

# Tropical Timber Market Report

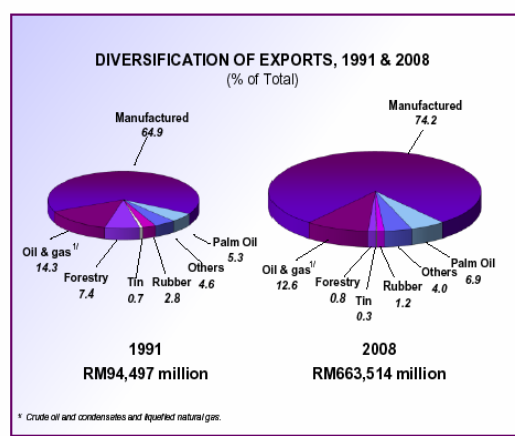
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## Snapshot

### Malaysian exports



Malaysia has progressed into a nation that has diversified successfully to rise as an exporter of manufactured goods. Other exports are palm oil and rubber, in which Malaysia is among the top producers, as well as crude petroleum and liquefied natural gas. Malaysia is considered a major producer of cocoa and pepper, with significant exports of timber and wood products.

Source EPA Malaysia

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## Report from Central/West Africa

### Price adjustments

Over the past weeks there have been a few price changes for both logs and lumber but these are minor adjustments that have not had a significant impact on the overall stability of the market.

Sawnwood prices do seem to be a little less firm as demand in all major markets is still relatively sluggish and producers believe that demand volumes will remain low through the European winter months.

Log prices are stable with few changes. Okoume logs are still in high demand and this is expected to continue.

Padouk logs are selling well to India and China and prices have increased from a very firm base.

### Exporter view

Exporters forecast a steady state in the log market as demand from Asian markets is good and shows no immediate signs of change during the remainder of the last quarter of the year.

The outlook for sawnwood is less well defined. It does not appear at all likely that West African sawmillers will be re-opening sawmills or re-starting construction of mills that are now on hold.

### Prospects in Europe

Future prospects for W. African exporters hinge very much on the European economic situation where the recent, rather more optimistic, views of the state of the recovery are appearing to be rather optimistic. The UK, especially, is set for some hard times in 2010.

Building and civil engineering construction in Europe show no signs of revival and while the D.I.Y retailing sector has reported an increase in business, pricing discounts are now very common and the hardwood timber business is only a very minor part of this trade.

### West Africa Log Prices

West Africa logs, FOB	€ per m <sup>3</sup>		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	205	205	153
Ayous/Obéché/Wawa	190	190	145
Azobe & Ekki	185↓	185↓	115↓
Belli	230	230	-
Bibolo/Dibétou	140↓	130↓	-
Bubinga	500↓	460↑	390↑
Iroko	257	250	200
Okoume (60% CI, 40% CE, 20% CS) (China only)	190↑	-	-
Moabi	270	270	206
Movingui	165↓	135↓	125↓
Niove	130	130	-
Okan	195↑	195↑	122
Padouk	310↑	290	235
Sapele	200↓	195↓	150
Sipo/Utile	260	240	190↓
Tali	230	225	114

### West Africa Sawnwood Prices

West Africa sawnwood, FOB	€ per m <sup>3</sup>
Ayous FAS GMS	300
Fixed sizes	396
Okoumé FAS GMS	290
Sel. & Bet. GMS Italy	215
Sel. & Bet. fixed sizes	290
Sipo FAS GMS	475
FAS fixed sizes	-
FAS scantlings	490
Padouk FAS GMS	540
FAS scantlings	555
Strips	355
Sapele FAS Spanish sizes	390
FAS scantlings	460
Iroko FAS GMS	430↓
Scantlings	440↓
Strips	350
Khaya FAS GMS	380
FAS fixed	420
Moabi FAS GMS	440↓
Scantlings	455↓
Movingui FAS GMS	270

## Report from Ghana

### Growth forecast

Initial reports from the IMF are indicating that Ghana's economy will show a moderate growth of 4-5% this year, in line with earlier forecasts. Stronger gold and cocoa exports have supported the economy and good weather conditions have helped the agricultural sector.

The IMF reports that inflation has dropped to around 18 percent in September and points out that the challenge in 2010 will be to tackle Ghana's rising public debt.

In other news, efforts are underway to strengthen Ghana's institutions before the country becomes an oil producer in 2011. Part of this will be the establishment of a single Ghana Revenue Authority instead of three separate tax agencies as at present.

### Inward investment

Ghana attracted significant new investment in the second quarter, almost double that of the same period in 2008. A report by the Ghana Investment Promotion Center showed that about 80 new projects were registered

China businesses registered 14 new projects valued at US\$4.98 million while Nigerian investors registered seven out of the 118 new projects in the first half of the year.

Joint venture projects were valued at around US\$75 million, about 30% of the total value of registered projects, while 100% foreign investments registered were valued at just over US\$30 million.

### EPA or not

The risks to Ghana's exports from not following up on the EPA (Economic Partnership Agreement) with the EU have been spelt out by government. The EPAs are a new set of trade agreements which will allow Europe to export about 80 percent of its products on a duty and quota-free basis to Ghana, while Ghana will be able to sell products to Europe duty and quota-free.

Projections are that 40% of Ghana's exports could be lost if the country fails to follow through the new trade agreement with Europe.

With the strong campaign against the EPAs, government is calling on exporters to allay public fears. The Minister of Trade has said that the agreement will sustain jobs in the emerging export sectors as well as in the traditional sectors.

#### Ghana Log Prices

Ghana logs, domestic	US\$ per m <sup>3</sup>	
	Up to 80cm	80cm+
Wawa	120-130	140-155
Odum Grade A	160-170	175-185
Ceiba	95-100	105-125
Chenchen	80-95	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 Export Sawwood Prices

Ghana Sawwood, FOB	€ per m <sup>3</sup>	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	855	-
Asanфина	500	545
Ceiba	200	255
Dahoma	300	390
Edinam (mixed redwood)	405	430
Emeri	330	400
African mahogany (Ivorenensis)	595	665
Makore	520	600
Niangon	495	630
Odum	650	710
Sapele	540	600
Wawa 1C & Select	260	285

Ghana sawwood, domestic	US\$ per m <sup>3</sup>
Wawa 25x300x4.2m	242
Emeri 25x300x4.2m	325
Ceiba 25x300x4.2m	215
Dahoma 50x150x4.2m	280
Redwood 50x75x4.2m	295
Ofram 25x225x4.2m	320

#### Ghana Veneer Prices

Rotary Veneer, FOB	€ per m <sup>3</sup>	
	CORE (1-1.9mm)	FACE (<2mm)
Bombax	320	350
Ofram, Ogea & Otie	320↑	350
Chenchen	320	360
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 <sup>3</sup>
Ceiba	250
Chenchen	280
Ogea	295
Essa	285
Ofram	320

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afrormosia	1.19	1.00
Asanфина	1.40	0.95
Avodire	1.20	0.80
Chenchen	1.20	0.60
Mahogany	1.40	0.85
Makore	1.45	0.85
Odum	1.80	1.40

#### Ghana Plywood Prices

Plywood, FOB	€ per m <sup>3</sup>			
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	270
15mm	310	300	280	270
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 sq.m		
	10x60mm	10x65-75mm	14x70mm
Apa	12.00	14.47	17.00
Odum	7.80	10.20	11.00
Hyedua	13.67	13.86	17.82
Afrormosia	13.72	18.22	17.82

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

### Report from Malaysia

#### Loans for plantations

The Malaysian plantation industries and commodities minister said that loan agreements with a value of over RM230 million had been agreed to fund the development of forest plantations.

Some RM1 billion has reportedly been set aside for this purpose in the form of soft loans. The government has set a target of 375,000 ha. of forest plantations to be planted.

#### SAFODA finance

The Sabah Forestry Development Authority (Safoda) in East Malaysia became the first Sabah-based company to obtain finance from the federal government for its forest plantation programme.

#### Transparency at work

The Malaysian Auditor-General's Report for 2008 highlights the illegal activities and poor management which were the main factors in the reduction of the forest area in the state of Pahang in West Malaysia. This, says the report, has contributed to air and water pollution and the destruction of both flora and fauna habitats in the state.

The report also noted that although over 100,000 ha. of forest had been earmarked as forest reserve, it took more than 10 years for the areas to be so gazetted by the state forestry department.

#### Middle East construction boom over

Prices of timber products in Malaysia sank to new lows recently as the impact of a slow down in construction projects, especially in the Middle-East, hit demand.

Malaysian contractors operating construction projects in the Middle East are facing considerable difficulties.

High prices for crude oil, which peaked in 2008, resulted in a building boom in the region but now there are few new construction projects in the pipeline and contractors are seeing business fade away.

## Log Prices

Sarawak log, FOB	US\$ per m <sup>3</sup>
Meranti SQ up	226-250
Small	210-241
Super small	200-224
Keruing SQ up	216-228
Small	190-220
Super small	167-197
Kapur SQ up	206-231
Selangan Batu SQ up	179-216

Pen. Malaysia logs, domestic (SQ ex-log yard)	US\$ per m <sup>3</sup>
DR Meranti	231-250
Balau	297-326
Merbau	323-355
Rubberwood	50-84
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.

## Sawnwood Prices

Malaysia Sawnwood, FOB	US\$ per m <sup>3</sup>
White Meranti A & up	280-310↓
Seraya Scantlings (75x125 KD)	433-446↓
Sepetir Boards	249-271
Sesendok 25,50mm	345-363↓
Kembang Semangkok	293-316↑

Malaysian Sawnwood, domestic	US\$ per m <sup>3</sup>
Balau (25&50mm, 100mm+)	325-345
Merbau	452-504↓
Kempas 50mmx(75, 100 & 125mm)	260-300
Rubberwood	
25x75x660mm up	199-249
50-75mm Sq.	240-272
>75mm Sq.	262-291

## Plywood Prices

Malaysia ply MR BB/CC, FOB	US\$ per m <sup>3</sup>
2.7mm	405-467↓
3mm	385-415↓
9mm & up	331-403↓

Meranti ply BB/CC, domestic	US\$ per m <sup>3</sup>
3mm	380-421↓
12-18mm	314-343↓

## Other Panel Prices

Malaysia, Other Panels, FOB	US\$ per m <sup>3</sup>
<i>Particleboard</i>	
Export 12mm & up	226-249
Domestic 12mm & up	211-228
<i>MDF</i>	
Export 15-19mm	279-310↓
Domestic 12-18mm	270-288

## Added Value Product Prices

Malaysia, Mouldings, FOB	US\$ per m <sup>3</sup>
Selagan Batu Decking	528-538↑
Red Meranti Mouldings	
11x68/92mm x 7ft up	
Grade A	543-556↓
Grade B	496-505↓

## Furniture and Parts Prices

Malaysia, Rubberwood, FOB	US\$ per piece
Semi-finished dining table	
solid laminated top 2.5'x4', extension leaf	60-76
As above, Oak Veneer	67-81
Windsor Chair	59-61
Colonial Chair	57-62
Queen Anne Chair (soft seat)	
without arm	57-65
with arm	57-66
Chair Seat 27x430x500mm	45-50

Rubberwood Tabletop	US\$ per m <sup>3</sup>
22x760x1220mm sanded & edge profiled	
Top Grade	557-590
Standard	541-560

## Report from Indonesia

### Stiff penalties

Indonesian authorities now have a framework to address the degradation of the environment in the form of a recently passed law. Analysts say that it will take time for the effects of the implementation to be felt.

Under the law there are stiff penalties, including possible imprisonment, for executives of companies which breach the law and the conditions governing their operations.

The Indonesian government has apparently warned all local authorities to exercise caution when arranging agreements with carbon credit financing brokers. Unscrupulous brokers are promising huge profits from carbon credit trading in the forestry sector and are reportedly targeting community leaders and municipal officers in towns and cities.

### Export financing support

Indonesia's Eximbank, a state export financing agency, has obtained a US\$100 million in soft loans from the Japan Bank for International Cooperation (JBIC) for exports financing. An additional loan may be provided in the near future.

The Indonesian trade minister mentioned that the Eximbank will assist in trade promotion activities for Indonesian small and medium-sized industries. The objective is to market Indonesian products in non-traditional markets such as those in the Middle-East, Russia and member countries of the CIS.

Eximbank has indicated that it wants to extend around US\$1.90 billion worth of loans in 2010. This would be a 60% jump over the target for 2009.

### Log Prices (domestic)

Indonesia logs, domestic prices	US\$ per m <sup>3</sup>
Plywood logs	
Face Logs	187-230
Core logs	169-202
Sawlogs (Meranti)	174-235
Falcata logs	143-177
Rubberwood	43-67
Pine	157-196
Mahoni (plantation mahogany)	465-492

### Sawnwood Prices

Indonesia, construction material, domestic	US\$ per m <sup>3</sup>
Kampar (Ex-mill)	
AD 3x12-15x400cm	171-190
KD	194-228
AD 3x20x400cm	217-240
KD	221-248
Keruing (Ex-mill)	
AD 3x12-15x400cm	233-247
AD 2x20x400cm	219-237
AD 3x30x400cm	200-219

### Plywood Prices

Indonesia ply MR BB/CC, FOB	US\$ per m <sup>3</sup>
2.7mm	394-451
3mm	351-392
6mm	310-372

MR Plywood (Jakarta), domestic	US\$ per m <sup>3</sup>
9mm	250-261
12mm	242-252
15mm	231-245

### Other Panel Prices

Indonesia, Other Panels, FOB	US\$ per m <sup>3</sup>
<i>Particleboard</i> Export 9-18mm	215-224
Domestic 9mm	191-203
12-15mm	183-194
18mm	173-185
<i>MDF</i> Export 12-18mm	248-261
Domestic 12-18mm	230-241

### Added Value Product Prices

Indonesia, Mouldings, FOB	US\$ per m <sup>3</sup>
Laminated Boards	
Falcata wood	296-308
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	483-517
Grade B	438-459

## Report from Myanmar

### Market conditions

The Indian market is still buying but there are some reports that they are doing this to take advantage of a stronger rupee rather than because of stronger demand.

It is also reported that Indian importers still have considerably large inventories of material they had purchased under a stronger dollar. It is only the Indian market that is holding up for teak while other markets are weak.

Pyinkado logs are still in demand from Vietnam but there are reports that shipments have started to slow down.

Shipments of Pyinkado during July and August were over 10,000 tons each month. But they slowed down in September to about 6,000 tons. So far this October there has only been one shipment of around 3000 tons. Overall, the market outlook elsewhere is not good at the moment.

### October prices down

Prices at the October auction were down across the board. There was an almost a 24% drop in SGGG; an 8% drop in 4<sup>th</sup> Quality logs; a 10% drop in SG1; and an almost 4% drop in SG2. One regular buyer remarked that the quality of the lots at the recent auction were very poor, resulting in lower prices.

### Myanmar Log Prices (natural forests)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)	
Veneer Quality	Sep	Oct
2nd Quality	-	-
3rd Quality	3,513 (5 tons)	
4th Quality	3,463 (11 tons)	3,188↓ (21 tons)
Sawing Quality	Sep	Sep
Grade 1 (SG-1)	2,482 (36 tons)	2,231↓ (38 tons)
Grade 2 (SG-2)	1,984 (41 tons)	1,910↓ (36 tons)
Grade 3 (SG-3)	-	-
Grade 4 (SG-4)	1,813 (208 tons)	1,380↓ (209 tons)
Grade 5 (SG-5)	1,583 (178 tons)	1,482↓ (126 tons)
Grade 6 (SG-6)	1,253 (58 tons)	1,254↓ (85 tons)
Grade 7 (ER-1)	999 (86 tons)	985↓ (89 tons)
Grade 8 (ER-2)	-	-

Hoppus ton=1.8m<sup>3</sup>; 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.

### Hardwood log Prices (FOB)

	€ per hoppus ton
Pyinkado	372 (63tons)-
Gurjan (keruing-exp)	169 (434 tons)
Tamalan (export)	866 (89 tons)
In-gujan	-
Yamane (export)	-
Sagawa	220 ( tons)

All prices are per hoppus ton FOB, equivalent to 1.8 cu.m



## Report from India

### Buoyant demand for logs

Once again industrial growth figures have reaffirmed that the Indian economy is rebounding faster than was forecast. GDP growth for August 2009 was 10.4%, the biggest jump during the past 22 months.

This economic resurgence stems mainly from strong domestic demand. The good overall figures are also reflected in the timber sector.

With the end of the south west monsoon, Government Forest Depots are busy meeting the demand that springs to life as soon as the dry season starts.

Auction sales have been announced in Gujarat, central India and also in southern states. Last seasons' leftover stocks are up for sale and fresh log arrivals have also been brisk.

Demand for sawing quality Teak and Hardwood logs is good and auction results are expected to be better than the last time.

### Anti dumping duty on MDF.

In response to complaints by the MDF manufacturers that they were suffering because of the volumes and prices of MDF from China, Malaysia, Thailand, Sri Lanka and New Zealand, the Government of India slapped an anti dumping duty on MDF boards having thickness 6 mm and above. Details of this are in Customs Notification No.21/2009 dated 27<sup>th</sup> February 2009.

To determine the duty, floor prices were announced at that time. Now, with the changed global circumstances and lower prices from the exporting countries, the floor prices have been lowered, much to the relief of importers.

### Carbon emission reduction

India has signaled that it is willing to act on carbon emissions and put this in national legislation on reduction of greenhouse gas emissions, conditional on funding and technical support from developed countries.

India's action plan focuses on energy security, unlike others who concentrate only on emissions reduction.

With abundant sunshine, wind power and biomass availability, as well as the capacity for additional hydro-power, India has the potential to implement energy projects with minimal increase in carbon emissions. In addition to the energy options, improvements can also be secured through groundwater re-charging, judicious cropping patterns and practices, and the promotion of organic farming.

The world is progressing to low-carbon economies and to manage increased applications for forest clearance the Indian Ministry of Forests and Environments has called for the creation of a statutory regulatory body (to be called the National Environment Protection Authority) that

would manage forest clearance permits and also enforce regulation.

Plans to increase India's forest cover from the current 24% to 33% are in place. Around 9% of the forest cover comprises degraded forests and efforts are also being made to improve these to a medium or high density canopy.

Reportedly, India can save 550 million tons of carbon dioxide emissions per year by exploring all these alternatives. Implementation of the current plan will, it is claimed, attract substantial investments in wind power and other sources of energy generation.

With 7000 kms of coastline and 216 potential sites identified, the scope for wind power generation appears bright.

### Teak prices

Sudan Teak logs Green	USD 585
Sudan Teak logs Dry	USD 535
Ivory Coast Teak logs	USD 500 to 525
Thai Teak logs	USD 400 to 450
PNG Teak USD	USD 400 to 425
El-Salvador Teak logs	USD 400
Guatemala Teak logs	USD 395
Ghana Teak logs	USD 375 to 400
Benin Teak logs	USD 375 to 400
Togo Teak logs	USD 325 to 350
Ecuador Teak logs	USD 300 to 325
Costa Rica Teak logs	USD 300 to 325
Panama Teak logs	USD 275 to 300

All rates are per cubic meter C&F Indian ports.

The variations in price depend upon the thickness of sap, bark, percentage of heartwood and clarity of logs. It also varies with measurement allowances given for bark and sap.

### India Sawnwood Prices (domestic)

Indian sawnwood (Ex-mill)	Rs. per ft <sup>3</sup>
Teak (AD)	
Plantation Teak A grade	1850-3500
Plantation Teak B grade	1700-2850
Plantation Teak C grade	1200-1450 ↑

### India Sawnwood Prices (imports)

Sawnwood, (Ex-mill) (AD)	Rs. per ft <sup>3</sup>
Merbau	1400
Balau	1150
Kapur	850
Red Meranti	650
Bilinga	650
Radiata Pine (AD)	300-400
Sawnwood, (Ex-warehouse) (KD)	Rs per ft <sup>3</sup>
Beechwood	1200
Sycamore	1250
Oakwood	1300
American Walnut	2250
Hemlock clear grade	950
Hemlock AB grade	800
Western Red Cedar	1250

#### India Plywood Prices

Plywood, (Ex-warehouse) (MR Quality)	Rs per ft <sup>2</sup>
4 mm	21.0
6 mm	30.5
12 mm	44.0
15 mm	53.0
18 mm	64.0

### Report from Brazil

#### September exports

In September 2009, exports of timber products (excluding pulp and paper) fell 30.5% compared to September 2008, from US\$ 273 million to US\$ 189.6 million.

Pine sawnwood exports dropped by 15% in value in September 2009 compared to the same month of 2008, from US\$16.3 million to US\$13.9 million. By volume, exports decreased 2.8% from 50,400 cu.m to 49,000 cu.m over the period.

#### Tropical sawnwood

Exports of tropical sawnwood also dropped significantly both in volume and in value terms, from 62,300 cu.m in September 2008 to 46,600 cu.m in September 2009, and from US\$34.6 million to US\$21.9 million, respectively over the same period. This performance equates to an overall 25% fall in volume and 37% in value.

Pine plywood exports fell 33% in value in September 2009 compared to the same period of 2008, from US\$36.2 million to US\$ 24.1 million. The volume exported was down almost 20% over the period, from 119,700 cu.m to 96,200 cu.m.

#### Tropical plywood

A similar picture emerged for exports of tropical plywood as they were down from 17,700 cu.m in September 2008 to just 10,900 cu.m in September 2009, a 38% fall. In value terms the picture was even worse with a 45% reduction recorded over the period, from US\$11.3 million to US\$6.2 million.

Exports of wooden furniture fell from US\$69.5 million in September 2008 to US\$48.3 million in September 2009, representing a 30% decrease during the period.

#### Exporters concerned

The depreciation of the US dollar against the Brazilian Real has raised concerns among exporters from Rio Grande do Sul, as any further fall in the dollar would make their situation even worse.

At the height of the global crisis, the exchange rate of around BRL 2.40 to the US dollar gave some hope for recovery in those companies dependent on the external market.

However, the depreciation of the US\$ since the beginning of the year has made any recovery impossible and has caused losses in many sectors of the economy.

According to the Industry Federation of Rio Grande do Sul (FIERGS), exports in the first nine months of 2009 reached US\$ 3.4 billion, a 28% fall over the same period in 2008.

#### Real appreciates more than others

For entrepreneurs, the main cause of diminishing exports has been the unfavorable exchange rate. Since January, the Brazilian Real has appreciated 25% compared with the US dollar.. This is above the levels observed in most other countries that export competing products which are traded in the US currency.

According to the Furniture Industry Association of Rio Grande do Sul (MOVERGS), the companies operating in the furniture sector registered a 33.2% fall in exports for the first eight months of the year compared to the same period of 2008. It is forecast that there could be a further fall in exports in the final quarter of the year.

#### Furniture exports gloomy

The US, UK and France import most of Brazil's furniture and all these countries are experiencing weak market conditions and a consequent cutback in imports.

The only country that expanded its imports was Cuba (up 51% for the year), which accounts for about 2% of the Brazilian furniture exports.

The US share of Brazilian exports is now about 14% of total furniture exports, a drop of some 44%. UK imports from Brazil have fallen by 5.5% between January and September 2009(Jan – Sept) and now represent just 10% of the total furniture exports.

The situation in the French market is more serious with imports from Brazil being down 31%. Currently the French market takes some 10% of the Brazilian furniture exports.

#### Exports from Rio Grande do Sul

The Southern Brazilian state of Rio Grande do Sul has seen a big drop in furniture exports in the first three quarters of the year (-33.9%). The UK remains the largest furniture importer from Rio Grande do Sul, taking around 16% of the total, followed by Argentina (9%), and Uruguay (8%). The UK imported 13% less during the year to September 2009 compared to the previous year.

Argentina's imports fell 53% while for Uruguay a modest increase was recorded. On the other hand Cuba imported 63% more from Rio Grande do Sul during the period January to September 2009.

The Brazilian furniture exports to Cuba are mostly from Rio Grande do Sul (US\$8.3 million out of a total of US\$8.9 million

#### Domestic prices

Wood products prices in Brazilian Real (BRL) have increased marginally (on average 0.16%) since the last report. Prices in the local market in dollar terms rose by

1.6% due only to the appreciation of the Brazilian currency against the US dollar.

### Economic indicators

The National Consumer Price Index (IPCA) rose 0.24% in September, following an increase of 0.15% in the month before.

This result, however, was slightly below the 0.26% recorded in September 2008, according to the Brazilian Institute of Geography and Statistics (IBGE).

The Monetary Policy Committee (Copom) of the Central Bank of Brazil maintained the prime interest rate at 8.75% per year in a meeting held in early September 2009, and therefore interrupted the five successive cuts started last January. The rate is the lowest since its establishment in 1999.

### World Cup and Olympics boost

The combined effect of the global crisis, lower domestic consumption reduction and falling timber exports has affected the timber sector across Brazil including the timber industries in the northern region of the Amazonian state of Mato Grosso.

However, the 2010 World Cup to be held in Brazil (with a section to be played in Mato Grosso) and the 2016 Olympics has brought some promise that business will improve. This optimism stems from the view that, historically, countries that have hosted these events have all seen an expansion of trade.

The Timber Industry Union of Northern Mato Grosso (SINDUSMAD) has pointed out that production capacity and the species available can meet the demands expected as venues are developed.

Timbers such as Cambara and Amescla and others are suitable and are abundant in the region. These timbers are used extensively for making wooden house frames and roofing components.

The regional timber species are considered to have quality advantages compared to those from other (southern) states that may provide materials for the construction work for the World Cup in Cuiabá (state capital of Mato Grosso).

### Misrepresentations in Maranhao

The state of Maranhão in the Brazilian Amazonia has adopted IBAMA's forest origin document as part of the electronic system for controlling forest products flow (SISFLORA).

This decision was taken after misrepresentations were found in documents used by many timber companies that used the state's own forest product control system.

An audit has found misreporting of transactions involving roundwood, sawnwood, fuelwood and other wood products.

Reports indicate that the auditing exercise found evidence of misrepresentation by around half of the 1,200 companies registered in the state.

IBAMA said that the approach of Maranhão State is a good example of the adoption of federal systems for controlling forest products and that other states such as Rondônia, Pará and Mato Grosso should follow this example.

### Brazil Log Prices (domestic)

Brazilian logs, mill yard, domestic	US\$ per m <sup>3</sup>
Ipê	142 ↑
Jatoba	101 ↑
Guariuba	67
Mescla (white virola)	74 ↑

### Brazil Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per m <sup>3</sup>
Jatoba Green (dressed)	787 ↑
Cambara KD	459 ↑
Asian Market (green)	Guariuba 261 ↑
	Angelim pedra 595 ↑
	Mandioqueira 229 ↑
Pine (AD)	189
Brazil sawnwood, domestic (Green)	US\$ per m <sup>3</sup>
Northern Mills (ex-mill)	Ipê 669 ↑
	Jatoba 514 ↑
Southern Mills (ex-mill)	Eucalyptus (AD) 184 ↑
	Pine (KD) 1st grade 238 ↑

### Brazil Veneer Prices

Veneer, FOB (Belem/Paranagua Ports)	US\$ per m <sup>3</sup>
White Virola Face 2.5mm	290
Pine Veneer (C/D)	205
Rotary cut Veneer, domestic	US\$ per m <sup>3</sup>
(ex-mill Northern Mill)	Face Core
White Virola	250 ↑ 209 ↑

### Brazil Plywood Prices

Plywood, FOB	US\$ per m <sup>3</sup>
White Virola (US Market)	
5.2mm OV2 (MR)	464 ↑
15mm BB/CC (MR)	401 ↑
White Virola (Caribbean market)	
4mm BB/CC (MR)	505 ↑
12mm BB/CC (MR)	405 ↑
Pine Plywood EU market, FOB	US\$ per m <sup>3</sup>
9mm C/CC (WBP)	271 ↑
15mm C/CC (WBP)	247 ↑
18mm C/CC (WBP)	242 ↑
Plywood, domestic (ex-mill Southern mill)	US\$ per m <sup>3</sup>
Grade MR (B/BB)	White Virola 4mm 856 ↑
	White Virola 15mm 626 ↑

Domestic prices include taxes and may be subject to discounts.

### Other Brazil Panel Prices

Belem/Paranagua Ports, FOB	US\$ per m <sup>3</sup>
Blockboard Pine 18mm 5 ply (B/C)	310 ↑
Domestic Prices, Ex-mill Southern Region	
Blockboard White Virola faced 15mm	547 ↑
Particleboard 15mm	345 ↑

### Brazil Added Value Products

FOB Belem/Paranagua Ports	US\$ per m <sup>3</sup>
Edge Glued Pine Panel	
Korean market (1st Grade)	631
US Market	482
Decking Boards	Cambara 594 ↑
	Ipê 1,544 ↑



## Report from Peru

### Economic performance

Peru's economy has turned out to be one of the strongest in Latin America since the global recession began, but it has not been able to avoid a slowing in growth.

The economy contracted in the second quarter 2009 by 1.1% year on year. This was the first quarterly GDP slide since 2001. The reason for the fall was mainly the decline in exports particularly of minerals, as well as a steep drop in domestic investment. However, the economy is not expected to fall into recession this year.

### Timber tracking

Companies in the sector forest, especially those serving export markets, are trying new timber tracking technology. Trials are underway in the El Dorado area in the region Ucayali. This operation was supervised by the forest authority and representatives of the company involved.

On its way to Lima the trial wood passed 11 check points to verify the tracking system was working. The bar code allows rapid identification.

This system of tracking does have opposition and the president of ADEX's Forest Committee in Santiago has reportedly questioned the utilization of the barcodes system as being too expensive

### Peru Sawnwood Prices

Peru Sawnwood, FOB Callao Port	US\$ per m <sup>3</sup>
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	503-535 ▲

\*Cheaper and small-dimension sawnwood for this market.

Peru Sawnwood, FOB Callao Port (cont.)	US\$ per m <sup>3</sup>
Virola 1-2" thick, length 6'-8' KD	
Grade 1, Mexican market	296-351
Grade 2, Mexican market	250-269
Cumaru 4" thick, 6'-11' length KD	
Central American market	794-822
Asian market	797-830 ▲
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	509-549
Dominican Republic	558-569
Marupa (simarouba) 1", 6-11 length Asian market	352-377
Peru Sawnwood, FOB Iquitos	US\$ per m <sup>3</sup>
Spanish Cedar AD Select Mexican market	887-909
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	281-309
Grade 2, Mexican market	244-259
Grade 3, Mexican market	132-151
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	211-222
Peru sawnwood, domestic	US\$ per m <sup>3</sup>
Mahogany	887-923
Virola	46-61
Spanish Cedar	268-321
Marupa (simarouba)	57-69

### Peru Veneer Prices

Veneer FOB	US\$ per m <sup>3</sup>
Lupuna 3/Btr 2.5mm	191-212
Lupuna 2/Btr 4.2mm	203-217
Lupuna 3/Btr 1.5mm	211-221

### Peru Plywood Prices

Peru plywood, FOB (Mexican Market)	US\$ per m <sup>3</sup>
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	359-376 ▲
Lupuna plywood B/C 15x4x8mm	353-365 ▲
B/C 9x4x8mm	345-350
B/C 12x4x8mm	350-360
B/C 8x4x15mm	410-419
C/C 4x8x4mm	380-388
Lupuna plywood B/C 8x4x4mm Central Am.	368-388

Lupuna Plywood BB/CC, domestic (Iquitos mills)	US\$ per m <sup>3</sup>
122 x 244 x 4mm	441
122 x 244 x 6mm	397
122 x 244 x 8mm	409
122 x 244 x 12mm	399
(Pucallpa mills)	
122 x 244 x 4mm	458
122 x 244 x 6mm	439
122 x 244 x 8mm	430
122 x 244 x 12mm	429

### Other Peru Panel Prices

Peru, Domestic Particleboard	US\$ per m <sup>3</sup>
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 <sup>3</sup>
Cabreuva/estoraque KD12% S4S, Asian market	1344-1433
Cumaru KD, S4S Swedish market	760-856 ▲
Asian market	1025-1206 ▲
Cumaru decking, AD, S4S E4S, US market	910-1088 ▲
Pumaquiro KD # 1, C&B, Mexican market	423-511 ▲
Quinilla KD, S4S 2x10x62cm, Asian market	512-549 ▲
2x13x75cm, Asian market	721-798 ▲

## Report from Bolivia

### Bolivia Sawnwood Prices

Sawnwood 1-3"x3x5"x7-19', FOB Arica Port	\$ Avg un. val. per m <sup>3</sup>
Ipe (Argentina and Uruguay)	402-593
Jequitiba (Italian markets)	613
Oak (Portuguese mkt)	678
Cedro (US, Argentina, Chile mkt)	593-720

### Bolivia Added Value Product Prices

Doors 13/4"x36"x96", FOB Arica Port	Avg \$ per piece
US market Mara macho/Tornillo (FSC)	170
Cambara	177
Oak (US market)	159

Chairs FOB Arica Port	\$ Avg Per piece
Ipe (US market)	80-178
Roble/Oak (UK market)	71-94

Parquet Flooring 3/4"x3-5"x1-7', FOB Arica Port	\$ Avg un. val. per m <sup>3</sup>
Jatoba (US market)	1185-1525
Ipe (US market)	805-1800
Cumaru (FSC) (China mkt)	1620-1785

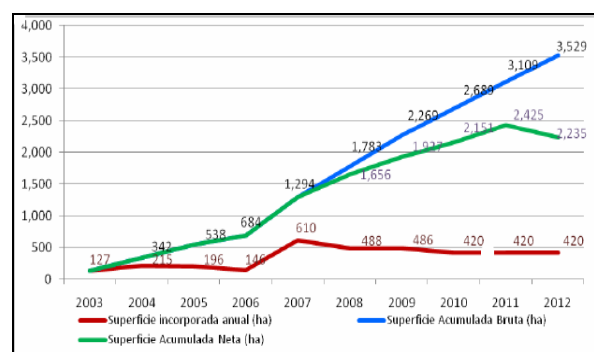
## Report from Mexico

### Paying for environmental services

Mexico is developing various mechanisms to stimulate local markets, attract international funding and strengthening the current scheme of payment for environmental services. This is being done to protect strategic areas for their biodiversity conservation, for carbon sequestration or for the hydrological services they provide.

Among the measures to combat climate change the National Forest Agency (CONAFOR) allocated just over one billion pesos for the payment for environmental services. This allowed the incorporation in 2009 of a further 488,000 hectares to the overall area of 1.9 million hectares of forests that are currently being supported under this heading.

### Area and trends of payments for environmental services (2003-2012 projected)



**Annual area incorporated (ha),  
Net Accumulated area (ha)  
and Gross accumulated area (ha)**

Since 2003, when PES was created and up to 2009, CONAFOR has provided funds to protect a cumulative total gross area of 2.2 million hectares (ha).

The scheme of payment for environmental services is one of the instruments CONAFOR developed to promote the conservation of forests in the country.

Another important tool is the Concurrent Funds, which seek to establish local PES schemes. In these funds, the Commission provides up to 50 percent of the amount required for delivery of these services through a collaboration agreement in which a counterpart undertakes to make a contribution at least similar to that of CONAFOR.

Within the framework of Concurrent Funds, in 2008, seven agreements were signed with validities ranging from one to ten years these were worth more than 73 million pesos and covered about 26,000 hectares.

### New international mechanisms

To strengthen efforts to preserve its forest resources, Mexico is taking steps to attract international funding to

support national needs in the ecosystem services conservation, such as the mechanism for Reducing Emissions from Deforestation and Degradation (REDD), which is expected to increase investment for the payment of these services.

It was against this background that CONAFOR designed the national strategy for reducing emissions from deforestation and forest degradation.

Another important tool, promoted by the Federal Government to strengthen the fight against climate change from Mexico, is the Biodiversity Endowment Fund. This was formed as a long-term financing scheme that will help to preserve forest ecosystems that hold biodiversity of global importance.

The Fund started with a capital of 130 million pesos from the Global Environment Fund (GEF) and the Government of Mexico through CONAFOR. The fund will be slowly expanded to US\$200 mil. in 2025.

This scheme will use only the interest generated by capital to finance the payment for environmental services for the conservation and protection of forest areas where there is biodiversity of global significance.

### IMF positive

Six months ago, at the height of the global financial crisis, Mexico became the first country to secure the first Flexible Credit Line. The FCL provides insurance against risks beyond the control of country's authorities.

In a recent statement the IMF noted that "Despite its strong policy frameworks, the current global economic and financial environment has hit Mexico harder than expected. The economy is in the deepest recession since the 1994-95 crisis, reflecting especially close links to the U.S. economy".

The IMF says recent economic indicators show signs of recovery and overall growth is expected to pick up in the second half of the year.

## Report from Guyana

### Market Trends

Prices for logs remain relatively stable, however Purpleheart small sawmill quality log prices have increased as they have also for Mora fair and small sawmill quality logs

Compared to the situation as described in the last report there was a favourable increase in prices for rough (undressed) Greenheart sawnwood (USD 852/700), while Purpleheart rough sawnwood also enjoyed good prices.

Rough Mora prices remain stable. Dressed Greenheart sawnwood showed a modest price decline in the period of review but dressed Purpleheart recorded increased prices for this fortnight period.

Baromalli plywood demand is currently weak and prices are down.

Value added products such as doors, indoor and outdoor furniture, mouldings, spindles and non-timber forest products were notable in their contributions to the export earnings for the fortnight under review. The Caribbean remains the primary export destination for value added products.

#### Guyana Log Prices

Logs, FOB Georgetown	SQ - \$ Avg unit value per m <sup>3</sup>		
	Std	Fair	Small
Greenheart	150	135-140 ↓	125-130 ↓
Purpleheart	180-235	160-215	150
Mora	120	115↑	110↑

\*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 <sup>3</sup>	
EU and US markets		Undressed	Dressed
Greenheart	Prime	-	-
	Select/Standard	530-852	600-742
Purpleheart	Prime	-	-
	Select/Standard	636	650-806 ↓
Mora	Merchantable	700	-
	Select	500	-

#### Guyana Plywood Prices

Plywood, FOB Georgetown Port			\$ Avg unit val. per m <sup>3</sup>
Baromalli	BB/CC	5.5mm	-
		12mm	415
	Utility	5.5mm	-
		12mm	353 ↓

#### FPDMC to China

An invitation to participate in the China Yiwu (International) Forest Products Fair has been extended to Guyana by the Vice Mayor of Yiwu City. The FPDMC will attend.

Yiwu is a city of about 2,000,000 people in central Zhejiang province near the central eastern coast of China. The city is famous for its small commodity trade and vibrant free market.

The FPDMC says this timely invitation will open unique opportunities for Guyana to promote contacts and utilise the existing channels for exchanges with a country that possesses the technology and expertise suitable for Guyana's forestry sector.

This event coincides with the recent effort by the Guyana National Bureau of Standards (GNBS) in collaboration with Caribbean Regional Organization for Standards and Quality to introduce standards in the furniture industry. "Promotion Competitiveness in the Furniture Sector" was the theme for a recent workshop whose goal project was to strengthen the competitiveness of the small and micro enterprises which make up 80 percent of the total business sector of Guyana.

The workshop highlighted specific requirements for furniture manufacturing. These included: Quality; Moisture Content, Workmanship and Finishing. Standards as they relate to sanding and application of finishing coats to furniture during manufacture and sealing of surfaces were also discussed. Manufacturers and dealers of furniture have access to detailed furniture standards from the Guyana National Bureau of Standards.

### Report from Japan

#### Strong Yen continues

The Yen has been strengthening against the US dollar since April and at the current rate of Yen 90 per US dollar it is some 10% up on a year ago. While this is basically good news for importers it is bad news for exporters.

An additional currency issue facing Japanese importers of SE Asian logs and plywood over the past months has been the appreciation of the currencies in the exporting countries compared to the US dollar.

In February the Indonesian rupiah was as low as 12,000 to the dollar but it has topped 9,300 recently representing a 22% jump. The Malaysian ringgit is up about 12% from six months ago.

As most of the business with Japan from the region is dollar denominated, exporters have been trying to push up export prices.

To illustrate the effect this is having the Japan Lumber Reports quotes Indonesian 3x6 concrete formboard at US\$470 per cu.m CIF, up US\$20 since September. Malaysian 3x6 is at US\$400-410 per cu.m, US\$5-10 up in a month.

The formboard market in Japan is currently weak so importers are reluctant to place orders especially as they see the price increases getting ahead of the Yen/dollar exchange rates.

#### August plywood data

Total market supply of plywood in August was 415,000 cu.m some 21% down on the figure for August last year, as domestic production and imports fell. The JLR mentions the summer holiday season as affecting domestic production.

Imports in August fell by 28% year on year with a continued weakening of the market. Even with the weak market, there are no signs of wholesale prices easing as FOB prices continue to firm.

Despite the advantageous Yen/dollar exchange rate, importers are reluctant to buy because the market in Japan remains uncertain.

## Japan August plywood imports (nos of units)

	August	2009/2008
Malaysia	120660	74%
Indonesia	68643	85%
China	32394	60%
New Zealand	2774	58%
Canada	521	242%
Others	2192	59%
Total import	227184	74%

### Recovery signs gone

The Japanese plywood market appeared to be on track for a recovery in August and September due to falling stock levels but demand is so sluggish that there was no momentum to drive up prices.

The JLR is reporting that stocks of plywood in Japan are still well below seasonal norms so prices will remain firm.

Concrete formboard prices are particularly soft with few enquiries circulating largely because many public works projects have been put on hold or cancelled by the new government.

### Ultra-thin veneer for plywood

Plywood of 12mm is normally constructed with 5 x 2mm veneer sheets but a new 12mm panel is on the market and is constructed with 11 veneers.

Seihoku Corp. has developed the new ply-panel so as to produce a more stable and stronger product.

The first panels have been constructed with larch and cedar veneers, testing trials report that the panels give a good finish and nail holding is above average.

The main disadvantage mentioned by the JLR is the extra adhesive required which pushes up production costs.

### Demand projections

The Japan Forestry Agency has reported its projections for imports of wood products for the fourth quarter 2009 and first quarter 2010.

Tropical sawnwood imports are projected at 14,000 cu.m for the fourth quarter 2009 and projected to drop to 130,000 cu.m in the first quarter of 2010 (respectively 84% and 89% respectively, year on year).

### AHEC prepares for Japan

Members of AHEC are preparing to secure certificates to verify the legality of their supplies to Japanese buyers. At the moment few Japanese buyers are demanding these certificates but, as the JLR says, it is only a matter of time before the industry as a whole takes up the recommendations of the Japan Forestry Agency (FA) on this issue.

At a recent AHEC meeting US suppliers to Japan raised questions with the Forestry Agency representatives. The JLR is reporting that in response to the question 'do the regulations in Japan distinguish between the various certification systems' the FA answered, 'No'.

A second question related to sustainability, 'does the regulation in Japan require sustainable yield as a condition', again the FA answered, 'No'. For more on this see the JLR of 23 October 2009.

### Green housing

Japan has a roughly translated 'carbon dioxide off house' competition annually. For 2009, Sekisui House Co. Ltd of Osaka won the prize for the second year running.

To secure the prize the company had "good wood" procurement guidelines and worked with an NGO to secure 'socially fair and environmentally friendly' wood products.

The company reportedly had the greatest problem securing appropriate flooring but eventually found certified wood flooring products.

### Log and Sawnwood Prices in Japan

Logs for Ply Manufacture, CIF		Yen per Koku (Koku=0.278 m <sup>3</sup> )
Meranti (Hill, Sarawak)	Medium Mixed	6,700 ↓
	Standard Mixed	6,900 ↓
	Small Log (SM60%, SSM40%)	6,700 ↓
Taun, Calophyllum, others (PNG)		7,500
Mixed light hardwood, G3/4 grade (PNG)		-
Keruing MQ & up (Sarawak)		10,800
Kapur MQ & up (Sarawak)		9,100 ↓
Logs for Sawmilling, CIF		Yen per Koku
Melapi (Sarawak) High Select		11,500
Agathis (Sarawak) High Select		-
Lumber, FOB		Yen per m <sup>3</sup>
White Seraya (Sabah) 24x150mm, 4m, Grade 1		135,000 ↓
Mixed Seraya, Sangi 24x48mm, 1.8-4m, S2S		53,000

### Wholesale Prices (Tokyo)

Indonesian & Malaysian Plywood		Size (mm)	Sep (¥ per sheet)	Oct
2.4mm (thin plywood, F 4star, type 2)		920 X 1830	320	320
3.7mm (med. Thickness, F 4star, type1)		910 X 1820	460	450 ↓
5.2mm (med. Thickness, F 4star, type 1)		910 X 1820	570	550 ↓
11.5mm for sheathing (F 4star, type 2)		910 X 1820	880	880
12mm for foundation (F 4star, special)		910 X 1820	890	890
12mm concrete-form ply (JAS)		900 X 1800	810	820 ↑
12m coated concrete-form ply (JAS)		900 X 1800	934	930 ↓
11.5mm flooring board		945 X 1840	1050	1070 ↑
3.6mm baseboard for overlays (OVL)		1230 X 2440	740	740
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

## Report from China

### US anti-dumping review

On September 25, 2009, authorities in the US released the final results of a new review of the anti-dumping duty on wooden bedroom furniture from China. It has been determined that the anti-dumping tariff imposed on Shanghai Fangjia Industry Co., Ltd and Jiangsu Danyang Brilliant Furniture Co., Ltd should be cancelled.

In 2003, the US began investigating charges of dumping of wooden bedroom furniture from China. The customs codes of products concerned were HS 94035090.40, 94035090.80 and 70099250.00. In November 2004, after the investigation a 5% to – 198% anti-dumping tariff was imposed on the Chinese companies being accused.

### Canada drops flooring anti-dumping duties

The Canadian International Trade Tribunal announced that the anti dumping tariffs on laminate flooring originating in or exported from China and France will expire in June 2010.

The Tribunal had issued a Notice of Expiry in August this year and invited requests or opposition to the proposed change. The Tribunal received no submissions in support of an expiry review and a continuation of the finding. Consequently, no expiry review will be initiated.

A finding of injury or threat of injury and the associated special protection in the form of anti-dumping or countervailing duties expire five years from the date of the finding, unless an expiry review has been initiated. In light of the foregoing, the Tribunal gave notice that the finding, made on June 16, 2005, in Inquiry No. NQ-2004-006 will expire on June 15, 2010.

### India sets anti-dumping duties on MDF

Reports are indicating that on October 8 2009, the Indian government has approved anti-dumping tariffs on plain medium density fiberboard from China, Malaysia, New Zealand, Thailand and Sri Lanka. The anti-dumping rate on products from China is said to be US\$395.52 per cubic metre.

### Furniture hyper-market for Chengdu City

A massive furniture wholesale furniture market is being constructed in Chengdu Furniture Industrial Zone. This is a joint investment by the Sichuan Chengdu government, Xidu District government and the National Furniture Decoration Chamber, Southern Xiangjiang Group

On completion this will be the biggest furniture wholesale and distribution centre in Chengdu City and in the whole of the western region. Building is scheduled for completion by the end of 2009.

## Guangzhou City Imported Timber Market

Logs	Yuan per m <sup>3</sup>
Lauan (50-60cm)	1900-2100
Kapur (up to 79cm)	1900-2100
Merbau 6m, (up to 79cm)	3500-4000
Teak	11000-16000
Wenge	5200-5300
<b>Sawnwood</b>	
Teak sawn grade A	9300
US Maple 2" KD	7500-11500
US Cherry 2"	12000-12800
US Walnut 2"	14000-15500
Lauan	3500-4000

## Shanghai Furen Wholesale Market

Sawnwood	Yuan per m <sup>3</sup>
Beech KD Grade AB	2500-3000
US Cherry, 25mm	9500-10000
US Red Oak, 50mm	9800-10500
Sapele 50mm FAS (Congo)	
KD (2", FAS)	5800-6000
KD (2", grade A)	5200-5300

## Shandong De Zhou Timber market

Logs	Yuan per m <sup>3</sup>
Larch 6m, 24-28cm diam.	1120
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 <sup>3</sup>
Korean Pine 4m, 38cm+ diam	1700
Mongolian Scots Pine 4m, 30cm diam.	1300
6m, 30cm+ diam.	1400
<b>Sawnwood</b>	
Mongolian Scots Pine 4m, 5-6cm thick	1450
4m, 10cm thick	1450

## Zhejiang Jiashan Kaihua International Timber Market

Logs	Yuan per m <sup>3</sup>
Okoume 80cm+	2800-3400
Sapele 80cm+	6000-6500
Wenge 80cm+	13000-14000
<b>Sawnwood</b>	
Doussie	3600-4000
European beech boules	3100-3300
Radiata	2000-3300
<b>Plywood</b>	
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](http://www.forestry.ac.cn)

## Report from Europe, the UK and Russia

### Worst downturn

Ed Pepke of the UNECE Timber Committee, delivering the opening address at the American Hardwood Export Council (AHEC) biannual European Convention in Athens on 22 October, described the current downturn as "the worst since the second world war".

Pepke went on to suggest that the world only avoided "a second great depression" as a result of the unprecedented concerted global policy response - including swift measures to stabilise the banking sector in several countries and various government stimulus measures



which have pumped huge sums of money into the global economy.

Pepke noted that while most countries across the globe will record negative GDP growth this year, economists believe the numbers will turn positive next year. Nevertheless Pepke suggested that “this recovery will be very slow.”

#### **Gloomy market in Southern Europe**

The ensuing market discussion at the AHEC Convention provided particular insights into conditions in southern Europe, reflecting strong participation at the Convention by traders from this region.

Overall the conclusions were extremely gloomy. The local Greek market has been badly affected by the introduction of a higher VAT rate which has contributed to further stagnation of the housing market.

The Italian housing sector has been negatively influenced by lack of mortgage credit. Meanwhile the Italian furniture sector has seen sales fall by nearly 50%. Large Italian importers suggested that sales are down by as much as 50% compared to 18 months before.

In many ways, market conditions are even worse in Spain where the huge boom in construction came to a sudden and dramatic halt last year. Spain has now built nearly seven times more housing than the current need, suggesting it will be many years before demand recovers.

The Spanish hardwood trade has imported little in the last year and is unlikely to increase significantly purchases in the future despite stocks now being extremely low and continuing slow consumption in the renovation sector.

Spain's door industry is on its knees and capacity may eventually be reduced by as much as 50%. Spain's door companies are belatedly trying to find new business in export markets. However most are suffering from their earlier failure to invest in export market development.

#### **Traders view**

Despite extremely low consumption, several traders highlighted that supply is now becoming an issue. One European hardwood importer suggested that “hardwood production is down more than actual demand in the market”.

Another commentator highlighted the trend towards increased mergers and acquisitions in the European importing sector as larger companies are increasingly swallowing bankrupt smaller ones.

There was also discussion at the Convention of the continuing trend in Europe towards increasing imports of finished wood products at the expense of domestic manufacturers.

The European agent of a Vietnamese furniture manufacturing company noted that “a lot of Vietnamese companies are now more interested in the European than

the US market which was formerly their sole focus. These companies now want euros, not dollars.”

#### **No UK recovery in the short-term**

The TTJ's latest hardwood market report published mid-October suggests that it has not been all bad news for the UK hardwood trade so far this year. However the future remains very uncertain.

A hardwood agent interviewed by TTJ notes that “While the rest of the timber market has been talking downturn and recession, January to June really wasn't that bad for us. In July, [we sold] two to three months' worth in a single month”. This agent speculates that the July upturn “was the result of some companies, which had heavily destocked, getting to the end of their inventories and restocking for September”.

The agent suggests that since the unexpected July boom, business has tailed off. The agent speculates that the UK trade may have been sustained earlier this year by contracts signed before the downturn and is only now, belatedly, going into recession.

This gloomy prediction is supported to some extent by the latest market report from the UK Construction Products Association.

According to the CPA's forecast, UK construction output will not reach 2007's peak levels again until 2021. The CPA expects output to fall 15% this year, with a further 2% dip in 2010, before modest growth returns in 2011. CPA suggests that existing levels of output this year have been heavily dependent on Government spending on construction projects which remains strong.

The UK's furniture sector also remains weak. Growth in UK furniture retail sales stalled in August, with volumes down 5.7% on the month, and the yearly rate estimated by National Statistics at -1.1%.

UK demand for imported furniture dropped by 19% between the first six months of 2009 and the same period last year. British furniture makers fared rather worse, recording a 22% drop in business compared to the first half of 2008.

#### **Designers prefer wood**

Michael Buckley, an independent hardwood industry consultant based in Singapore, led a session at the AHEC Convention on hardwood fashion. Buckley commented that “if you are in the hardwood trade, then you are also in the fashion business”.

He suggested that recent fashion trends provide a partial antidote to the gloomy deliberations during the economic session of the Convention. Buckley commented that over the last 20 years “I have seen many short-cycle fashion changes in wood. However, by far the most important trend during that period has been the acceptance of wood as a modern material by many, (dare I say most?), architects”.

However, Buckley also noted that "it is a great pity that the timber industry has not exploited this opportunity more fully and has not seized the chance to capitalise much more on the environmental advantages of wood".

In fact, Buckley suggested that the trend towards green building is not yet significantly benefiting wood products: "wood's competitors have not been slow to identify the gap and now we really do have good cause to complain about the lack of a level playing field."

'Green' points are awarded for concrete, steel and even PVC, but not always for wood". Furthermore, the window of opportunity for wood may be a short one: "as we have seen with all fashions, the preference for wood may not last. Fashion is fickle and often changes very fast".

The key for the wood industry is to ensure that the current "fashion" for wood becomes more deeply embedded as a long-term trend.

Buckley identified numerous challenges to be overcome if wood, and specifically hardwood, is to succeed in becoming firmly established as the sustainable material of choice.

These include: the threat of substitution with cheap, often inferior, alternatives, both wood and non wood; lack of knowledge of hardwood properties by specifiers; and the misplaced assumption that plantation species are necessarily more environmentally friendly than natural forest species.

Already there are signs that hardwoods are losing the battle and certain end-users are drifting away to other materials.

Buckley commented that "there are some signs that the internal furniture industry may be beginning to move imperceptibly away from wood and strong evidence that the external furniture industry has been doing so for some time. We are certainly seeing the introduction of new contrasting surfaces in wood furniture where previously there was only wood". These trends suggest there is an urgent need to further develop and expand marketing activities for hardwoods.

#### **Wood promotion**

AHEC is one of the few organisations currently running an international marketing campaign centred on hardwoods. David Venables, AHEC European Director described AHEC's marketing activities in Europe which, while targeting everyone in the wood chain, place special emphasis on the design community.

AHEC seeks out and promotes examples of innovative modern design – both in construction and furniture – where American hardwoods have been used to good effect. Where existing examples of the marketing messages AHEC wants to convey are not available, AHEC works with the technical and design community to create them.

#### **Green marketing: threat and opportunity**

The final session at the AHEC Convention on "Green Marketing Opportunities" highlighted the wide range and growing complexity of the green issue. Rupert Oliver of Forest Industries Intelligence Ltd, who chaired the session, suggested that the growing focus on energy efficiency and sustainability in the construction sector, should present tremendous opportunities for a natural, energy efficient and renewable product like hardwood. But there are also significant challenges.

There is a risk of additional controls being imposed on all wood suppliers, including legitimate operators, as a simplistic knee-jerk response to the problem of illegal logging and deforestation.

Requirements for wood traceability and specific forms of forest certification, often built in to green building initiatives and public sector procurement policies, are placing obstacles in the way of hardwoods which often face particular challenges in achieving certification.

Meanwhile other materials supplying sectors are investing heavily in new products and marketing initiatives, so that materials like steel and cement are now laying claim to "sustainability" credentials. There is also a threat, particularly in the current economic climate, of protectionist trade measures favouring local over imported materials being disguised as an effort to reduce carbon emissions.

#### **LCA approach in Green Building**

The AHEC Convention also highlighted the importance of the hardwood sector engaging in work on environmental life cycle assessment (LCA) and in promoting an LCA-based approach to green building.

Dr Richard Murphy, an expert in LCA from Imperial College London, noted that existing scientific data suggests that hardwoods often perform very well on a full cradle-to-grave environmental assessment, particularly when carbon sequestration during forest growth is taken into account.

However he also suggested there is an urgent need for the hardwood sector to commission further research to fill gaps in the information – for example relating to the carbon sequestration effects of different forest management regimes, the lifespan of hardwood products in use, and the final disposal of hardwood products.

### The Netherlands Sawnwood Prices

	US\$ per m <sup>3</sup>
FOB (Rotterdam)	
Sapele KD	932↓
Iroko KD	1050↓
Sipo KD	1160↓
DRM Bukit KD	833
DRM Seraya KD	833
DRM Meranti KD Seraya MTCC cert.	862
Merbau KD	1109
Sapupira (non FSC) KD	877
Sapupira (FSC) KD	1384
Anti-slip decking AD C&F Rotterdam	
Selangan batu	1328↑

### UK Log Prices

	€ per m <sup>3</sup>
FOB plus commission	
N'Gollon (khaya) 70cm+ LM-C	320-350
Ayous (wawa) 80cm+ LM-C	230-240
Sapele 80cm+ LM-C	280-320
Iroko 80cm+ LM-C	300-330
African Walnut 80cm+ LM-C	310-340

### UK Sawnwood Prices

	Pounds per m <sup>3</sup>
FOB plus Commission	
Framire FAS 25mm	390-420
Sipo FAS 25mm	670-700
Sapele FAS 25mm	530-550
Iroko FAS 25mm	590-620
Wawa No.1 C&S 25mm	320-330
CIF plus Commission	
Tulipwood FAS 25mm	230-250
Meranti Tembaga Sel/Btr (KD 2"boards)	490-510
Balau/Bangkirai Decking	810-850↑
White Oak	400-430

### UK Plywood and MDF Prices

	US\$ per m <sup>3</sup>
Plywood Panels 8x4", CIF	
Brazilian WBP BB/CC 6mm	490-510
Malaysian WBP BB/CC 6mm	480-500
China (hardwood face, eucalyptus core) 18mm	320-340
China (tropical hardwood face, poplar core) 18mm	310-330

## Report from North America

### East Coast merger

Two of the largest hardwood importers in the US, Thompson Mahogany and East Teak Fine Hardwoods, have merged according to a press release by the latter company.

Thompson Mahogany will reportedly operate as a wholly owned subsidiary of East Teak. Founded in 1843, Thompson Mahogany directly imports lumber, decking and flooring from Central America, South America and Africa, used for furniture, flooring, outdoor decks and boardwalks.

The company ships into the ports of Camden, New Jersey, and Philadelphia, supplying wholesalers, distributors and manufacturers throughout the US and Canada. East Teak

Fine Hardwoods imports high grade teak and other hardwood species used as decking, flooring, siding, mouldings and custom millwork in the construction of hotels, resorts, office buildings, luxury homes and yachts.

From its facilities in South Carolina and Washington, East Teak serves the architectural, up-scale residential,

commercial construction, hospitality and boating industries throughout the US and the Caribbean.

East Teak will benefit from Thompson Mahogany's direct suppliers in South America and Africa and gain an expanded distributor network and customer base.

Don Thompson, who served as President of the International Wood Products Association in the past, will remain as President of Thompson Mahogany.

### Timber committee forecasts

UNECE Timber Committee delegates met for their annual market discussions in Geneva on October 13 and 14, 2009. While the committee forecasts an upturn in most wood products market sectors in 2010, it seems far too early to speak of a recovery.

Key developments were discussed in certified wood product markets, green building, corporate social responsibility, China's role in the UNECE region's markets, wood energy and forest carbon markets.

The US market review and outlook was prepared by James Howard and David McKeever, both with the Forest Products Laboratory in Madison, Wisconsin.

While residential construction weakened dramatically and continues to do so into 2009, the authors expect high expenditures in residential repair and remodeling.

Expenditures of USD227 billion are forecast for 2009, nearly equaling levels reached in 2006.

Since 2000, household spending on maintenance and repairs to residential properties accounted for about 25% of total expenditure, with the remaining 75% for improvements.

Given the unprecedented levels of home foreclosures in the US in recent years, residential improvements and repairs may be an even bigger part of the economy than usual.

Many foreclosed homes need significant maintenance to become marketable. Expectations are for continued and growing investments to raise value of existing residential properties.

The authors say that tropical hardwood lumber consumption in North America is forecast to drop by 20% in 2009 and 14% in 2010 compared with 2008 volumes.

In the US, apparent consumption is expected to decline from 278,000 cu.m (2008) to 225,000 cu.m (2009) and move up again to 242,000 cu.m in 2010.

For Canada, the consumption forecasts are 42,000 cu.m in 2009 and 2010, down from 54,000 cu.m in 2008.

The full country market statements for the US, Canada, Europe and Russia are available on the UNECE Timber Committee website: [timber.unece.org](http://timber.unece.org)

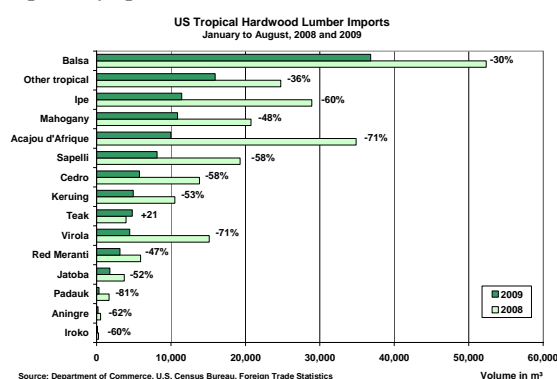
## US tropical timber imports

US imports of tropical timber remain at very low levels due to low demand and a weak US dollar.

Imports statistics to August 2009 show an average decline in the value of imports of tropical hardwood lumber of almost 60% compared with 2008 figures, while the volume of imports slid 50%.

Teak and balsa are the species least affected by the economic downturn. Balsa lumber imports were down by 30% in volume, while for example imports of Ipe lumber dropped by 60%.

Teak is the only species that showed a volume increase (+21%), but the import value was still lower than in 2008. Imports by species (volume) are shown below.



Imports (volume) of tropical hardwood veneer fell almost 60% year-on-year. Spanish Cedar face plywood imports remain down by 44% from 2008, while Mahogany face plywood imports declined by 69%.

Tropical hardwood log imports remain small, having fallen by 81% from 2008 as of August. However, this dramatic decline can be attributed to a large, one-time import from Germany in 2008 according to the available trade statistics.

## US Timber prices

FOB	US\$ per m <sup>3</sup>
Ipe (Brazil) Decking Premium Grade AD	1785
Jatoba (Brazil) No.1 Common and Better AD	805▲
Jatoba (Brazil) No.1 Common and Better KD	-
Khaya (Cote d'Ivoire) FAS KD, Abidjan	740▲
Khaya (Ghana) FAS AD, Takoradi	-
Sapele (Cameroon) FAS AD, Doala	670▲
Sapele (FAS KD), Doala	780▲

## 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.**

Bank economists, who had been projecting a contraction in the Brazilian economy for this year, are now saying that Brazil will end 2009 with growth. Brazil's economy will grow about 0.01% this year and up to 4.5% in 2010, the new forecast by private bank economists consulted weekly by the Central Bank says.

<http://www.laht.com/article.asp?CategoryId=14090&ArticleId=345033>

The earthquake that struck Sumatra recently is likely to be followed by an even larger tremor that could cause a tsunami as devastating as the one that hit Indonesia in 2004, according to a leading seismologist. Professor Kerry Sieh, director of the Earth Observatory at Singapore's Nanyang University, says earthquakes measured at 8.4 and 7.8 which hit southern Sumatra in September 2007 marked the beginning of a cycle of tremors that starts roughly every 200 years.

<http://www.ft.com/cms/s/0/8d980480-af66-11de-ba1c-00144feabdc0.html>

How towns and cities cause the extinction of local plants has been revealed for the first time. An international team of botanists has compared extinction rates of plants within 22 cities around the world. Both Singapore and New York City in the US now contain less than one-tenth of their original vegetation, reveals the analysis published in the Ecology Letters.

[http://news.bbc.co.uk/earth/hi/earth\\_news/newsid\\_829500/0/8295738.stm](http://news.bbc.co.uk/earth/hi/earth_news/newsid_829500/0/8295738.stm)

Pines and a mix of native African trees will soon cover what is now grassland within Uganda's Rwoho Central Forest Reserve, an upper watershed of Lake Victoria. The growing trees will absorb the greenhouse gas carbon dioxide, CO<sub>2</sub>, from the atmosphere, and with these plantings, Uganda becomes the first country in Africa to undertake a reforestation project that will count towards emissions reductions under the Kyoto Protocol.

<http://www.ens-newswire.com/ens/oct2009/2009-10-06-01.asp>

A recent Australian study suggests that land clearing over the past 200 years may have been as significant a factor in this country's droughts and changing climate as increasing carbon dioxide in the atmosphere. University of Queensland researchers have produced evidence for the possible link between land clearing and climate change in south-eastern Australia.

<http://www.sciencealert.com.au/features/20090710-19945.html>

South African manufacturing contracted at a faster pace in August, dropping an annual 15% in a sign the economy may be slow to recover from its first recession in 17 years. The decline accelerated from a revised 13.5% in July, Pretoria-based Statistics South Africa said on its Web site.

Output slid a seasonally adjusted 2.8% in the month. The rand's 40% surge against the dollar in the seven months through September may be undermining a recovery in manufacturing by making exports more expensive.

<http://www.bloomberg.com/apps/news?pid=20601116&sid=ay5z7HK.Ub20>

Three U.S. governors and eight regional leaders from Brazil and Indonesia have drafted a memorandum they intend to make official today that calls on the presidents of their nations to write generous forestry provisions into an international climate change pact in Copenhagen in December. According to a copy of the memo secured by the New York Times, the 11 states have agreed to press their national governments for a series of "robust" deforestation provisions during talks on a treaty that could succeed the Kyoto Protocol. The states have been working together on the matter since November 2008.

<http://www.nytimes.com/cwire/2009/10/02/02climatewire-leaders-from-indonesia-brazil-join-3-us-stat-93701.html>

The UAE now is now one of India's major trading partner with a two-way (non-oil) goods and trade being valued at US\$ 44.5 billion in 2008-2009, revealed by India's Minister of State for External Affairs Shashi Tharoor. This accounts for about half of India's total trade with the whole region. India's total trade with all the six-member Gulf Cooperation Council (GCC) reached US\$86.9 billion, putting it ahead of European Union (US\$80.6 billion) and ASEAN countries (US\$ 44.6 billion).

[http://www.uaeinteract.com/docs/UAE\\_now\\_top\\_Indias\\_trading\\_partner\\_with\\_US\\$44.5b\\_in\\_total\\_in\\_2008-2009\\_Indian\\_Minister/37902.htm](http://www.uaeinteract.com/docs/UAE_now_top_Indias_trading_partner_with_US$44.5b_in_total_in_2008-2009_Indian_Minister/37902.htm)

Around 60% of the timber exported from the RoC during 2008 was through Cameroon, most being derived from the northern forest regions. Most of this timber was destined for the EU. Many of the concessions supplying this timber are FSC-certified. During May 2009, the country signed a Voluntary Partnership Agreement with the European Union to ensure that only legal timber would be exported.

Information on the efforts of the RoC and the assistance being provided by the EU is at <http://www.observation-congo.info/>

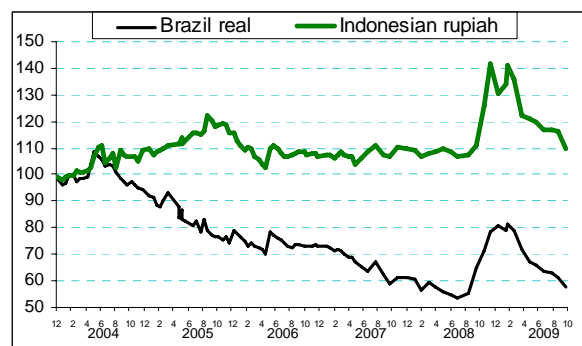
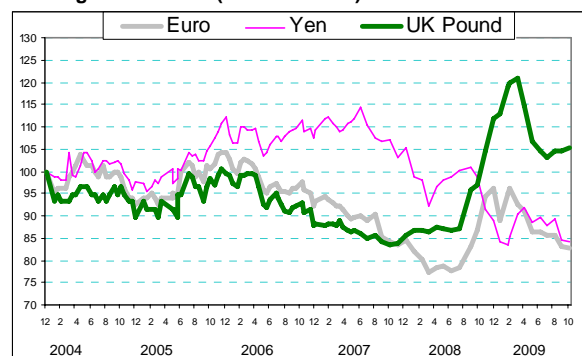


## Main US Dollar Exchange Rates

As of 30 October 2009

Brazil	Real	1.7794	↓
CFA countries	CFA Franc	444.56	↓
China	Yuan	6.8282	↓
EU	Euro	0.6795	↓
Indonesia	Rupiah	9606	↓
Japan	Yen	90.79	↓
Malaysia	Ringgit	3.4223	↑
Peru	New Sol	2.9087	↓
UK	Pound	0.6106	↑

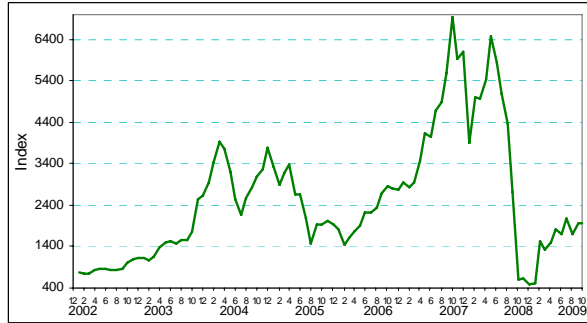
Exchange rates index (Dec 2003=100)



## Abbreviations and Equivalences

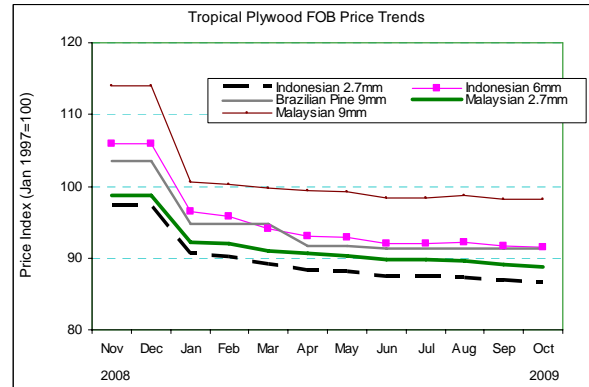
LM	Loyale Merchant, a grade of log parcel
QS	Qualite Superieure
CI, CE, CS	Choix Industriel, Economique or Supplimentaire
FOB	Free-on-Board
CIF; CNF	Cost, insurance and freight; Cost and freight
KD; AD	Kiln Dry; Air Dry
Boule	A log sawn through and through, the boards from one log are bundled together.
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 <sup>3</sup>
Koku	0.278 m <sup>3</sup> 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

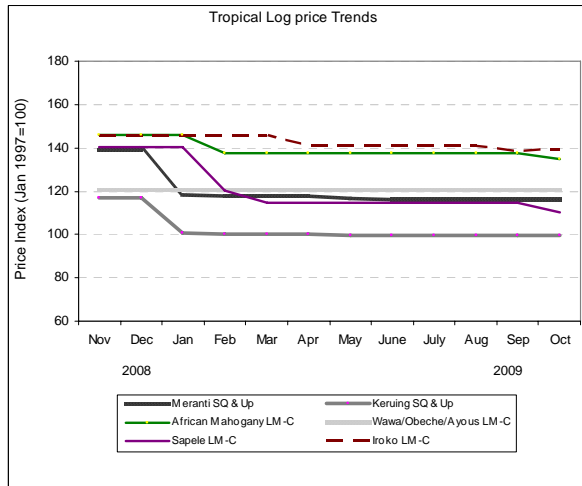


The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes. It is based on a 52,454 mt bulk carrier carrying commodities such as timber.

## Tropical Plywood Price Trends



## Tropical Log Price Trends



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

To subscribe to the ITTO market report  
 email : [mis@itto.or.jp](mailto:mis@itto.or.jp)

## Tropical Sawnwood Price Trends

