing director Huang Xiaowen to the *Business Times*.

Shipping rates usually increase from July 1 every year as it is the busiest season for sea-cargo box carriers. The new rates may make Malaysian timber products more competitive if other shipping lines in China take similar actions and Malaysian shippers hike their current rates only marginally.

Malaysia Log Prices

	US\$ per m ³
Sarawak log, FOB	
Meranti SQ up	227-251
Small	211-242
Super small	200-224
Keruing SQ up	216-228
Small	187-218
Super small	162-193
Kapur SQ up	206-231
Selangang Batu SQ up	178-215
Pen. Malaysia logs, domestic (SQ) US\$ per m ³	
DR Meranti	231-250
Balau	297-326
Merbau	319-352
Rubberwood	42-77
Keruing	214-230

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

	US\$ per m ³
Malaysia Sawnwood, FOB	
White Meranti A & up	280-311
Seraya Scantlings (75x125 KD)	442-455
Sepetir Boards	249-271
Sesendok 25,50mm	347-365
Kembang Semangkok	294-317
Malaysian Sawnwood, domestic	US\$ per m ³
Balau (25&50mm,100mm+)	326-346
Merbau	463-514
Kempas 50mmx(75,100 & 125mm)	260-300
Rubberwood 25x75x660mm up	196-246
50-75mm Sq.	237-269
>75mm Sq.	259-288

Malaysia Plywood Prices

	US\$ per m ³
Malaysia ply MR BB/CC, FOB	
2.7mm	411-473
3mm	388-418
9mm & up	333-405
Meranti ply BB/CC, domestic	US\$ per m ³
3mm	384-425
12-18mm	318-347

Other Malaysia Panel Prices

	US\$ per m ³
Malaysia, Other Panels, FOB	
Particleboard Export 12mm & up	227-250
Domestic 12mm & up	212-229
MDF Export 15-19mm	282-314
Domestic 12-18mm	271-289

Malaysia Added Value Product Prices

	US\$ per m ³
Malaysia, Mouldings, FOB	
Selangan Batu Decking	535-545
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	550-563
Grade B	503-512

Malaysia Furniture and Parts Prices

	US\$ per piece
Malaysia, Rubberwood, FOB	
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)	55-63
without arm	55-64
with arm	55-64
Chair Seat 27x430x500mm	43-48
Rubberwood Tabletop	US\$ per m ³
22x760x1220mm sanded & edge profiled	
Top Grade	554-586
Standard	539-557

Report from Indonesia

Forestry Minister requires independent certification of timber exports

Indonesian Forestry Minister Mr. MS Kaban announced that all timber products leaving the country must be independently certified by an independent body consisting of representatives from both the timber business sector and NGOs. *The Jakarta Globe* reported that the new directive is designed to stop the flow of illegally traded products. NGO representatives expressed support for the measures, noting they would help boost the image of the government's monitoring and oversight capabilities by involving new stakeholders in the certification process.

SME sector could grow despite overall economic gloom

The Deputy Chairman of the Indonesian Chamber of Commerce and Industry, Mr. Sandiaga Uno, commented that the Small and Medium Enterprise (SME) sector is poised for higher growth. He said SMEs in Indonesia contribute up to 50% of national economic growth, reported *Tempo Interactive*. Most of Indonesian timber products producers are SMEs, in particular furniture manufacturers, which are often community-based or operated by family owned businesses. According to Mr. Uno, SMEs in Indonesia could contribute to growth of up to 25% if given adequate government support such as further capital and training on finance, management and marketing techniques.

Business pauses as elections conclude

Most trading activities in Indonesian have come to almost a standstill as the country held its national general elections on 8 July 2009. Businesses are looking forward to more positive changes in both state and federal laws and regulations that will encourage more foreign direct investments, as well as technology transfer to hire currently unemployed skilled workers and university graduates.

Indonesia Log Prices (domestic)

Indonesia logs, domestic prices	US\$ per m ³
Plywood logs	
Face Logs	186-229
Core logs	167-200
Sawlogs (Meranti)	174-235
Falcata logs	142-176
Rubberwood	36-62
Pine	157-196
Mahoni (plantation mahogany)	468-494

Indonesia Sawwood Prices

Indonesia, construction material, domestic	US\$ per m ³
Kampar (Ex-mill) AD 3x12-15x400cm	170-189
KD	193-227
AD 3x20x400cm	217-240
KD	221-248
Keruing (Ex-mill) AD 3x12-15x400cm	233-247
AD 2x20x400cm	219-237
AD 3x30x400cm	199-218

Indonesia Plywood Prices

Indonesia ply MR BB/CC, FOB	US\$ per m ³
2.7mm	400-457
3mm	356-397
6mm	313-377

MR Plywood (Jakarta), domestic	US\$ per m ³
9mm	252-263
12mm	244-254
15mm	233-247

Other Indonesia Panel Prices

Indonesia, Other Panels, FOB	US\$ per m ³
<i>Particleboard</i> Export 9-18mm	215-226
Domestic 9mm	191-203
12-15mm	182-193
18mm	172-184
<i>MDF</i> Export 12-18mm	251-264
Domestic 12-18mm	233-244

Indonesia Added Value Product Prices

Indonesia, Mouldings, FOB	US\$ per m ³
Laminated Boards Falcata wood	299-311
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	490-524
Grade B	445-466

Report from Myanmar

Teak exports drop from Myanmar

Local experts indicate Myanmar's market situation is quite erratic at present, especially for teak exports. First quarter comparisons for FY2008 and 2009 show slides in export figures: teak log shipments fell about 60%; hardwood log shipments dropped about 6%; and sawn teak (primarily processed) shipments slid nearly 57%.

A year-on-year comparison of tender prices showed mixed results. Average prices of fourth quality and sawing grades 1, 2 and 3 of teak fell up to 16% in June 2009 when compared to 2008 prices. Average prices for the lower sawing grades (5, 6 and 7) rose to a maximum of 80% in June 2009.

Prices drops of the higher grades occurred due to a slide in demand, particularly due to declines in European purchasing of these grades during the period specified. Prices for the lower grades that go to Asian markets rose because of short supply and other factors such as purchasing on an FOB basis and better quality of log

producing areas. The table below shows a year-on-year price comparison for teak:

Grade	June 2008 (Avg EUR)	June 2009 (Avg EUR)
4 th Quality	3,462	3,329
Sawing Grade 1	2,707	2,431
Sawing Grade 2	2,066	1,779
Sawing Grade 4	1,794	1,684
Sawing Grade 5	1,245	1,528
Sawing Grade 6	761	1,372
Sawing Grade 7	622	1,024

Table 1: Price Comparison of Teak for June 2008 and June 2009 (Avg EUR)

Myanmar Log Prices (natural forests)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)	
<i>Veneer Quality</i>	May	Jun
2nd Quality	-	-
3rd Quality	-	-
4th Quality	3,385 (21 tons)	3,329 (21 tons)
<i>Sawing Quality</i>	May	Jun
Grade 1 (SG-1)	2,307 (55 tons)	2,431 (73 tons)
Grade 2 (SG-2)	1,842 (59 tons)	1,774 (35 tons)
Grade 3 (SG-3)	-	-
Grade 4 (SG-4)	1,915 (178 tons)	1,684 (172 tons)
Grade 5 (SG-5)	1,697 (112 tons)	1,538 (149 tons)
Assorted		
Grade 6 (SG-6)	1,249 (113 tons)	1,372 (89 tons)
Grade 7 (ER-1)	1,061 (79 tons)	1,024 (87 tons)
Grade 8 (ER-2)	-	-

Hoppus ton=1.8m³. All grades, except SG-3/5/6, are length 8' x girth 5' & up. SG-3/4/6 are girth 4' & up. SG-3 grade is higher than SG-4 but with lower girth and price.

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

Logs, FOB	€ Avg per Hoppus Ton (traded volume)
Pyinkado (export)	425 (398 tons)
Gurjan (keruing-exp)	206 (409 tons)
Tamalan	265 (102 tons)
Taungthayet	--

Report from India

Export figures for timber products show gains by value

Indian economy grew by 6.7% during the first half of 2009 as against an average growth of 8.8% in the previous five years. The slowdown in 2009 was primarily due to the global financial meltdown and consequent economic recession in developed economies. The growth outlook for FY 2010 is maintained by the government at 7% and since the present government has full majority in the parliament it is hoped that many of the measures outlined by the government will be implemented. The foreign trade figures for May 2009 were in line with the expectations.

Despite depressed export and import figures in other countries, wood and wood products have remained unaffected. While there has been a general shrinkage in exports, the decline in imports is greater, thereby reducing the trade deficit for the first two months of 2009 to USD10.2 billion compared to USD19.88 billion in the first two months of 2008, mainly because of lower rates for crude in the current market

The figures for exports of wood products for the financial year 2008-2009 were set at a target value of 22,635 million Rupees, with the actual exports estimated to be worth 22,000 million Rupees during this period. Exports during 2007-2008 were 1.9620 million Rupees. Exported products were as follows (in million Rupees):

Product	Value (million Rupees)
Cork and cork products	74.0
Hardboard of wood fiber	318.0
Other wood articles	3606.0
Plywood and products	2700.0
Sandalwood chips	160.0
Tea chest panel	42.0
Veneer	1300.0
Wooden furniture	13800.0
Total	22000

Source: Capexil

Exports of wood products would have been much better if USA and EU demand did not plummet as an effect of the global financial crisis. Buying from these countries has been low, particularly for musical instrument components made of Indian Rosewood (*Dalbergia latifolia*). Before the ban on exports of Rosewood logs and sawn timber exports, India used to export approximately 35,000 m³ to Japan, Italy, Germany and other countries that used to import them to manufacture veneers for fancy plywood and musical instruments such as guitars. After the ban, exports of parts such as sides and backs plus finger boards for guitars jumped but presently, exports have been much lower due to the global financial crisis.

Similarly, exports of all logs and sawn timber of Indian origin are banned under the green cover programme. Only sawn timber made of imported logs are permitted for exports under this well monitored scheme. The main conditions set by the programme indicate that against 100 m³ of timber imported, not more than 60 m³ will be

allowed for re-export and that the extent of value-added activities of these products in the country must be at least 30%. Under this scheme, mainly teak sawn timber is exported.

Door and window frames have continued to be a popular product to Middle Eastern countries and flooring decking. Prices for Middle East quality for door and window frames were around USD2,200 /m³. Planks have been popular to Australia, Europe and North America. Plank (6' to 6'') prices to Europe have been up around USD5,000. Kerala teak had been widely used by boat builders in the Persian Gulf but having been banned, shipbuilding activity is now done on India's western coast ports and the ships export mostly to the Gulf countries.

Auctions of teak and other hardwoods have also shown a firm price trend. Currently, prices realized in ex-forest depots of the Kerala government auctions are the following:

Teakwood plantations	logs from	Approximate price in Rupees
Class 1B		118,000 /m ³
Class 1C		87,000 /m ³
Class IIB		79,000 /m ³
Class IIC		58,000 /m ³
Class IIIB		53,000 /m ³
Class IIIC		34,000 /m ³

Changes in Teaknet spurs new initiatives

An informal meeting was held at Kerala Forest Research Institute (KFRI), in Peechi, Kerala to discuss future activities and areas where Teaknet could advise teak planters, traders and consumers. The meeting was chaired by Dr.K.V.Sankaran, Director of KFRI and consisted of a variety of participants and other experts and researchers on teak.

Mr. R.T. Somaiya, President of Timber Importers Association of India and member of Teaknet Steering Committee, provided the audience an overview of the international teak trade. He emphasized the need to standardize specifications, measurement systems and a formula for arriving at the volume of bark and sap as they differ in supplying countries. He said there is a need to help teak planters improve the quality of growing stock, pest control and the integration of plantations with natural flora and fauna. Teaknet can also guide planters on the most suitable habitats, and desirability of setting up plantations where silvicultural practices such as weeding, pruning, occasional ploughing and pest management can be carried out economically, with the hope that these activities will bring excellent returns at the time of harvest and provide a quality as close to forest grown teak as possible.

A seminar has been planned from 23-25 November 2009 at Peechi to discuss matters of interest to traders and planters and Teaknet will be making an announcement of this event officially shortly.

India Sawwood Prices (domestic)

Indian sawwood (Ex-mill)	Rs. per ft ³
Teak (AD)	
Plantation Teak A grade	1800-3250
Plantation Teak B grade	1650-2800
Plantation Teak C grade	900-1350

India Sawwood Prices

Sawwood, (Ex-mill) (AD)	Rs. per ft ³
Merbau	1500
Balau	1250
Kapur	850
Red Meranti	700
Bilinga	650
Radiata Pine (AD)	350-450

Sawwood, (Ex-warehouse) (KD)	Rs per ft ³
Beechwood	1200
Sycamore	1250
Oakwood	1300
American Walnut	2250
Hemlock clear grade	950
Hemlock AB grade	750
Western Red Cedar	1250

India Plywood Prices

Plywood, (Ex-warehouse) (MR Quality)	Rs per ft ²
4 mm	19
6 mm	27
12 mm	39
15 mm	48
18 mm	57

Report from Brazil

Illegal timber seized in Marcelândia region

In an operation to combat illegal logging in the municipality of Marcelândia, located in Mato Grosso state in the Amazon region, the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA) inspectors seized illegal timber and found that illegal logging in the Amazon forest is continuing at a very fast pace. In three months, timber equivalent to six thousand trees has been seized in the region, reported *Globo/Só Notícias*. Illegally logged timber is supplied to regional sawmills, some of which operate illegally without permits from environmental agencies.

In another municipality, also in Mato Grosso state (Juína), the Federal Police arrested 16 people during the 'Arco do Fogo' Operation, also designed to combat illegal logging. Two check points were established in the municipality to control timber trucks; a total of 14 trucks were seized with approximately 2,500 m³ of timber, with an estimated value of BRL200 thousand.

According to the inspectors of the region, illegal timber transport is part of organized crime, as state and interstate organizations are benefiting from the illegal logging operations in Mato Grosso and throughout the Amazon region.

NASA images reveal a drop in Amazon burning in 2008

New NASA research showed a sharp decline in the quantity of smoke over the Amazon region during the 2008 burning season, coinciding with a drop of the deforestation rate reported at the end of June 2009. The burning in the region is primarily used to establish pasture for cattle ranching, which is the main activity responsible for land-use change in the Amazon.

According to *Amigos da Terra*, deforestation in the Brazilian Amazon is increasingly caused by industrial development rather than subsistence activities, considering that the region is one of the world's major sources of meat and soybeans. However, due to the global financial crisis, the bank credit lines have not been easily opened and commodity prices dropped, which discouraged forest land conversion to pasture and other uses, leaving an area of approximately 25,000 square kilometers degraded, but not deforested. Forest burning dropped drastically in the 2008 burning season, leaving deforestation for the 2008-2009 year at its lowest level, below 10,000 square kilometers, according to the Ministry of Environment (MMA).

The Brazilian government expects the trend to continue, despite a recent drop in commodity prices. The Brazilian government also agreed to reduce annual forest loss by 70% by 2018 under its national action plan on climate change. Brazil expects industrialized countries to contribute to its fund to protect the Amazon, which is expected to avoid emissions of 4.8 billion tons of carbon dioxide in the atmosphere.

Rio Grande do Sul's furniture exports drop

The furniture industry of the state of Rio Grande do Sul (a major furniture exporting state in Brazil) faced a 32.9% drop in its exports between January and May 2009 compared to the same period of 2008. Some companies of the state increased their exports to new or underdeveloped markets such as Cuba, Uruguay and Angola (a 105.1%, 82.8%, and 13.2% increase, respectively). Comparing May to April 2009, there was a 6.3% increase in furniture exports of the state, amounting to USD15.2 million, although furniture exports dropped 39% in May 2009 when compared to May 2008. The main reasons for the decline were the high dollar exchange rate and barriers imposed on imports by Argentina, one of the main buyers of Rio Grande do Sul's products.

According to *Gazeta RS*, the export figures for Brazil were similar to those of Rio Grande do Sul state over the January to May 2009 period, with a 32.1% drop in the exports from the furniture sector, totaling USD260.8 million. The country that most increased its imports of Brazilian furniture was Cuba. Although it represents only 3% of total Brazilian exports, it increased its imports by 85.5%. The US continues to be the main buyer of Brazilian furniture, representing 15% of Brazil's total market share of exports were worth USD38.2 million, a 49.1% decrease.

Brazil Log Prices (domestic)

Brazilian logs, mill yard, domestic	US\$ per m ³
Ipê	124
Jatoba	89
Guariuba	59
Mescla (white virola)	65

Brazil Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per m ³
Jatoba Green (dressed)	781
Cambara KD	456
Asian Market (green)	Guariuba
	259
	Angelim pedra
	590
	Mandioqueira
	227
Pine (AD)	189

Brazil sawnwood, domestic (Green)	US\$ per m ³
Northern Mills (ex-mill)	Ipê
	583
	Jatoba
	448
Southern Mills (ex-mill)	Eucalyptus (AD)
	161
	Pine (KD) 1st grade
	210

Brazil Veneer Prices

Veneer, FOB (Belem/Paranagua Ports)	US\$ per m ³
White Virola Face 2.5mm	290
Pine Veneer (C/D)	205

Rotary cut Veneer, domestic (ex-mill Northern Mill)	US\$ per m ³	
White Virola	Face	Core
	218	182

Brazil Plywood Prices

Plywood, FOB	US\$ per m ³
White Virola (US Market)	
5.2mm OV2 (MR)	455
15mm BB/CC (MR)	393
White Virola (Caribbean market)	
4mm BB/CC (MR)	498
12mm BB/CC (MR)	399

Pine Plywood EU market, FOB	US\$ per m ³
9mm C/CC (WBP)	265
15mm C/CC (WBP)	242
18mm C/CC (WBP)	237

Plywood, domestic (ex-mill Southern mill)	US\$ per m ³
Grade MR (B/BB)	White Virola 4mm
	748
	White Virola 15mm
	547

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)	309

Domestic Prices, Ex-mill Southern Region	
Blockboard White Virola faced 15mm	479
Particleboard 15mm	306

Brazil Added Value Products

FOB Belem/Paranagua Ports	US\$ per m ³
Edge Glued Pine Panel	
Korean market (1st Grade)	631
US Market	482
Decking Boards	Cambara
	591
	Ipê
	1533

Report from Peru

Peru's timber exports plummet 47%

According to recent statistics given by the Export Association of Peru (ADEX), Peru's timber exports from January – March 2009 were USD54.61 million while for the same quarter 2008 they were USD102.97 million, a year-on-year decline of 47% (Chart 1). During the same period, the three main timber export markets were China, Mexico and the US, which overall represented 78.54% of the wood sector exports.

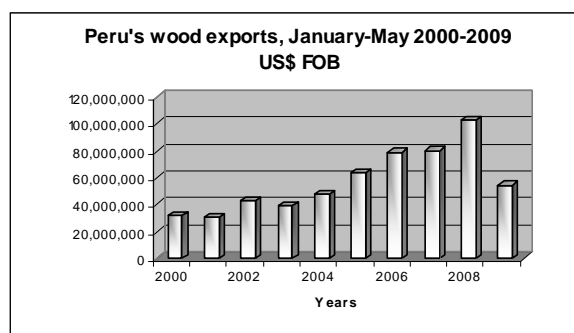


Chart 1: Peru's wood exports, January to May 2000-2009 (USD FOB)

During the January – May 2009 period, New Zealand imports of Peru's timber products grew 262% against the same quarter a year earlier. The primary imports consisted of railway ties. This growth is similar to that of Panama, which imported 104% more of Peru's timber products during the same period, primarily as a result of sawnwood imports. China's imports jumped 52.245%, with the Hong Kong market showing a massive 476% gain in imports of Peru's timber products, particularly decking. On the other hand, Mexican imports slumped 72.44% over the period, as demand stopped for Peru's mouldings.

Sawnwood, the second largest product exported during the period, consisted of about 34% of timber exports. Exports of sawnwood for the January – May 2009 period were USD18.65 million by value while for the same quarter in 2008 the sawnwood exports were just over USD49 million, a year-on-year drop of 62.54%. The main market of exports destination for this product was Mexico. A year-by-year comparison for Peru's sawnwood exports is shown below:

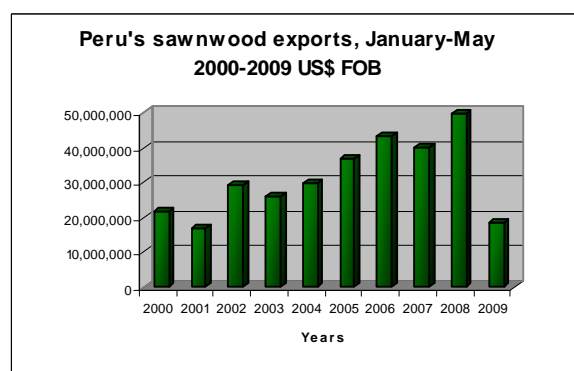


Chart 2: Peru's sawnwood exports, January to May 2000-2009 (USD FOB)

Semi-manufactured exports over the January – May 2009 period represented the largest product exported, consisting of 41.5% of total timber exports (Chart 3). Exports were worth USD22.66 million during the period, falling 20.91% from the same period during 2008. The main destination market in these products was China.

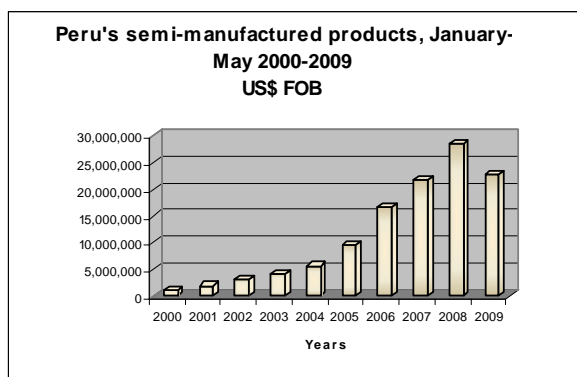


Chart 3: Peru's semi-manufactured products, January to May, 2000-2009 (USD FOB)

Exports of veneer and plywood for the January – May 2009 were USD5.52 million, dropping from USD 12.77 million for the same period in 2008. The Mexican market was the main destination for Peru's veneer and plywood products. The chart below shows a yearly comparison of Peru's veneer and plywood exports by value.

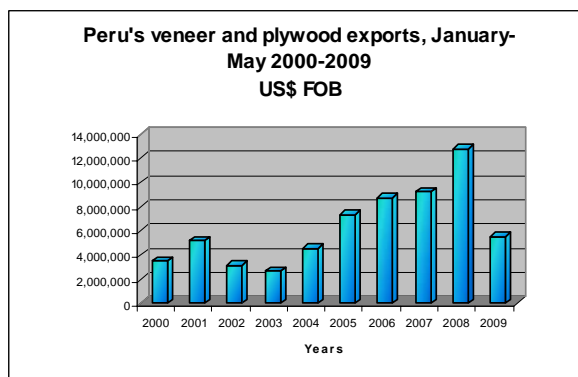


Chart 4: Peru's veneer and plywood exports, January to May 2000-2009 (USD FOB)

Exports of furniture and parts during the January – May 2009 period were USD3.21 million by value, nearly half of what they were in the same quarter of 2008. The main destination market for these exports was the US, which received just over half of these products although its import levels significantly declined during the same period as a result of the global economic slowdown.

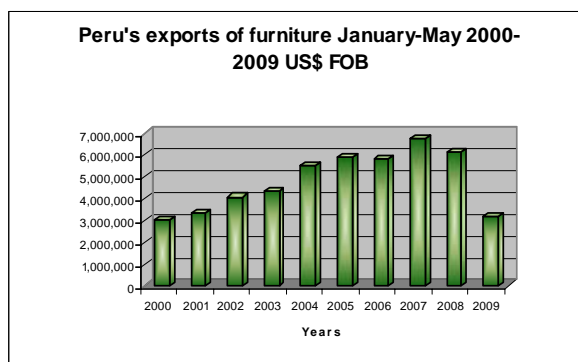


Chart 5: Peru's exports of furniture, January to May 2000-2009 (USD FOB)

Peru Sawnwood Prices

Peru Sawnwood, FOB Callao Port	US\$ per m ³
Mahogany S&B KD 16%, 1-2" random lengths (US market)	1722-1798
Spanish Cedar KD select North American market	918-922
Mexican market	897-921
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	794-822
Asian market	772-794↑
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	887-909
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	935-951
Virola	46-61
Spanish Cedar	275-328
Marupa (simarouba)	57-69

Peru Veneer Prices

Veneer FOB	US\$ per m ³
Lupuna 3/Btr 2.5mm	189-202
Lupuna 2/Btr 4.2mm	203-217
Lupuna 3/Btr 1.5mm	211-221

Peru Plywood Prices

Peru plywood, FOB (Mexican Market)	US\$ per m ³
Copaiba, 2 faces sanded, B/C, 15x4x8mm	318-347
Virola, 2 faces sanded, B/C, 5.2x4x8mm	398-405
Cedar fissilis, 2 faces sanded 4x8x5.5mm	745-755
Lupuna, treated, 2 faces sanded, 5.2x4x8mm	348-359
Lupuna plywood B/C 15x4x8mm	341-350
B/C 9x4x8mm	345-350
B/C 12x4x8mm	350-360
B/C 8x4x15mm	410-419
C/C 4x8x4mm	380-388
Lupuna plywood B/C 8x4x4mm Central Am.	368-388

Lupuna Plywood BB/CC, domestic (Iquitos mills)	US\$ per m ³
122 x 244 x 4mm	432↑
122 x 244 x 6mm	397
122 x 244 x 8mm	403
122 x 244 x 12mm	399
(Pucallpa mills)	
122 x 244 x 4mm	450↑
122 x 244 x 6mm	439
122 x 244 x 8mm	430↑
122 x 244 x 12mm	429

Other Peru Panel Prices

Peru, Domestic Particleboard	US\$ per m ³
1.83m x 2.44m x 4mm	282
1.83m x 2.44m x 6mm	230
1.83m x 2.44m x 12mm	204

Peru Added Value Product Prices

Peru, strips for parquet	US\$ per m ³
Cabreuva/estoraque KD12% S4S, Asian market	1334-1424▲
Cumaru KD, S4S	Swedish market 655-708
	Asian market 944-973▲
Cumaru decking, AD, S4S E4S, US market	778-867
Pumaquiro KD # 1, C&B, Mexican market	388-444
Quinilla KD, S4S 2x10x62cm, Asian market	482-529▲
	2x13x75cm, Asian market 617-680

Report from Bolivia

Bolivia Sawwood Prices

Sawwood 1-3"x3x5"x7-19', FOB Arica Port	\$ Avg un. val. per m ³
Ipe (Argentina and Uruguay)	560-595
Caviuna (Italian markets)	1800
Oak (Argentina mkt)	678
Cedro (US, Argentina, Chile mkt)	848-870

Bolivia Added Value Product Prices

Doors 13/4"x36"x96", FOB Arica Port	Avg \$ per piece
US market Mara macho/Tornillo (FSC)	170
Cambara	135
Oak (US market)	159

Chairs FOB Arica Port	\$ Avg Per piece
Ipe (US market)	81-176
Roble/Oak (UK market)	71-94
Parquet Flooring 3/4"x3-5"x1-7', FOB Arica Port	\$ Avg un. val. per m ³
Jatoba (US market)	1185-1215
Ipe (US market)	805-1800
Cumaru (FSC) (China mkt)	1755-1935

Report from Mexico

Mexico's southeast region is host to most plantation species

The main plantation areas in Mexico are located in the southeast of the country, particularly Veracruz, Tabasco, Michoacan, Campeche, Oaxaca and Guerrero. The species planted in these areas include eucalyptus, melina, teak, cedar and rubber wood. The two most important plantation projects cover a total area of about 22,600 hectares. The raw material from these plantations is sawnwood, pulp, and rubberwood.

The main species planted in all areas of Mexico for commercial purposes are: eucalyptus (15.85%), cedar (12.02%), melina (7.71%), pine (7.37%), mahogany (6.31%), teak (6.22%) and others. The table below shows the places where these species are located in Mexico.

Species	State and Municipality
<i>Gmelina arborea</i>	El Carmen, Campeche
<i>Eucalyptus urograndis</i>	Balancán, Tabasco
<i>Tectona grandis</i>	San Blas, Nayarit
<i>Eucalyptus grandis</i>	Huimanguillo, Tabasco
<i>Eucalyptus globulus</i>	Zapopan, Jalisco
<i>Cedrela odorata</i>	Valle Nacional, Oaxaca
<i>Swietenia macrophylla</i>	Escárcega, Campeche
<i>Pinus caribaea</i>	La Sabana, Oaxaca
<i>Pinus spp</i>	Patzcuaro, Michoacán

Source: PRODEPLAN and FAPATUX.

Report from Guyana

Prices for greenheart remain stable

Log prices for greenheart have remained relatively stable over the last fortnight while prices for purpleheart continue to increase on average by 20% for both standard and fair sawmill quality. There has been a slight increase in the export of mora logs with prices ranging from USD90 to USD110. Prices for undressed sawnwood have been fairly stable, while prices for dressed sawnwood have comparatively increased during the same period. Plywood prices continue to climb from the last fortnight in the BB/CC category.

The export of other value-added timber products, such as furniture, building components, doors, mouldings, continue to contribute to export value earnings, with prices showing marginal increases in some cases, but overall stability throughout the period.

Guyana's economy expected to rebound

The Central Bank of Guyana has recently released its first quarter economic and financial review of the country for 2009. The Report outlined that the Guyanese economy is expected to rebound during the year, albeit at a slower rate than in 2008. It was noted that the economy continued to grow modestly, although the agriculture and manufacturing sectors contracted. The forestry sector saw an increase in output in 2009, which was a cause of early harvesting and a higher level of compliance with the requirements of forest management planning, annual planning and submission of forest inventory information.

The economy grew in real terms by 3.1% and in nominal terms by 11.4%. In 2009, the Guyanese economy is projected to grow by 4.7%. This growth is expected to be driven by the agriculture, engineering and construction as well as the services sectors.

The Guyana dollar remained relatively stable, appreciating against the US dollar by 0.37% to 204.5 at end March, 2009. The weighted mid-rate of the commercial banks, however, depreciated by 0.27% to 203.82. The overall spread widened marginally to G\$3.41 from G\$3.38 at end March 2009. The inflation rate dropped sharply to 0.4% compared with an increase of 4.8% over the corresponding period last year. This outcome was due to lower international fuel and commodity prices as well as falling domestic prices for food items.

Recovery rates identified as key priority by workshop

A two-day regional workshop on chainsaw milling in Guiana Shield/Caribbean was hosted by the Forestry Training Centre Inc (FTCI) and Iwokrama Center for Rainforest Conservation and Development (ICRCD) in Guyana.

The workshop, entitled 'Working with chainsaw millers and communities to improve the utilization of timber resources', is part of a collaborative project of Tropenbos International of the Netherlands and local partners FTCI and Iwokrama. The chainsaw milling project has evident links to Guyana's Low Carbon Development Strategy (LCDS), which aims to facilitate high-potential low-

carbon sectors, the production of fruits and vegetables, aquaculture, and sustainable forestry and wood processing.

Minister of Agriculture with responsibility for Forestry, Robert Persaud, delivered the opening address outlining Guyana's approach to chainsaw milling in which the social and economic benefits do not come at the cost to environmental standards. Minister Persaud noted that the chainsaw milling sector does not operate without challenges in the country's forest industry. Recovery was overall lower than expected and there still was an identified need for capacity building in the use and maintenance of chainsaws. While some efforts have been made in the past and continue to be implemented, more still needs to be done to increase recovery, create better practices and decrease the level of waste generated.

Having recognized the benefits that chainsaw lumbering provides, including employment, support to rural communities and income, the Minister explained that a pragmatic and concerted approach has been taken to allow the existence of chainsaw milling through a comprehensive system of regulatory standards and requirements, while at the same time supporting the sector to grow, improve and develop. The Minister emphasized that Guyana's approach to chainsaw lumbering in Guyana has been one that is dynamic, constantly looking to improve on the regulations and practices while at the same time balancing the requirements of the stakeholders which depend on this activity for their livelihood.

Guyana's R-Plan on climate change readiness approved by World Bank

Guyana has advanced its efforts in preparatory activities for climate change readiness through the World Bank's Forest Carbon Partnership Facility. Guyana's R-Plan was formally approved by the Bank's Participants Committee on 16-19 June 2009 as second in the world that has advanced to this stage, with Panama's plan being the first. This Plan will assist Guyana in developing a monitoring, reporting and verification system that will allow an effective indicator system to be developed as a necessary part of a forest carbon financing scheme.

The R-Plan is one component of the recently launched Low Carbon Development Strategy (LCDS) which seeks to transform Guyana's economy and at the same time, combat climate change. The proposed low carbon development initiatives will not be at the cost to livelihoods or sustainable development of communities, as highlighted in the Strategy document. The Strategy also notes it will not in any way threaten the sovereignty of Guyana to chart the path of its own development at the community or national level. In the context of the LCDS, logging activities, and other utilization activities will be able to continue but will have to be done in a sustainable way that is compatible with the provisions of the LCDS. Over the course of the next two months, Guyana will continue to seek the inputs and comments of stakeholders to finalize the LCDS in September.

Guyana Log Prices

Logs, FOB Georgetown	SQ - \$ Avg unit value per m ³		
	Std	Fair	Small
Greenheart	140	130↓	120↓
Purpleheart	230↑	210↑	200↓
Mora	-	110	90-100

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

Guyana Sawwood Prices

Sawwood, FOB Georgetown	\$ Avg unit val. per m ³	
	Undressed	Dressed
Greenheart Prime	670↓	632
Select/Standard	488-785↑	550-1075↑
Purpleheart Prime	-	-
Select/Standard	594-827↓	594-1125↑
Mora Select	424↓	-

Guyana Plywood Prices

Plywood, FOB Georgetown Port		\$ Avg unit val. per m ³
Baromalli BB/CC	5.5mm	-
	12mm	383-505↑
Utility	5.5mm	-
	12mm	374-490↑

Report from Japan

Log and Sawwood Prices in Japan

Logs for Ply Manufacture, CIF	Yen per Koku (Koku=0.278 m ³)
Meranti (Hill, Sarawak)	7,400
Medium Mixed	7,500
Standard Mixed	7,600
Small Log (SM60%, SSM40%)	7,600
Taun, Calophyllum, others (PNG)	7,600
Mixed light hardwood, G3/4 grade (PNG)	-
Keruing MQ & up (Sarawak)	12,000
Kapur MQ & up (Sarawak)	9,300

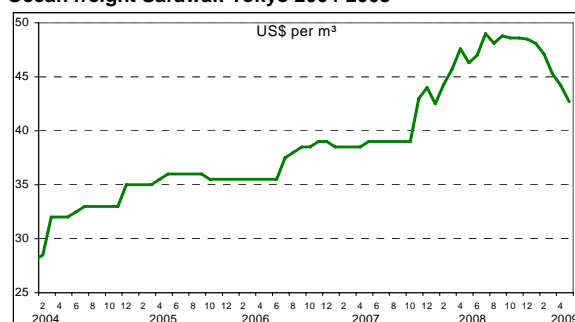
Logs for Sawmilling, CIF	Yen per Koku
Melapi (Sarawak) High Select	11,500
Agathis (Sarawak) High Select	-

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

Wholesale Prices (Tokyo)

Indonesian & Malaysian Plywood	Size (mm)	Jun		Jul	
		¥ per sheet		¥ per sheet	
2.4mm (thin plywood, F 4star, type 2)	920 X 1830	320 ↓	310 ↓		
3.7mm (med. Thickness, F 4star, type1)	910 X 1820	440 ↓	440 ↓		
5.2mm (med. Thickness, F 4star, type 1)	910 X 1820	550 ↓	550 ↓		
11.5mm for sheathing (F 4star, type 2)	910 X 1820	860 ↓	850 ↓		
12mm for foundation (F 4star, special)	910 X 1820	900 ↓	880 ↓		
12mm concrete-form ply (JAS)	900 X 1800	800 ↓	780 ↓		
12m coated concrete-form ply (JAS)	900 X 1800	940 ↓	920 ↓		
11.5mm flooring board	945 X 1840	1100	1050 ↓		
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

Chinese economy shows slight rebound

According to an article recently posted on China's National Bureau of Statistics website, China's economy has turned around after a period of decline. The article indicates that due to a series of macro economic regulation and control policies adopted by the governments, the performance of Chinese economy has shown an upward growth trend since the fourth quarter of last year.

In terms of GDP trends, based on major economic indicators from April to May of this year, it is forecasted that the growth rate of GDP in the second quarter would reach to nearly 8%. In terms of industrial production, it also rose since March, climbing 8.3%, 7.3% and 8.9% in March, April and May respectively. Electric energy production continued to rise since March and was close to 10 billion kilowatts per hour.

The article anticipates that the Chinese economy has overcome the recent difficulty and will gradually recover. However, it warns that since the world economy is still in a deep recession, some long standing contradictions in the domestic economy such as waning foreign demand, surplus productive capacity and possible inflation would continue to emerge.

China explores possibility of rural furniture markets

As one of the important measures to expand domestic demand, the Chinese Furniture Association is starting a movement called 'furniture rustication' to assist farmers in rural areas of China. 'Furniture rustication' involves furniture associations, in cooperation with relevant sectors, such as finance, industry and commerce, selling furniture in rural areas applying incentives so farmers can buy furniture at lower prices. It has been reported that the four largest furniture markets in the south, north, east and west of China will participate in this activity. These four markets are located in medium and small cities, serving both urban and rural areas.

Furniture exports slow through Jiangsu ports

According to statistics from Nanjing Customs, the value of furniture exports through Jiangsu ports were USD 91.75 million from January to May 2009, up 15.8% over last year's value, but the export growth rate fell by 18.8 percentage points. The furniture exports through Jiangsu ports in the first five months showed the following trends:

- The monthly growth rate of the first three months remained over 15%, of which, the growth rate in March 2009 reached a peak of 39%. However, the growth rate in April fell 1.5%, which was the first negative growth rate since 2008. Exports in May rose 0.2% over the same period of last year and up 0.5% over last month of 2009.

- From January to May, furniture exports were valued at USD51.84 million, down 16.6% and accounting for 56.6% of total export value.

- Furniture exports to the US, Japan and EU through Jiangsu ports from January to May 2009 were valued at

USD37.59 million, USD21.99 million and USD21.23 million, rising 10.3%, 72.7% and 3.5% respectively. The export value to these three markets accounted for 88% of total exports through Jiangsu ports.

- From January to May 2009, furniture exports from foreign enterprises and private enterprises were valued at USD52.88 million and USD32.18 million, up 21% and 22%, respectively, amounting to 92.7% of total exports through these ports.

According to experts, the slow growth rate of furniture exports through Jiangsu ports resulted from slow trade and reduced demand in the international market.

Bamboo successfully used in housing construction

Mr. Zhang Qisheng of Nanjing Forestry University and Mr. Lu Zhitao of Dongnan University have worked together to develop a new type of anti-seismic house built with bamboo-based material and is expected to be used widely across rural areas of northern Jiangsu Province. The roof, external wall and corridor of the two-storey building are made from bamboo materials as are indoor materials such as flooring, chairs and decks, stairs and the ceiling. Built with reorganized bamboo material which is light weighted and of high strength and durability, this new type of house has the advantage of cool in summer and warm in winter. The house has also the advantage of being low cost, with a 220 m² house including indoor decoration and labor costing an average RMB500,000 yuan.

Guangzhou City Imported Timber Market

Logs	Yuan per m ³
Lauan (50-60cm)	1900-2400
Kapur	1900-2450
Merbau 6m, 79-100cm diam.	4300-5200↓
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	3350-4000↓

Shanghai Furen Wholesale Market

Sawnwood	Yuan per m ³
Beech KD Grade AB	2500-3000
US Cherry, 25mm	9500-10000
US Red Oak, 50mm	9800-10500
Sapele 50mm FAS (Congo)	
KD (2", FAS)	5600-5700↓
KD (2", grade A)	5200-5300↑

Shandong De Zhou Timber market

Logs		Yuan per m ³
Larch	6m, 24-28cm diam.	1100
White Pine	6m, 24-28cm diam.	1200
Korean Pine	4m, 30cm diam.	1400
	6m, 30cm diam.	1500

Hebei Shijiazhuang Wholesale Market

Logs		Yuan per m ³
Korean Pine	4m, 38cm+ diam	1800↓
Mongolian Scots Pine	4m, 30cm diam.	1300
	6m, 30cm+ diam.	1400↑
Sawnwood		
Mongolian Scots Pine	4m, 5-6cm thick	1450
	4m, 10cm thick	1500↑

Zhejiang Jiashan Kaihua International Timber Market

Logs		Yuan per m ³
Okoume	80cm+	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

Plywood prices could be on verge of rise

After a long period of stagnant CIF NW Europe prices for plywood products, European plywood agents believe that CIF prices may be on the verge of significant rises. Inflationary price pressures seem to be mounting. Shipping lines which have been shedding money over the last few months are laying up tonnage in an effort to drive up freight rates. And a long period of very low harvesting is contributing to a serious shortfall in log supplies which has increased raw material costs in major producing regions.

Meanwhile hardwood plywood stocks on the ground in the EU are low following a very long period of restricted forward buying which began in the third quarter of 2008. There has also been a limited upturn in consumption during the early summer months as a period of good weather has boosted construction activity in parts of Europe. All this has contributed to a minor increase in forward buying in recent weeks. But the volumes involved remain limited and no-one is expecting a dramatic increase in the pace of forward orders any time in the near future. In fact importers are very concerned about market prospects during the winter of 2009/2010 when construction activity across Europe is widely expected to stagnate once again. In the UK, the weakness of the GBP is another obstacle in the way of any significant increase in forward orders.

Another factor reducing prospects for significant forward orders is the big shift in recent years to containerization of plywood imported into western Europe. The market now tends to receive smaller volumes on a more regular basis. This reduces the risks of 'boom and bust' and is more aligned with the existing market focus on just-in-time trading.

The difficulty of obtaining credit insurance throughout the plywood trading chain has also gummed up the European plywood trade in recent months. Credit insurance is vital to the smooth running of the supply chain since it gives manufacturers insurance for the period between supplying goods to customers and being paid for those items. If withdrawn, suppliers may demand upfront payments from customers or refuse to supply goods.

There are at least some signs that credit insurance is less of an issue now than 6 months ago. Many suppliers appear to have accepted that lack of credit insurance should not be an over-riding factor preventing a sale. Instead suppliers are forming their own judgements on credit worthiness based on knowledge of the customer's long-term track record in paying for goods.

European plywood importers have been employing two distinct market strategies during the downturn. One group of companies, mainly the larger and better capitalized companies, has been trying to boost market share by selling in volume at low margins. Another group has been working off very low stocks and selling only limited volumes while trying to ensure a good margin on each sale.

Malaysia and China are jostling for position as leading supplier of tropical hardwood faced plywood into the EU. Indonesia is now widely regarded as a spent-force, at least in the UK market, partly due to price but also according to one agent 'because Indonesia has not properly addressed the environmental issue'. Several of the largest UK builders' merchants continue to blacklist all Indonesian plywood on environmental grounds.

The major focus on product price during the downturn seems now to be having a significant impact on the quality of plywood products supplied into the EU. There are signs that in order to meet existing price expectations in the EU, some plywood suppliers are cutting corners with respect to log quality, glues and other raw materials.

Furthermore the market shift from tropical-hardwood-throughout plywood to combi-plywood comprising a softwood or eucalyptus core – which began several years ago – seems to have deepened. In the case of Chinese product, there is now a shift from poplar-cores to eucalyptus cores. There are also signs that this shift to combi-products is now going a step further, with reports of tropical hardwood faced plywood containing a palm or coconut core finding its way into the market. Contacts suggest these products have been supplied in the EU by both Chinese and Malaysian mills. As one agent comments 'the market tends to get what it pays for' and this is an inevitable consequence of current price expectations in Europe.

While this shift to lower value products might fit with existing market conditions in the EU, the hardwood plywood sector could be storing up longer-term problems. Quality issues have already seriously dented plywood's reputation for reliability among European manufacturers

and construction professionals. The risks of structural weakness and fungal attack potentially associated with these new products may make matters worse. European importers are being advised to check carefully the products supplied against specification.

Over the long-term, tropical hardwood plywood has lost significant market share in certain sectors of the European market. For example, 15 years ago tropical hardwood plywood was used widely for interior doors and cabinets, a niche now dominated in the EU by veneered MDF. The good news is that there are certain niches where tropical hardwood plywood is more difficult to substitute, for example for heavy duty exterior construction and marine applications. But with other materials sectors very actively engaged in product innovation and development, no-one can afford to be complacent.

European hardwood sawmillers predict 11% fall in hardwood consumption

The European Organisation of Sawmillers (EOS) forecasts that overall hardwood lumber consumption in the EOS member countries will fall by 11% between 2008 and 2009 from 8.6 million m³ to 7.6 million m³ (see table). The downturn in consumption is predicted to affect all EOS member countries, although it is expected to be greatest in Latvia (-32%), Germany (-25%), and Romania (-16%).

In 2009, France and Romania are expected to remain the largest producers of hardwood lumber in the EOS member countries by a significant margin. Italy is the largest importer, followed a long way behind by France and Germany. Overall hardwood lumber imports into EOS countries are expected to be down 6% in 2009, again with Latvia and Germany bearing the brunt of the decline.

The EOS membership covers most of Europe's largest hardwood lumber producers including France, Romania, Germany, Latvia, Italy, Czech Republic, Austria, Belgium, Sweden, Denmark, Switzerland, Finland, and Norway.

EOS forecasts of hardwood lumber markets

1000 m3	Year	2007	2008	2009	% chng 08-09
France	Production	1926	1900	1800	-5
	Import	681	640	600	-6
	Export	526	470	500	6
	Consumption	2081	2070	1900	-8
Romania	Production	1880	1850	1600	-14
	Import	20	25	30	20
	Export	760	800	700	-13
	Consumption	1070	1010	850	-16
Germany	Production	1147	1100	800	-27
	Import	536	450	400	-11
	Export	782	344	300	-13
	Consumption	901	1200	900	-25
Latvia	Production	1034	870	600	-31
	Import	46	33	16	-52

	Export	336	225	156	-31
	Consumption	745	678	460	-32
Italy	Production	830	700	700	0
	Import	1560	1434	1362	-5
	Export	121	200	200	0
	Consumption	2269	1934	1862	-4
Other EOS*	Production	1145	1107	1047	-5
	Import	1462	1264	1221	-3
	Export	653	600	564	-6
	Consumption	1799	1736	1674	-4
EOS Total	Production	7962	7527	6547	-13
	Import	4305	3846	3629	-6
	Export	3178	2639	2420	-8
	Consumption	8865	8628	7646	-11

* Czech Republic, Austria, Belgium, Sweden, Denmark, Switzerland, Finland, Norway
Source: EOS Annual Report 2008/2009, EUWID

German window market shows signs of improvement

The German trade journal *EUWID* reports that demand for windows in central Europe has remained reasonably stable over the last 6 months and that this sector has generally outperformed other wood industry sectors since the start of the year. *EUWID* notes that demand is being boosted by good residential renovation and refurbishment activity. However, activity in the new-build and non-residential sector is described as stagnant. Energy-related refurbishment projects which benefit from government subsidies are frequently cited as the primary driver. These projects are resulting in particularly good demand for triple glazed units which now account for around 30% of the total German window market.

In a related article, *EUWID* comment that demand for window scantlings seems to be rising in Germany, a development regarded by some market players as seasonal and by others as a response to the government's second economic stimulus package which involves extensive investment in public sector buildings such as schools and hospitals. *EUWID* also notes that standard 72X86 mm scantlings are losing market share to thicker dimension product. As in other sections of the European wood market, distributors in this sector are generally looking for product to be supplied on a little-and-often basis.

On the other hand, *EUWID* report that the parquet flooring sector stagnated across Europe in the second quarter of 2009. *EUWID* suggest that overall demand for parquet across the region may be as much as 20% to 30% down on the same period last year. Demand varies widely by country. The UK and Ireland together with southern and eastern European countries have been very badly hit. Demand in Germany, Austria and the Nordic countries has been more stable. Demand is down both from retailers and wholesale traders. The lower quality end of the market has been particularly affected by the downturn.

The Netherlands Sawwood Prices

	USD per m ³
FOB (Rotterdam)	
Sapele KD	921↑
Iroko KD	1048↑
Sipo KD	1117↑
DRM Bukit KD	841↑
DRM Seraya KD	841↑
DRM Meranti KD Seraya MTCC cert.	877↑
Merbau KD	1109↑
Sapupira (non FSC) KD	889↑
Sapupira (FSC) KD	1402↑
Anti-slip decking AD C&F Rotterdam	
Selangan batu	1345↑

UK Log Prices

	€ per m ³
FOB plus commission	
N'Gollon (khaya) 70cm+ LM-C	310-340
Ayous (wawa) 80cm+ LM-C	220-230
Sapele 80cm+ LM-C	270-310
Iroko 80cm+ LM-C	290-320

UK Sawwood Prices

	Pounds per m ³
FOB plus Commission	
Framire FAS 25mm	460-490↑
Sipo FAS 25mm	610-650↑
Sapele FAS 25mm	510-540↑
Iroko FAS 25mm	590-630↑
Wawa No.1 C&S 25mm	280-300↑
CIF plus Commission	
Tulipwood FAS 25mm	230-250↓
Meranti Tembaga Sel/Btr (KD 2"boards)	450-480
Balau/Bangkirai Decking	820-880
White Oak	390-410↓

UK Plywood and MDF Prices

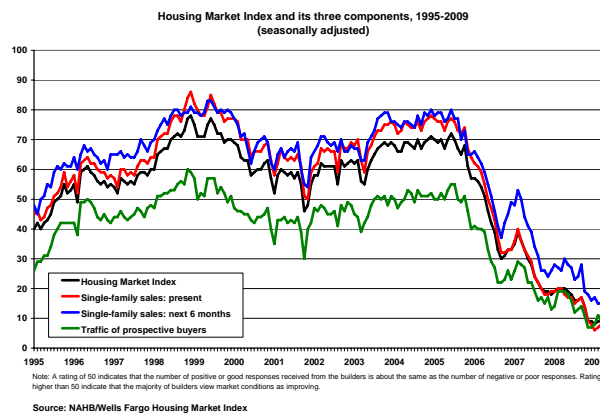
	US\$ per m ³
Plywood Panels 8x4", CIF	
Brazilian WBP BB/CC 6mm	500-515
Malaysian WBP BB/B 6mm	490-510
China (hardwood face, eucalyptus core) 18mm	320-340
China (hard face, poplar core) 18mm	310-340

Report from North America

US housing market flat while residential remodeling market improves

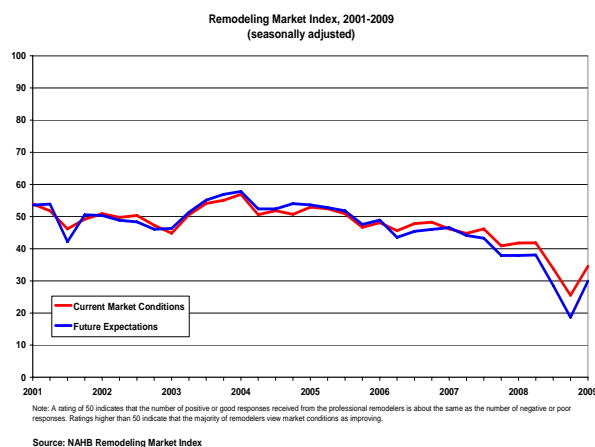
Sales of new single-family homes are virtually flat, according to data released by the US Commerce Department on 24 June. New home sales declined by 0.6% from April to May, even though spring and early summer are typically the prime home buying seasons. Large regional differences exist: The decline was concentrated in the South (-8.5%), which is the country's largest housing market. In the US Northeast and Midwest new home sales posted double-digit increases and the West saw a moderate increase of 1.3%. Nonetheless the inventory of unsold new homes continues to fall. In May the number of new homes on sale fell by 2.3% to 292,000 (seasonally adjusted at annual rate), which represents a 10.2-month supply at the current sales pace.

The National Association of Home Builders (NAHB) commented that several factors continue to limit new home sales, mainly consumer concerns about job security and the inability to sell their existing home. The NAHB/Wells Fargo Housing Market Index declined one point to 15 in June. The index, ranging between 0 and 100, is based on a monthly survey of builders about current single-family home sales and sales expectations for the next six months.



On a more positive note, both housing starts and permits rebounded in May 2009 in all regions, according to the latest US Department of Commerce figures. The first-time buyer tax credit and low interest rates have likely played an important role in the three consecutive months of gains in single-family housing starts. The NAHB cautions that the first-time buyer tax credit, which may drive current construction activities, expires at the end of November 2009. Starts and permits also increased in the smaller and more volatile multi-family housing sector.

In the home remodeling market, conditions remain below average. However, the NAHB Remodeling Market Index showed signs of improvement in the first quarter of 2009. Similar to the Housing Market Index, the Remodeling Market Index is based on surveys of professional remodelers on market demand for current and future residential remodeling projects. Current market conditions in the US show overall improvement: indicators for major additions and alterations, minor additions and alterations, and maintenance and repair showed marked increases. The increase suggests the beginning of a recovery in the residential remodeling market.



Subsidies for Canadian pulp mills in response to US black liquor tax credit

The Canadian federal government announced in mid-June that it will provide C\$1 billion in subsidies to Canada's pulp and paper sector. Mills producing black liquor in 2009 can apply for the subsidy to improve the environmental performance or energy efficiency of their plants. Black liquor is a by-product of the chemical Kraft process of pulp production and has long been used by pulp mills as an energy source.

The subsidies were introduced in response to a tax credit program in the US, which gives an incentive to mix alternative fuels with fossil fuels. As an unintended consequence Kraft pulp producers qualified for the tax credit by adding diesel to the black liquor that they were already burning for energy. At a time of low market demand and falling pulp prices, the tax credit has become an important source of cash for the approximately 100 mills in the US that produce black liquor.

Pulp and paper producers in Canada and other countries claimed that the tax credit gives an unfair advantage to US pulp mills and that it encourages high pulp production rates which further depress pulp prices. The US government is revising the alternative fuel mixture tax credit to exclude pulp mills, but this move is unpopular in regions that would be hard hit by pulp and paper mill closures.

The Green Transformation Program, as the Canadian subsidy program is called, will provide 16 cents in funding per litre of black liquor, up to the maximum total of C\$1 billion. According to the government, 27 mills across the country will be eligible under the program. The program does not apply to mechanical pulp producers. The Canadian Press reported that the program is designed to not contravene the Canada-US softwood lumber agreement. While the 16 cent support per litre of black liquor mirrors the US tax credit, Canadian mills have to use the subsidies for investments in environmental performance or energy efficiency. US companies are able to spend the money on lowering the cost of pulp production, which may still lead to mill curtailments or closures in Canada. However, the Forest Products Association of Canada stated that the Green Transformation Program will improve the industry's competitiveness and conserve jobs in the long term.

Assistance with TFLET project formulation

Are you an ITTO producer member country in need of assistance to formulate an ITTO project proposal relevant to the Tropical Forest Law Enforcement and Trade (TFLET) Thematic Programme? Would the project activities be designed to benefit local or indigenous communities? If so, you may be eligible for ITTO assistance with project formulation ahead of the next deadline for TFLET project proposals, 30 September 2009. We are currently seeking requests from ITTO member countries to be considered for this assistance.

To request assistance associated with this activity, please send an email to the Secretariat with the following information:

- 1) a 300-500 word description of the TFLET-related problems of the community/ies;
- 2) the expected development and specific objectives of the project;
- 3) anticipated outputs of the project;
- 4) why the requesting country and target stakeholders need assistance with TFLET project proposal formulation;
- 3) the geographic area of and number of people within the target community/ies;
- 4) how a proposed project would be in line with TFLET general and specific objectives and activities;
- 5) the proposed Executing Agency and other institutional support from government stakeholders; and
- 6) the anticipated duration of the project.

A summary covering the above points should be sent to Lauren Flejzor at flejzor@itto.or.jp not later than 31 July 2009. Requests will be considered on a rolling basis and should have the support of the ITTO government focal point. For more information on the ITTO TFLET Thematic Programme, please see our website at www.itto.int.

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.

Conflict between companies that profit from forests and local people who depend on them could be tackled by industry-led approaches, but too few companies use them, says a report published by The Forests Dialogue (TFD), an international group of forest experts from business, environmental, academic and human rights groups.

<http://uk.oneworld.net/article/view/163192/1/5795>

Environment groups around the world have called for a billionaire businessman to be stripped of his knighthood after claiming that his fortune has been built on the systematic destruction of tropical rainforests.

<http://www.guardian.co.uk/environment/2009/jul/01/knighthood-protest-tiong-hiew-king>

Managing for carbon dynamics in forests presents new challenges for forest managers. However, the findings of recent research that Victoria's tall eucalypt forests are some of the most carbon dense on earth is not news to forest ecologists who have worked in this region for decades. Australian native forests vary widely in condition. Some are old growth and some are regrowing since past timber harvesting, fire or other disturbances.

<http://business.smh.com.au/business/carving-a-management-niche-20090706-dajq.html>

Risk aversion dominated global market sentiment as investors continued to question hopes of a robust recovery in the global economy.

http://www.ft.com/cms/s/0/3aad9220-6a52-11de-ad04-00144feabdc0.html?nclick_check=1

Seven policies focused on reducing deforestation, improving energy efficiency and stimulating renewable power can set the world on the path it needs to fight global warming, former UK Prime Minister Tony Blair said. The measures, all in use today, need to be ramped up so the planet can cut annual greenhouse-gas output 19 billion tons by 2020, a study by Blair's office and the London-based Climate Group said. Countries need to spend an annual average of USD1 trillion over the next four decades, the report said.

<http://www.bloomberg.com/apps/news?pid=20601130&sid=aXEskZ3L1YIE>

The sleek, dark wood has all the characteristics of endangered mahogany from Peru's Amazon rainforest. In reality, it was manufactured in Norway, in a five-day process that instills all the qualities of rare, tropical hardwood into sustainable softwood. The company that makes it, Kebony, says it comes with none of the environmental cost.

<http://edition.cnn.com/2009/BUSINESS/07/05/kebony.wood.deforestation/>

Solar power in the UAE has the capability to outdo US and European targets of producing 20 to 30 per cent of

energy from renewable sources by 2020, thanks largely to abundant revenues from oil, trade, tourism, and real estate to boost it, the world's largest solar panel manufacturer has said.

http://www.uaeinteract.com/docs/UAE_solar_power_could_outshine_Europe_US/36629.htm

Tea pickers in India, coffee-bean harvesters in Vietnam and millions of outdoor workers will be less productive because of rising temperatures from global warming, according to a study. People working outside in Delhi, for example, may suffer a 30% drop in productivity in the coming decades should temperatures continue climbing, Australian National University researcher Tord Kjellstrom said in a report for Oxfam.

<http://www.bloomberg.com/apps/news?pid=20601130&sid=a4.PYp1wAOPc>

The world's leading orangutan expert, Dr Birute Mary Galdikas, is full of praise for the Sabah Government's conservation efforts to save the apes, one of the world's most endangered species. She said in an exclusive interview that Sabah is doing progressive work in orangutan conservation by making efforts to eliminate illegal logging and trying to find a permanent home for orangutans such as in the Malua forest reserve.

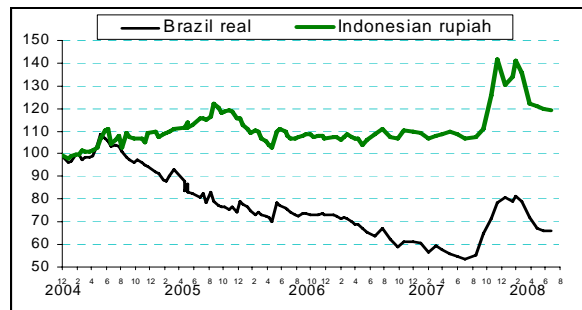
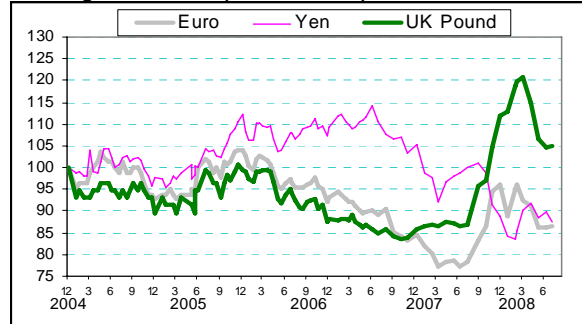
<http://www.dailyexpress.com.my/news.cfm?NewsID=66026>

Main US Dollar Exchange Rates

As of 15 July 2009

Brazil	Real	1.9342	↑
CFA countries	CFA Franc	465.008	↓
China	Yuan	6.8317	↓
EU	Euro	0.7089	↑
Indonesia	Rupiah	10,121	↓
Japan	Yen	94.35	↓
Malaysia	Ringgit	3.5638	↑
Peru	New Sol	3.0120	↓
UK	Pound	0.6089	↑

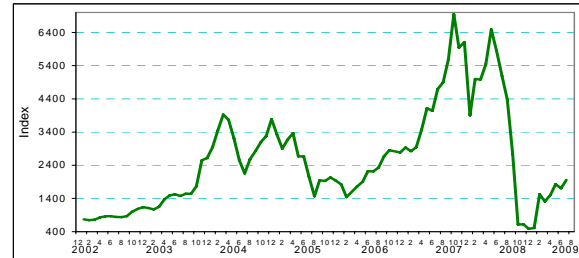
Exchange rates index (Dec 2003=100)



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

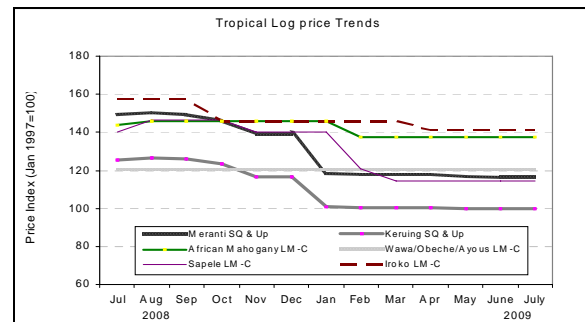
Ocean Freight Index



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.

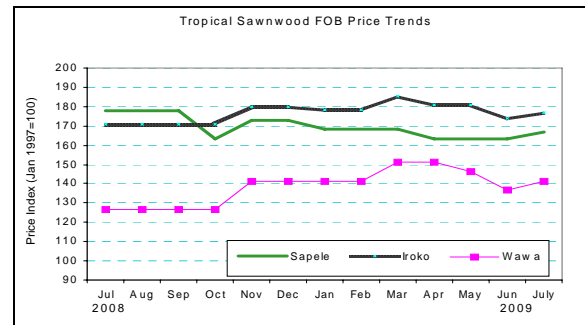
Appendix. Tropical Timber Price Trends

Tropical Log Price Trends



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

Tropical Sawnwood Price Trends



Tropical Plywood Price Trends

