

Tropical Timber Market Report

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Top Story



Gabon announces log export ban

The announcement that Gabon will ban the export of round logs has caught the trade unaware.

As there are no details of any phasing out of log exports, the industry is uncertain what to do about the existing log stocks at the port or what to do in respect of contracts already signed and shipping arrangements made.

Given that there are so few tropical log exporting countries it will not be easy for those countries relying on imports of logs from Gabon to find alternative sources.

Report from Central/West Africa

Trade started by Gabon announcement

Dominating the news in the West and Central African timber trade has been the announcement that Gabon will ban the export of round logs. The initial news was that the ban would take effect from January 2010. This announcement was one of several by the government team led by the newly-elected President Ali Ben Bongo, who became Gabon's president last month.

It seems that, so far, no formal gazetting or legislation has followed. The proposed ban, according to the statement, is in order to create employment in particular for young persons and women by ensuring that further processing is carried out within Gabon.

According to earlier goals, the Government planned to increase the domestic wood processing rate to 75% in 2012 and only allow 25% of the log harvest to be exported.

Industry uncertain

At the moment there are no details of any phasing out of log exports and the industry is uncertain what to do about the existing log stocks at the port and in transit. It is also uncertain of what it would do in respect of contracts already signed and for shipping and time charter arrangements.

Although Gabon's log export volumes are much lower than they were some years ago, there are still large volumes sold to China, India and lately to Vietnam, as well as some steady volumes for North Africa.

Consumer countries affected

If the ban was to come into effect in January, these consumer countries would have just one month in which to find alternative log supplies to keep their manufacturing plants operating. Given that there are so few tropical log exporting countries this will not be easy to achieve and log prices will likely rise. At this early stage, while waiting for more detailed information, the market has not reacted.

It is reported that some exporters in Gabon have raised their asking prices for okoume sawn lumber, though it is not known if any sales have been made at higher prices.

Major shift in trade pattern

Apart from this major news, there are no reports of price movements for logs or lumber as it will take time for both producer and consumer countries to work out strategies to deal with, what will become, a major shift in trade patterns. This move will result have consequences for shipping and investments in processing in one of West and Central Africa's major tropical hardwood producing regions.

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	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 ³
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

Ghana's 2010 Budget

The Minister of Finance and Economic Planning, Dr. Kwabena Duffour, has presented the 2010 Budget Statement and Economic Policy to Parliament to usher in the government's growth and strategic framework towards, in his words a 'Better Ghana'.

The budget, captioned 'Growth and Stability', enumerated a set of comprehensive policies to support the government's medium term growth strategy in a manner that would be sustainable.

The statement included element to maintain the macroeconomic stability and fiscal discipline achieved in 2009, positioning the country in five areas of investment for a sustained growth through the modernisation of agriculture, provision of key infrastructural development, oil and gas projects, private sector development, ICT and delivery of social programmes targeted at poverty reduction.

The implementation of this agenda is projected to cost government GHc10.8 billion in total payments, 23 percent higher than the 2009 budget.

The Minister said that monetary policy would continue to focus on stabilising price and exchange rate expectations, saying the goal of the monetary policy was to reduce inflation rate to less than 10 percent over the medium term.

By a legislation instrument, the Government is to integrate the three revenue agencies of Value Added Tax (VAT), Customs Excise and Preventive Services (CEPS) and Internal Revenue Service (IRS) into one agency to be known as Ghana Revenue Authority.

Budget statement highlights

- A significant reduction in the budget deficit from 22 percent of GDP to about 10 percent,
- Improvement of import cover from 1.8 months in 2008 to 2.5 months in 2009,
- Job Creation through Greening Ghana,
- Provision of GHc25.0 million for the establishment and the implementation of the Savannah Development Authority.

Deficit cut

Ghana's budget deficit will, according to latest estimates, narrow to 7.5 percent of gross domestic product next year as the government looks to earn more from import duties and mining

Interest rates

Meanwhile, the Bank of Ghana has cut its prime interest rate by 0.5% to 18.0 percent. The newly appointed Governor Kwesi Amissah-Arthur, chairing his first meeting of the bank's Monetary Policy Committee, announced the reduction at a news conference. The previous level of 18.5 percent represented a five-year high

Royalties to Government

Golden Star Resources Ghana Ltd, whose mining activities are under the jurisdiction of the Ministry of Lands, Forestry and Mines, has paid US\$8 million in royalties to the government. This was royalties for the third quarter and they were derived from its two mines in Bogoso/Prestea and Wassa, Western Region. Since Jan.2009, the company has paid US\$27.9 million in royalties to the Ghana government.

In a related development, the 2010 budget statement indicated that royalties paid by mining companies are to be increased from three to six percent.

Ghana Log Prices

Ghana logs, domestic	US\$ per m ³	
	Up to 80cm	80cm+
Wawa	120-130	140-155
Odum Grade A	160-170	175-185
Ceiba	100-11↑	115-125↑
Chenchen	80-100↑	105-120↑
Khaya/Mahogany (Veneer Qual.)	95-105↑	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 ³	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up	855	-
Afrormosia	500	545
Ceiba	200	255
Dahoma	300	390
Edinam (mixed redwood)	405	430
Emeri	330	400
African mahogany (Ivorenensis)	595	665
Makore	520	580↓
Niangon	490↓	620↓
Odum	650	710
Sapele	540	600
Wawa 1C & Select	260	285

Ghana sawwood, domestic		US\$ per m ³
Wawa	25x300x4.2m	247
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 ³	
	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 ³
Ceiba		260↑
Chenchen		290
Ogea		295
Essa		285
Ofram		320

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afrormosia	1.19	1.00
Asanfina	1.50↑	0.80↓
Avodire	1.20	0.90
Chenchen	1.20	0.54↓
Mahogany	1.42↑	0.89↑
Makore	1.40↓	0.85
Odum	1.80	1.15↓

Ghana Plywood Prices

Plywood, FOB B/BB, Thickness	€ per m ³			
	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	265

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

China investment plan

China, which is one of Malaysia's biggest trading partners, will seek further trade and investment opportunities in the country in the area of oil palm and timber. This emerged during a press conference held jointly with the visiting Chinese president Hu Jintao.

China is fast becoming a major buyer of Malaysian sawnwood, plywood and logs and forecasts are for its economy to grow by more than 9% in 2010 driven by growing domestic consumption and exports.

Expectations are high for increased wood consumption following the government planned low-cost housing programme. This aims to provide 7.5 million homes to low-income urban households from 2009 to 2011.

India major player

India's timber imports in 2008 were around US\$1.4 billion, out of which, US\$362.8 million (RM1.3 billion) originated from Malaysia. This made India Malaysia's third largest timber trading partner after the US and Japan.

Products exported to India include logs worth US\$263 million (RM920 million), mainly from Sarawak and wooden furniture worth US\$44.8 million (RM156.8 million). A recent trade mission by the Malaysian Timber Council (MTC) to Delhi, Mumbai and Chennai identified that India is expected to remain a major importer due to its large population and growing middle-class income group.

Gluelam plan

Plans to promote glued-laminated (glulam) timber products are being developed by the MTC in order to assist local manufacturers. MTC hopes to emulate the success of its competitors in their successful promotional efforts in Dubai, New Zealand and in Hong Kong.

To further enhance its market promotion the MTC will be organising training programmes for overseas architects, designers and manufacturers in the near future. The MTC is reportedly targeting countries where Malaysian timber products are not widely marketed

Log Prices

Sarawak log, FOB	US\$ per m ³
Meranti SQ up	226-250
Small	210-241
Super small	200-224
Keruing SQ up	216-228
Small	192-222↑
Super small	170-200↑
Kapur SQ up	206-231
Selangang Batu SQ up	180-217

Pen. Malaysia logs, domestic (SQ ex-log yard)	US\$ per m ³
DR Meranti	231-250
Balau	297-326
Merbau	323-355
Rubberwood	52-86↑
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 ³
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 ³
Balau (25&50mm,100mm+)	325-345
Merbau	452-504
Kempas 50mmx(75,100 & 125mm)	260-300
Rubberwood	
25x75x660mm up	201-251↑
50-75mm Sq.	242-274↑
>75mm Sq.	264-293↑

Plywood Prices

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

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

Other Panel Prices

Malaysia, Other Panels, FOB	US\$ per m ³
<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 ³
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

	US\$ per piece
Malaysia, Rubberwood, FOB	
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

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

Report from Indonesia

Furniture selling well

In what is being heralded as growing worldwide appreciation of Indonesian furniture products, companies secured orders said to be worth over US\$380,000 during the Middle East International Furniture and Interior Design Exhibition (INDEX) 2009, which was held from November 14 to November 17, 2009, at the Dubai World Trade Centre.

The head of the national exports development agency said that the interest in Indonesian furniture supported the view that Indonesian timber products are gaining acceptance in the Middle-Eastern countries, Pakistan, East Asia and Africa. At the fair Indonesia was represented by 21 companies including some agencies operated by governmental institutions.

The fair had exhibits from 1,750 companies and agencies including Malaysia, Taiwan PoC, Vietnam, and China.

Import duty cut

The Indonesian government will abolish the 5% import duty imposed on machinery and raw material for 7 critical industries in an effort to boost investment and to increase the global competitiveness of Indonesian companies.

The Ministry of Finance added that the tax would be abolished as of December 16, 2009 for a trial period of two years when a review of its effectiveness will be undertaken.

The industries set to benefit from the change in duty include the transportation, telecommunications, public health, tourism and culture, as well as, supporting industries for the mining, construction and port and harbour services. The move is seen as an encouragement for domestic industries to open new plants or businesses. At present it is not clear how this will assist investors in the wood processing sector.

Log Prices (domestic)

	US\$ per m ³
Indonesia logs, domestic prices	
Plywood logs	
Face Logs	187-230
Core logs	169-202
Sawlogs (Meranti)	174-235
Falcata logs	143-177
Rubberwood	45-69↑
Pine	157-196
Mahoni (plantation mahogany)	465-492

Sawnwood Prices

	US\$ per m ³
Indonesia, construction material, domestic	
Kampar (Ex-mill)	
AD 3x12-15x400cm	174-193↑
KD	196-230↑
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

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

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

Other Panel Prices

	US\$ per m ³
Indonesia, Other Panels, FOB	
<i>Particleboard</i> Export 9-18mm	215-224
Domestic 9mm	191-203
12-15mm	184-195
18mm	174-186
<i>MDF</i> Export 12-18mm	248-261
Domestic 12-18mm	230-241

Added Value Product Prices

	US\$ per m ³
Indonesia, Mouldings, FOB	
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

Teak sawmilling a sunset industry

An article highlighting the alarming decline of the sawmilling industry in Myanmar appeared in 'Living Colour' - a monthly economic news magazine- this showed that Myanmar's timber is, today, exported mainly in log form and not as processed products. The following table illustrates the trends in log exports and domestic manufacturing.

Teak Log Production Utilisation

Year	Total Production	Milled Locally	Exported logs
1995-96	232397	37%	49%
2000-01	250500	24%	85%
2001-02	276067	26%	59%
2002-03	297979	21%	56%
2003-04	362069	18%	60%
2004-05	300495	5%	79%
2005-06	307060	4%	90%

Source Central Statistical Organisation. Quantity, tons.

The author of the article traced back into the 17th & 18th centuries when teak was originally the favoured timber for shipbuilding. After independence the industry was managed by the State and the then two sawmills converted 15,725 hoppus tons of logs. The number of teak sawmills had increased to 34 by 1968-69 and by 1983-84 teak sawmilling had reached a peak with some 335,000 hoppus tons being milled. Beginning in 2000, mill throughput declined with the lowest level (10,800 hoppus tons) being recorded in 2005.

The author advocated the need to stimulate the local industry from slipping further and was well received among the wood industrialists.

Sino-Myanmar border trade

A vernacular weekly in Myanmar '7-Days News' carried a story, quoting Global Witness, saying that the trade in illicit timber declined by 70% between 2005 and 2008. This was attributed to the efforts by the authorities in China and Myanmar.

Analysts mentioned that the past undocumented trade in wood into China not only adversely affected the Myanmar wood industry, but also some major Thai sawmills. The result was that timber buyers were sourcing their sawn teak in China and the industry in Myanmar and Thailand were unable to compete with the cheaper teak products.

Hardwood log Prices (FOB)

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

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

Myanmar Log Prices (natural forests)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)	
<i>Veneer Quality</i>	<u>Sep</u>	<u>Oct</u>
2nd Quality	-	-
3rd Quality	3,513 (5 tons)	
4th Quality	3,463 (11 tons)	3,188 (21 tons)
<i>Sawing Quality</i>	<u>Sep</u>	<u>Sep</u>
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	1,482
Assorted	(178 tons)	(126 tons)
Grade 6 (SG-6)	1,253 (58 tons)	1,2547 (85 tons)
Domestic		
Grade 7 (ER-1)	999 (86 tons)	985 (89 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.

Report from India

Demand strong

With the Indian Rupee at 46.22 to one US dollar there has been a surge of 14% in the dollar from its record low of Rs.52.20 reached in March. This jump has put exporters in difficult spot and in October there was a drop of almost 12% in exports according to official figures.

China is one of the key competitors for Indian exporters along with Vietnam, Bangladesh and Sri Lanka. Nevertheless demand for hardwood products continues to be good and the slightly lower prices seen for logs from Myanmar and other sources has helped exporters adjust to the dollar strengthening.

On export front the performance has been steady and consistently improving as seen from the following figures:-

Value of exports of plywood and wood products from India (Rupees in millions)

1999-2000	Rs. 1867.0
2000-2001	Rs. 3080.0
2001-2002	Rs .3383.5
2002-2003	Rs. 4466.1
2003-2004	Rs .6799.6
2004-2005	Rs.11890.3
2005-2006	Rs.13101.0
2006-2007	Rs.17919.9
2007-2008	Rs.19620.2
2008-2009	Rs.22000.0 (estimated)

Courtesy Capexil

Indian consumption grows

Wood consumption in Indian is growing fast and although the country has over 250 commercial timbers (including some of the most highly prized tropical hardwoods like Teak, Rosewood, Padouk, Red Sanders, Sandalwood) a strict conservation policy limits harvesting. This means India is a net importer of wood and wood-based panel products. Indian industrial demand for wood jumped from 58 million cubic meters in 2000 to 85 million cu.m in 2008 and expected to cross 150 million cu.m by 2018.

India manufacturers prefer to import timber in log form to feed the domestic industries. Imports are mostly from Malaysia, Myanmar, Indonesia, Nigeria, Ivory Coast, Ghana, Togo, Gabon, Brazil, Panama, Costa Rica, Ecuador and New Zealand. The major ports used for imports are Kandla, Mumbai, Mangalore, Tuticorin, Chennai Vishakhapatnam and Kolkata as well as many internal container depots.

Requirement for logs for the panel industry is met largely from plantations, Agro-forestry sources and natural forests. The concept of industry owned plantations of Eucalyptus, Poplar, Casuarinas and *Acacia mangium* is gaining popularity and this helps a lot in preventing illegal fellings from state forests. Teak harvesting is handled by the government Forestry Agencies and sales are made by auction at forest depots. Even the private logs are brought to the official depots for sale by auctions.

Auction prices

Auction prices for Teak logs at Government Forest depots have continued to be firm as domestic demand exceeds the quantity available.

Adina cordifolia has been fetching Rs.300 to 350 per hoppus foot while *Terminalia tomentosa* has been selling for Rs.350 for A grade, Rs.200 to Rs.250 for B grade and Rs.200 to Rs.150 for C grade logs. All prices are per cubic foot (Hoppus) ex depot.

Plantation incentives

Besides industrial plantations, Sandalwood (*Santalum album*) and Red Sanders (*Pterocarpus santalinus*) are also now the focus of attention due to improved and relaxed rules and regulations for the growing and harvesting these high price exotic species.

There is plenty of scope for raising private plantations for these high value timbers as well as Teak. Now even Bamboo is being promoted by the Indian government as it is fast growing and finds many uses especially for the paper and rayon industries. The role of Bamboo is expected to boost the economy, the greening projects and carbon sequestration.

Imports

Trade analysts are reporting that import prices are steady as flow of arrivals is good. However the availability of timbers from Myanmar seems to be getting less and less but the expectation is for improved qualities of overseas plantations of Teak. The recently improved quality of plantation Teak from Ghana, Benin, Sudan and Tanzania

are helping meet the shortages from Myanmar and supplies from Central and Latin American countries are also expected to get better as the plantations are getting older.

The current prices for Teak imported from various sources other than Myanmar are shown below. All rates are per cubic meter C&F Indian ports.

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 to 425▲
Guatemala Teak logs	USD 395 to 415
Ghana Teak logs	USD 400 to 450▲
Benin Teak logs	USD 400 to 425▲
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 ³
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 ³
Merbau	1400
Balau	1150
Kapur	850
Red Meranti	650
Bilinga	650
Radiata Pine (AD)	300-400

Sawnwood, (Ex-warehouse) (KD)	Rs per ft ³
Beech	1200
Sycamore	1250
Oak wood	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 sq.ft
4 mm	21.0
6 mm	30.5
12 mm	44.0
15 mm	53.0
18 mm	64.0

Locally Manufactured Plywood "Commercial Grade"	Rs per sq.ft	
	Rubberwood	Hardwood
6mm	Rs.12.00	-
8mm	Rs.15.00	Rs.23.00
12mm	Rs.18.50	Rs.24.00
18mm	RS.23.00	Rs.32.50
5mm		Flexible ply Rs.14.00

Report from Brazil

Real appreciates further

Prices of wood products in local currency remain stable but prices in US\$ have increased about 4.9%. This is due, primarily, to the appreciation of the Brazilian Real against the U.S. Dollar over the period under review.

Consumer price index

The Consumer Price Index (IPCA), which measures the official inflation rate in Brazil, closed at 0.28% in October. This is 0.04% above the rate in September according to the Brazilian Institute of Geography and Statistics (IBGE). From January to October, the accumulated inflation was 3.5%, below the inflation in the same period of 2008 (5.2%).

Given the perspectives for inflation compared to the government target, the Monetary Policy Committee (Copom) of the Central Bank of Brazil maintained the Selic rate at 8.75% per year. The next meeting of Copom will be held on early December.

In October 2009, the average exchange rate was BRL 1.74/US\$, compared to BRL 2.17 in the same month of 2008. The continued strengthening of the BRL against the US dollar is of concern to exporters.

Manufacturers at full capacity

The furniture sector in the Sinop region, in the Amazon, is celebrating positive business trends for the year end, due mainly to the increases seen in furniture production to supply retailers to meet demand. While sales projections are influenced by many factors manufacturers are optimistic and say the outlook is favorable.

The manufacturers are reportedly operating at maximum production capacity and the furniture sector is booming in the region. The prospects for 2010 are said to be good.

In the municipalities of Sinop, Sorriso, Lucas do Rio Verde, Nova Mutum, Vera and Tapurah, members of the Local Production Arrangement (APL), have proposed increasing revenues by 30% by 2011 which would require a jump in sales of over R\$ 19 million.

In 2008 in the municipalities mentioned, the gross annual revenues of the furniture sector reached R\$ 14.8 million, derived from sales to some 7.3 million consumers. Sales outside of the municipalities of origin of companies totaled more than R\$ 2 million.

Exports drop

In October 2009, exports of timber products (except pulp and paper) fell 31.4% compared to values from October 2008, from US\$ 292 million to US\$ 200.2 million.

Pine sawnwood exports fell 46% in value in October 2009 compared to the same month of 2008, from US\$ 18.7 million to US\$ 10.1 million. In volume, exports decreased 38.8% from 60,300 cu.m to 36,900 cu.m over the period.

Exports of tropical sawnwood also fell significantly in both volume and value, from 75,200 cu.m in October 2008 to 51,600 cu.m in October 2009, and from US\$ 40 million to US\$ 26 million, respectively over the same period. This translates to a 31.4% fall in volume and 34.5% in value.

Pine plywood exports dropped by 34.4% in value in October 2009 compared to the same period of 2008 and from US\$37.2 million to US\$24.4 million. The volume exported decreased 25% during the same period, from 125,000 cu.m to 93,700 cu.m.

Exports of tropical plywood fell once more from 17,600 cu.m in October 2008 to 11,300 cu.m in October 2009, representing a 35.8% decline. In terms of value, a 44% reduction was recorded over the period, from US\$ 11.6 million to US\$ 6.5 million.

In respect of wooden furniture, export revenues fell from US\$ 71.1 million in October 2008 to US\$ 52.1 million in October 2009, representing a 26.7% drop.

Furniture export to Argentina fall

Despite ongoing negotiations between Brazil and Argentina on ending trade barriers, protectionist measures by Argentina are affecting the furniture sector of Rio Grande do Sul, the Brazilian Southernmost state. According to the Rio Grande do Sul State Foundation for Economics and Statistics (FEE), furniture exports dropped 53% from January to September 2009.

Dubai Furniture Fair

A group of 23 Brazilian companies exhibited their products at the Middle East International Furniture and Interior Design Exhibition (INDEX) 2009 held in Dubai. This is one of the largest furniture fairs in the region.

The fair brought together the most important companies in furniture production, and related sectors. The participation of the Brazilian companies was an initiative of the Brazilian Furniture Project, developed by the Brazilian Furniture Manufacturers Association (ABIMÓVEL) in partnership with the Brazilian Agency for Export and Investment Promotion (Apex).

In the first half of this year the Middle Eastern countries imported Brazilian furniture worth around US\$ 1.5. The Middle East is a large consumer market and remains important for Brazilian exporters despite the current economic crisis.

Brazil Log Prices (domestic)

Brazilian logs, mill yard, domestic	US\$ per m ³
Ipê	149↑
Jatoba	106↑
Guariuba	71↑
Mescla (white virola)	78↑

Brazil Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per m ³
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 ³
Northern Mills (ex-mill)	Ipê 701↑
	Jatoba 539↑
Southern Mills (ex-mill)	Eucalyptus (AD) 193↑
	Pine (KD) 1st grade 249↑

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	US\$ per m ³
(ex-mill Northern Mill)	Face Core
White Virola	262↑ 219↑

Brazil Plywood Prices

Plywood, FOB	US\$ per m ³
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 ³
9mm C/CC (WBP)	271
15mm C/CC (WBP)	247
18mm C/CC (WBP)	242
Plywood, domestic (ex-mill Southern mill)	US\$ per m ³
Grade MR (B/BB)	White Virola 4mm 898↑
	White Virola 15mm 657↑

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)	310
Domestic Prices, Ex-mill Southern Region	
Blockboard White Virola faced 15mm	573↑
Particleboard 15mm	362↑

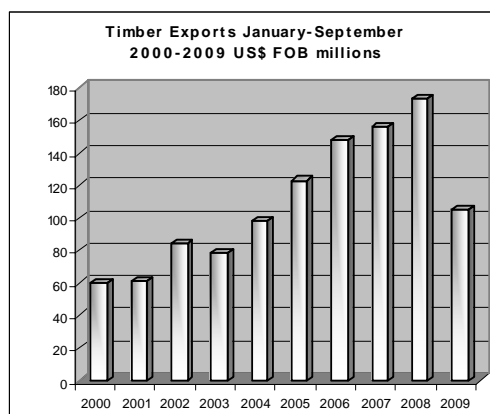
Brazil Added Value Products

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

Report from Peru

Exports down 39%

According to the Export Association of Peru (ADEX), wood sector exports from January – September 2009 were worth US\$105 million FOB while for the same period in 2008 they were US \$174 million a drop of almost 40%.



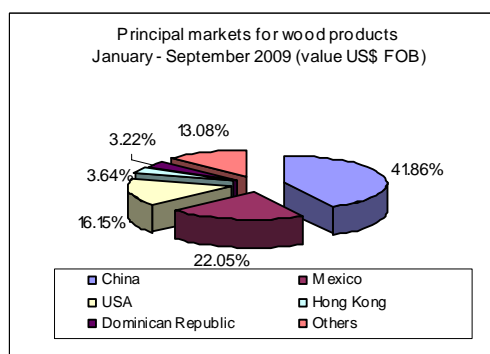
In the January – March quarter, the three main wood export markets were China, Mexico and the United States and these three accounted for 79% of wood sector exports.

In the first three quarters of the year the Bolivia market emerged as significant with its imports of mainly plywood and parquet jumping more than 350% the same period in 2008.

New Zealand also represented a growing market with its imports from Peru more than tripling on 2008. New Zealand imported a large quantity of sleepers (railway cross-ties HS 440690).

Weak Mexican demand

On the other hand, the Mexican market weakened with overall wood imports from Peru dropping 64% and imports of mouldings ceased altogether! A similar picture emerged in Canada where imports from Peru were down 63%.



Semi manufactured exports hit

Exports of semi-manufactured products accounted for 40% of the total trade in wood products.

The main export destination for products in this sub-sector was China (76%). On the other hand, the market in Hong Kong grew strongly

The Sawnwood export in the first three quarters represented the second largest export sector at 37% of all wood products exported and they were worth US\$39 million FOB down 51% on the same period in 2008.

The main market for sawnwood was Mexico, taking 35% of exports.

Exports of veneer and Plywood in the first three quarters stood at US\$11 million FOB down over 50% with Mexico taking the biggest share at 82% of all veneer and plywood exports.

The exports of furniture and parts dropped 42% in the period January – September 2009 to US\$ 5.5 million FOB. The US is the largest market for Peru's furniture and parts exports accounting for around half of all furniture exports.

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	509-546

*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	296-351
Grade 2, Mexican market	250-269
Cumaru 4" thick, 6'-11' length KD	
Central American market	794-822
Asian market	811-855 ↑
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 ³
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 ³
Mahogany	887-923
Virola	46-61
Spanish Cedar	268-321
Marupa (simarouba)	57-69

Peru Veneer Prices

Veneer FOB	US\$ per m ³
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 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	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 ³
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 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	1348-1444 ↑
Cumaru KD, S4S Swedish market	760-856
Asian market	1077-1236
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

Small enterprises dominate

In Bolivia there are round 1300 wood processing industries of which an estimated 73% are small enterprises. Currently, the FSC system is being adopted by private companies so that, through certification, they can gain better access to international markets.

Bolivia Sawnwood Prices

Sawnwood 1-3"x3x5"x7-19", FOB Arica Port	\$ Avg un. val. per m ³
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 ³
Jatoba (US market)	1272-
Ipe (US market)	800-1705-
Cumaru (FSC) (China mkt)	1600-1763-

Report from Mexico

Climbing out of recession

Reports are indicating that Mexico's gross domestic product fell by 6.2 percent in the third quarter relative to the same period of 2008 authorities said.

Year-on-year output in the service sector fell by 6.5 percent, industrial production was down 6.6 percent and 'primary' activities (agriculture and livestock) were also down.

However on a quarter-on-a-quarter basis a picture of a recovery is emerging with industrial production up around 2% relative to the second quarter, while services improved almost 4% but agricultural and livestock production remained in negative territory

The Mexican economy began shrinking at the end of 2008, and GDP continued to decline in the first two quarters of this year, falling 8.2 percent and 10.2 percent, respectively.

The Mexican economy has been badly hit by falling exports to the US and lower remittances from overseas workers as well as a decline in oil production. However, the indications are that the country has climbed out of the worst of this recession.

CONAFOR News

The Sierra de Organos National Park, a protected natural area of 1,125 ha. in the state of Zacatecas, is the target of action under the CONAFOR restitution of environmental services and land recovery project. Up to 2010 some 23 million pesos from the Mexican Forest Fund will be used by the project.

Report from Guyana

Price movements

Greenheart log prices for only standard sawmill quality shifted moderately, while Purpleheart log prices for standard sawmill quality and fair sawmill quality remain relatively stable.

Mora log prices moved up over the past two weeks recording higher average prices for all grades (standard, fair and small).

Sawnwood prices for undressed (rough sawn) Greenheart (select) have not changed but prices for merchantable grade fell. On the other hand undressed (rough sawn) Mora select increased to the range of US\$ 500/592.

Dressed Greenheart prices fell while dressed Purpleheart prices moved up to between US\$ 813/900 in comparison to the previous period.

Baromalli BB/CC plywood prices recorded higher average prices for the period under review

Demand trends

Roundwood exports contributed to export earnings and prices were steady. Splitwood exports contributed favourably to earning with higher average prices as against prices in the previous period.

For value added products the contribution of doors and indoor were favorable having achieved higher average prices as compared to prices in October

Outdoor garden furniture is also making a significant contribution to export earning as is trade in window frames and non timber forest products.

Guyana Log Prices

Logs, FOB Georgetown	SQ - \$ Avg unit value per m ³		
	Std	Fair	Small
Greenheart	160	-	-
Purpleheart	200-235↑	180-220↑	205-220
Mora	125-130↑	120-125↑	110-125

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

Guyana Sawnwood Prices

Sawnwood, FOB Georgetown		\$ Avg unit val. per m ³	
		Undressed	Dressed
EU and US markets			
Greenheart	Prime	-	-
	Standard	573-806↑	551-763↓
Purpleheart	Prime	-	-
	Standard	594-900	-

Guyana Plywood Prices

Plywood, FOB Georgetown Port			\$ Avg unit val. per m ³
Baromalli	BB/CC	5.5mm	-
		12mm	377-406↑
	Utility	5.5mm	-
		12mm	-

Report from Japan

Bearish plywood markets

The JLR is saying that the continuing weak demand and uncertain economic outlook is making it extremely difficult for traders to move either imported or locally manufactured plywood. Sales in October were particularly weak, says the JLR, because housing starts remain low and the prospects for the final month of the year are not good.

Imported plywood inventories are said to be low with traders having cut back on imports mainly because exporters are asking higher prices which is out of the question at the moment given the weak market conditions in Japan.

Wood promotion

The Japanese Ministry of Agriculture Forestry and Fisheries has reportedly established a wood utilisation promotion team. The objective is to contribute to green house gas emission reduction efforts. Part of the work of the team will entail investigating how best to utilise forest plantation thinnings which are currently left unused in the plantations. The work will also involve considering promotion of wood use and investment in processing facilities.

Rain season log shortages

The rain season has started early in Borneo and reports are saying that, even though logging conditions are not that bad, inventories at the port are lower than normal at this time of the year. The main problem is that it now takes longer to get the logs down river from the logging areas. Shipping delays have been reported, says the JLR, at Tanjung Mani, Miri port at Kuala Balam and Bintulu.

Eco-plywood

In its end November issue the Japan Lumber Reports (JLR) says that Sumitomo Forestry will start marketing Indonesian made plywood manufactured from certified

raw material and/or with plantation timbers. This is said to be part of Sumiomo's effort to extend its contribution to environmental sustainability. Some revenues will be re-invested to rehabilitate areas damaged by fires and indigenous species will be used.

Log and Sawwood Prices in Japan

Logs for Ply Manufacture, CIF Meranti (Hill, Sarawak)	Yen per Koku (Koku=0.278 m ³)
Medium Mixed	6,500↓
Standard Mixed	6,700↓
Small Log (SM60%, SSM40%)	6,500↓
Taun, Calophyllum, others (PNG)	7,500
Mixed light hardwood, G3/4 grade (PNG)	-
Keruing MQ & up (Sarawak)	10,800
Kapur MQ & up (Sarawak)	8,900
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	135,000
Mixed Seraya, Sangi 24x48mm, 1.8-4m, S2S	53,000

Wholesale Prices (Tokyo)

Indonesian & Malaysian Plywood	Size (mm)	Oct (¥ per sheet)	Nov
2.4mm (thin plywood, F 4star, type 2)	920 X 1830	320	320
3.7mm (med. Thickness, F 4star, type1)	910 X 1820	450	450
5.2mm (med. Thickness, F 4star, type 1)	910 X 1820	550	560
11.5mm for sheathing (F 4star, type 2)	910 X 1820	880	880
12mm for foundation (F 4star, special)	910 X 1820	890	850
12mm concrete-form ply (JAS)	900 X 1800	820	790
12m coated concrete-form ply (JAS)	900 X 1800	930	890
11.5mm flooring board	945 X 1840	1070	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

Forest industry revitalization

Five departments including the State Administration of Forestry, the National Development and Reform Commission, the Ministry of Finance, the Ministry of Commerce and the State Taxation Administration recently released their plan for the revitalization of the forest industry 2010-2012. This will serve as the foundation for an action plan to support the industry through the current global economic crisis.

The plan aims to raise the output value of the sector and to maintain growth of around 12% annually. This it will aim to achieve in 3 years by focusing on support for 100 national leading enterprises and 10 large wood industry clusters

The output value of the forest industry is set to increase from RMB1.44 trillion in 2008 to RMB2.26 trillion in 2012. The planned output of the wood-based panel sector will be around 100 million m³. The total value of wood products trade is expected to be over US\$90 billion of which US\$50 billion would be for export.

Export products such as wood-based panes, wood flooring, furniture, wooden doors will be given priority. To meet these targets timber imports are forecast to be over 60 million cu.m (log equivalent). The number of employees in wood processing sectors is set to increase to 57 million from the current 45 million.

Log price down

According to statistics from Tianjin Customs, during January to October log imports through Tianjin Port jumped almost ten fold to 221,000 cu.m valued at US\$26.36 million but the average price for logs fell 54 percent to US\$119 per cubic metre. The logs were mainly imported from New Zealand, (114,000 cu.m or 52%). The main importers are private enterprises which accounted for around 127,000 cu.m.

Hebei furniture exports up

In October the value of furniture exports from Hebei Province rose 7 percent to almost US\$19 million, being the highest monthly figure since the beginning of 2009. During January to October furniture exports fell 15 percent to US\$140 million.

The European Union and the USA are the largest markets for Hebei furniture. Furniture exports to the EU grew 11 percent to US\$65 million for the year to date. However, furniture exports to the USA fell 34 percent. The value of exports to the two main markets (EU and USA) accounted for 70 percent of the total. Exports to Asian markets had mixed fortunes. The value of furniture exports to Japan rose 22 percent while exports to South Korea fell 25 percent.

Local experts suggest that China's furniture export-oriented enterprise should diversify their markets especially as the EU and US markets are becoming very demanding and it is both costly and difficult to meet the requirements in these markets.

Guangzhou City Imported Timber Market

Logs	Yuan per m ³
Lauan (50-60cm)	2200-2400
Kapur (up to 79cm)	1900-2100
Merbau 6m, (up to 79cm)	3500-4000
Teak	11000-16000
Wenge	5200-5300
Sawnwood	
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 ³
Beech KD Grade A	4800-4900
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 ³
Larch	6m, 24-28cm diam.	1150↑
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	1750
Mongolian Scots Pine	4m, 30cm diam.	1350
	6m, 30cm+ diam.	1450
Sawnwood		
Mongolian Scots Pine	4m, 5-6cm thick	1500
	4m, 10cm thick	1550↑

Zhejiang Jiashan Kaihua International Timber Market

Logs		Yuan per m ³
Okoume	80cm+	2900-3400
Sapele	80cm+	6000-6600
Wenge	80cm+	13000-14500
Sawnwood		
Doussie		3600-4000
European beech boules		3200-3400
Radiata		1600-3000
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

Limited supply and low consumption

The European market for tropical hardwood sawn lumber has changed little over recent weeks maintaining a fine (and potentially unstable) balance between generally low landed stock levels, very low forward business and much reduced consumption. CIF prices are generally firming on the back of rising freight rates and shippers efforts to raise FOB prices.

The supply situation is relatively easy to read. Although shippers are able to meet current levels of limited demand without too much difficulty, their stock levels are low and there is little wood in the pipeline. Therefore the suggestion is that any increase in demand is likely to lead to shortages fairly quickly.

The demand situation is much more difficult to read. Given the significant reductions in tropical wood imports revealed by EU trade data, there can be no doubt that underlying consumption has been well down this year.

It is also clear that many hardwood trading companies in Europe, particularly smaller, more narrowly focused companies without resources and capacity to hold stock, have suffered considerably during 2009.

Nevertheless, surviving European hardwood traders contacted in late November report that, while a difficult year, 2009 was not as bad as they had originally anticipated. These traders are generally larger, better capitalised and more diversified companies. They suggest that while consumption of softwoods and panels in the

new build sector has been very badly hit, hardwoods which are more widely used in the finishing and decorative sectors, have at least seen some benefit from continuing activity in the renovation and refurbishment sectors.

As to prospects for next year, few traders are willing to make any far-reaching predictions. The recession may be technically over in many European countries, but continuing high levels of unemployment and of public and consumer debt imply only a slow return to growth.

There continue to be mixed reports of European continental stock levels of sapele sawn lumber. There are indications that these are now much lower than in the summer months.

Kiln drying operators that were still working through large quantities of sapele sawn lumber this time last year are now very quiet. Nevertheless, traders report that the large continental stockists are still offering sapele sawn lumber from existing landed stock at competitive prices.

Competition for sales of sapele stocks remains extremely fierce, with traders reporting that sales will be lost if prices are only very marginally above the competition.

Given the current market conditions there are still very few people willing to speculate on the forward market, particularly as shipping times are now very extended. Forward orders placed for sapele at the end of November would not be shipped now until March/April.

Freight rates are another area of uncertainty. After hitting a low in early 2009, they have been rising steeply from the second quarter of the year onwards.

The market for iroko remains patchy, some traders reporting "consistent demand", other suggesting sales are sluggish. The market picture for framire is equally mixed. One large European trader noted that "framire supply was insufficient to meet demand at the start of the year but by the summer months production was again in excess of consumption. Now it is again becoming difficult to secure adequate supplies and prices are firming".

Prospects for Meranti improving

A trader in the UK reports that "at present meranti is very much taking a back seat - this market has become increasingly oriented towards sapele". Although he also conceded that the situation in the UK is different from that on the European continent: "the UK has generally only ever bought the lightest and cheapest meranti species which means it is often compared unfavourably against sapele and dismissed unfairly".

Furthermore, longer term prospects for meranti in the UK and wider European market are improving now that it is widely available as MTCS certified, and soon PEFC certified, and with faster delivery times for forward orders than equivalent African species. This trader noted that FOB prices for meranti, after falling significantly during

the first part of 2009, have remained stable over recent months. However CIF prices have increased in response to rising freight rates.

Some traders optimistic about European prospects

European traders interviewed over the last few days have questioned some of the more gloomy conclusions regarding future long-term prospects for tropical hardwoods in Europe reported in previous ITTO reports. For example, one trader made the following comment regarding the threat posed to tropical hardwoods from alternatives:

“Species like sapele and iroko all have a trigger point at which customers will start looking for alternatives. Prices for these species are not at that level yet. In practice there are not actually that many alternatives. I am not entirely convinced by modified softwoods – while quality and durability can be very good, availability is still quite restricted and prices are not very competitive. In a conservative market like the UK, many buyers prefer to use what they know. That means sapele which has become very well established in the market”.

Another trader noted that heat-treated and acetylated softwood alternatives to tropical hardwood are “still very much on the fringes” and that those companies now trading in these products “are having difficulty moving them in volume”. This trader also felt that “the timber trade generally has a significant problem of loss of market share to alternative materials. But I don’t necessarily think that tropical wood is in long-term decline against other timbers.”

This comment was mirrored by another tropical hardwood trader who was optimistic that the growing availability of legally verified and PEFC and FSC certified tropical hardwood should neutralise the negative environmental image and help turn the tide.

Preference for legally verified over FSC certified

Reports continue to suggest that relatively high prices have meant only limited demand for FSC certified tropical hardwoods in Europe. Those buyers seeking environmental assurances have tended to prefer wood supplied under various legality assurance systems being offered at little or no premium over the unverified product.

In the UK, there are some preliminary enquiries just coming through specifically for FSC certified tropical hardwood for 2012 Olympic construction projects. However it is too early to say whether procurement officials will be willing to pay the 20% or so premium generally required to secure FSC certified tropical product.

Some traders also expressed concern over the release of new FSC report indicating that PEFC certification does not meet the requirements of the FSC Controlled Wood (CW) standard.

Non-certified material in FSC %-labelled and FSC Mixed products must comply with FSC CW and be independently verified before being mixed with certified material.

Many traders supplying FSC percentage labelled products had been relying on PEFC certified wood to demonstrate conformance to FSC CW. This was seen as a pragmatic response to the challenges and extra costs faced by traders due to the failure of FSC and PEFC to co-operate in any meaningful way. However trading companies using the FSC labels will now have no option but to introduce additional potentially costly CW risk assessment and verification procedures.

The underlying message of the FSC report seems to be that the two certification systems remain as far apart as ever. Unless there is progress on cooperation the only realistic option for traders may be to choose to work exclusively with one or other of the two systems.

FSC evidently wants to encourage more traders into their camp. But a strategy that implies extra costs at a time when there is no strong market incentive for FSC may have the opposite effect.

In fact one plywood trader suggested that the negative implications of the FSC report are already being felt in Malaysia where the MTCS certification system was recently endorsed by the PEFC.

The Netherlands Sawwood Prices

	US\$ per m ³
FOB (Rotterdam)	
Sapele KD	960▲
Iroko KD	1109▲
Sipo KD	1130▼
DRM Bukit KD	847▲
DRM Seraya KD	847▼
DRM Meranti KD Seraya MTCC cert.	876
Merbau KD	1123
Sapupira (non FSC) KD	890
Sapupira (FSC) KD	1398
Anti-slip decking AD C&F Rotterdam	
Selangan batu	1342

UK Log Prices

	€ per m ³
FOB plus commission	
N'Gollon (khaya) 70cm+ LM-C	320-350
Ayous (wawa) 80cm+ LM-C	230-240
Sapele 80cm+ LM-C	290-320▲
Iroko 80cm+ LM-C	300-330
African Walnut 80cm+ LM-C	310-340

UK Sawwood Prices

	GB Pounds per m ³
FOB plus Commission	
Framire FAS 25mm	440-450▲
Sipo FAS 25mm	610-630▼
Sapele FAS 25mm	545-555▲
Iroko FAS 25mm	630-650
Wawa No.1 C&S 25mm	320-330
CIF plus Commission	
Tulipwood FAS 25mm	250-260▲
Meranti Tembaga Sel/Btr (KD 2"boards)	480-500▼
Balau/Bangkirai Decking	810-850
White Oak	465-480▲

UK Plywood and MDF Prices

	US\$ per m ³
Plywood Panels 8x4", CIF	500-520↓
Brazilian WBP BB/CC 6mm	480-500↓
Malaysian WBP BB/CC 6mm	350-360↑
China (hardwood face, eucalyptus core) 18mm	310-330↓
China (tropical hardwood face, poplar core) 18mm	

Those Malaysian plywood mills that previously supplied FSC Mixed products and which had relied heavily on MTCS certified material for the non-FSC component are now showing signs of switching to supply of PEFC products. The latter is given equivalent recognition to FSC in many European government procurement policies so there may be little incentive for Malaysian suppliers to continue to engage with FSC.

Report from North America

Hardwood flooring market

US demand for hard surface flooring is expected to increase substantially through 2013 according to a market research study by the Freedonia Group. Wood flooring is projected to grow 5.6% annually, after the decline seen over the last few years (-1.3% annually from 2003 to 2008).

Of all hard surface floors, vinyl is the most popular in the US market, followed by ceramic tile, wood and laminate. Laminate and wood flooring are forecast to gain the most over the next four years according to the Freedonia report. The recovery of new residential house construction will be the main driver for the expected growth in flooring demand.

While advancements in printing technology improve the look and feel of laminate flooring, most consumers still prefer wood flooring. However, if Freedonia's forecasts are correct, laminate will have surpassed the solid wood's market share (by volume) by 2013.

According to a state of the industry report in the trade journal *Wood & Wood Products*, hardwood flooring demand is down by 14.1% from 2007. During the recession consumer demand for low-priced products such as vinyl and carpet increased. As a result, many wood flooring manufacturers are cutting capacity and profit margins have been eroded.

Another factor in the US market is the continuing growth in wood flooring imports, mainly from China. Chinese imports account for almost half of the US market according to a 2008 study by the US International Trade Commission.

Some American flooring manufacturers expect that the Lacey Act will reduce the price advantage of imported flooring that is manufactured from timber from illegally logged forests. On the other hand, the Lacey Act declaration requirements may limit the supply of some species in the US market, thereby also increasing the price of tropical hardwood flooring from legal sources. Any

changes on the market due to the Lacey Act are likely to be slow to emerge.

According to the Freedonia study, flooring with green credentials, such as bamboo, cork and certified wood, are gaining popularity in residential and commercial projects. Demand for this 'green flooring' market is hard to predict, however, and the Freedonia report expects it to be a growing niche market.

Forest certification for flooring

The National Wood Flooring Association has joined several environmental groups to form the Forest Stewardship Council Procurement Group. The new organization will explore, review and develop systems for private landowners to adopt Forest Stewardship Council (FSC) certification in order to increase the volume of FSC-certified wood in the US market. Out of the approximately 100 million hectares of managed forest in the US owned by small private owners, only 1 million hectares are currently FSC-certified.

Wilsonart was the first North American manufacturer to receive FSC chain-of-custody certification for laminate flooring. The certification is for high-pressure laminate flooring, which is mainly sold to the commercial sector.

A changing hardwood industry

The US hardwood market and industry have seen significant changes in recent years, some of which affect the import and use of tropical timber. The *Hardwood Review Weekly* recently reviewed the most important changes in the hardwood industry over the last ten years.

On the market side, flooring and cabinet manufacturers are far more important hardwood buyers now than ten years ago, even with the current slump in the US housing market. Of all hardwood users, the furniture industry has experienced the most substantial downsizing. At least 300 furniture plants were closed in the US over the last ten years.

Almost 70% of the furniture sold in the US now is imported. Many American furniture companies are importing all of the products they sell. The same is true for some US millwork and flooring companies who import finished products.

Hardwood lumber producers and distributors tend to be smaller than ten years ago. They have more flexible operations and they can handle small and more frequent purchases and sales. A key driver of this change was the need to remain profitable while operating at much lower capacity.

On the product side, grading and sorting of hardwood lumber to specific customer requirements has become widespread. Only ten years ago, most lumber was produced to general specifications based on anticipated demand, this has changed.

Another significant change has been in the prevalence of forest certification and chain-of-custody certification. Thousands of companies in the US are now chain-of-custody certified.

US tropical timber imports

US imports of tropical hardwood lumber picked up slightly in September 2009. While weak demand and the weak US dollar still depress import volumes year to date figures improved by 15% compared with the previous month. On average, tropical hardwood lumber import volumes are down -34% from September 2008.

Teak lumber imports are at similar levels as this time in 2008, while consumption of most other species remains down, especially Acajou and Virola. Import volumes and changes for other species are shown in the figure below.

Weak dollar impact

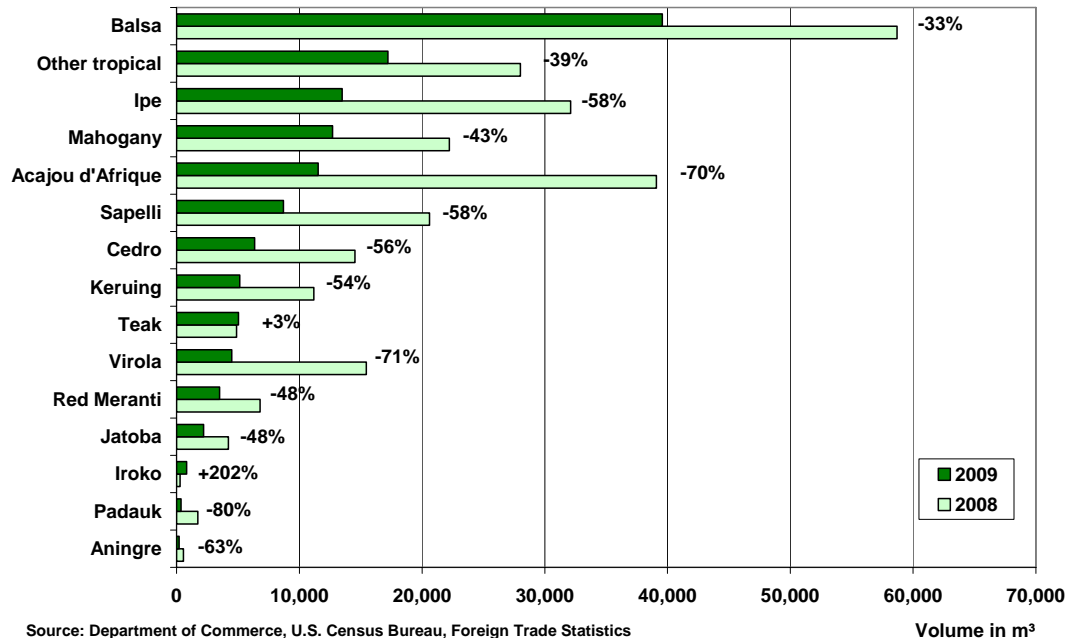
The weak US dollar has had a strong impact on US market prices and demand for tropical lumber. US market prices inched up again in November for most species and countries of origin. Exporters demand higher prices in line with the exchange rate development, but US buyers show reluctance to purchase at these prices, given the subdued market at home.

Import volumes of all tropical plywood fell by almost half from 2008. Tropical veneer imports remain down by almost 60% year-on-year.

US Timber prices

FOB	US\$ per m ³
Ipe (Brazil) Decking Premium Grade AD	1830▲
Jatoba (Brazil) No.1 Common and Better AD	805
Jatoba (Brazil) No.1 Common and Better KD	910
Khaya (Cote d'Ivoire) FAS KD, Abidjan	785▲
Khaya (Ghana) FAS AD, Takoradi	-
Sapele (Cameroon) FAS AD, Douala	685▲
Sapele (Cameroon) FAS KD, Douala	795▲

US Tropical Hardwood Lumber Imports
January to September, 2008 and 2009



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.

The Brazilian government announced a "historic" drop in the deforestation of the Amazon, weeks before world leaders meet in Copenhagen for climate change talks. Brazilian authorities said that between August 2008 and July this year, deforestation in the world's largest tropical rainforest fell by the largest amount in more than 20 years, dropping by 45% from nearly 13,000 square kilometres to around 7,000 square kilometres (5,000 square miles to 2,700 square miles).

<http://www.guardian.co.uk/world/2009/nov/13/brazil-amazon-deforestation-climate-change-copenhagen>

Ghana has signed a voluntary partnership agreement with the European Union that will allow only legally harvested timber from the country to be exported to the European market. The agreement which was signed on November 20, 2009 in Brussels makes Ghana the first country to sign a voluntary agreement with the EU.

<http://ghanabusinessnews.com/2009/11/23/ghana-signs-novel-timber-deal-with-eu/>

Google is helping to create the new online detective tool, which is likely to be launched next year. Philipp Schindler, from Google UK, said: "Our engineers are exploring how we might contribute to this effort by developing a global forest platform that would enable anyone in the world, including tropical nations, to monitor deforestation and draw attention to it." Mr Schindler was speaking at a seminar on deforestation hosted at St James's Palace by Prince Charles and attended by leaders and ministers from several of the largest rainforest countries.

<http://www.timesonline.co.uk/tol/news/environment/article6924113.ece>

Malaysia is addressing the sticky issues with regard to the European Union Forest Law, Enforcement, Governance and Trade-Voluntary Partnership Agreement (FLEGT-VPA). Plantation Industries and Commodities Minister Tan Sri Bernard Dompok said the government would subscribe to any global initiative that protected the environment and as such, was still in negotiations with the EU on the VPA.

http://www.bernama.com.my/bernama/v3/news_lite.php?id=456040

Papua, in the eastern part of Indonesia, is the province best prepared to implement the Reducing Emission from Deforestation and Forest Degradation (REDD) scheme, the provincial administration has claimed. This is possible because of the 42 million hectares of forest, which have the capacity to store 400 tons of carbon per hectare, as well as a high level of biodiversity, officials added.

<http://www.thejakartapost.com/news/2009/11/14/papua-hopes-cash-with-redd.html>

Reportedly an increasing proportion of Australians are not convinced that human activities are primarily responsible

for global warming. While this is generally assumed to reflect the increased airing of contrary views by climate change sceptics, it may also reflect increasing community cynicism of over-blown scare-mongering by environmental activists campaigning on almost any front.

<http://www.sciencealert.com.au/opinions/20092411-20285.html>

South Africa's spending to host the 2010 FIFA World Cup, the world's most-watched sporting event, and a rebound in manufacturing may have pulled the economy out of its first recession in 17 years in the third quarter.

<http://www.bloomberg.com/apps/news?pid=2060116&sid=a8Z8m5TamLkI>

The world economy might be struggling, but the global demand for well processed, certified tropical hardwoods remains steady, as representatives from Guyana's forestry sector discovered recently at the North American Wholesale Lumber Association's Trader's Market exhibition in Chicago, Illinois. The trade show, which took place from November 5-7, attracted more than 1,100 importers manufacturers, wholesalers, distributors, and other industry representatives.

<http://www.caribbeannetnews.com/news-20024--13-13--.html>

The world's forests are being damaged by climate change-related heat and drought, even in areas not traditionally known for water shortages, U.S. Geological Survey researchers say in the first global assessment of tree deaths from heat stress and drought. The findings highlight the very real risk that tree mortality could become a bigger problem as global climate change progresses.

<http://solveclimate.com/blog/20091117/climate-change-killing-trees-countries-around-world>

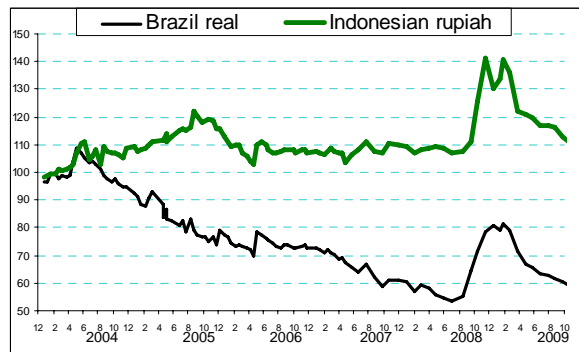
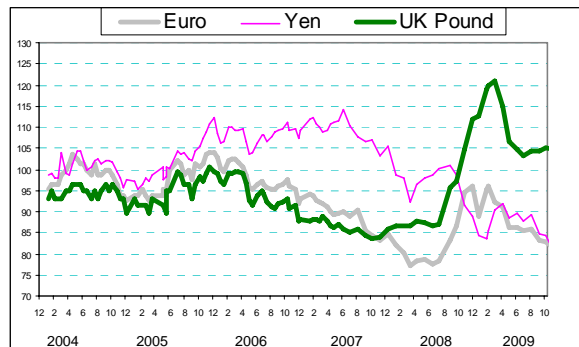
Disclaimer: Though efforts have been made to keep prices near to accurate, these are published as a guide only. ITTO does not take responsibility for the accuracy of this information.

Main US Dollar Exchange Rates

As of 28th November 2009

Brazil	Real	1.7442	↓
CFA countries	CFA Franc	438	↑
China	Yuan	6.8284	↓
EU	Euro	0.6681	↓
Indonesia	Rupiah	9416	↓
Japan	Yen	89.12	↑
Malaysia	Ringgit	3.910	↓
Peru	New Sol	2.8868	↑
UK	Pound	0.6061	↑

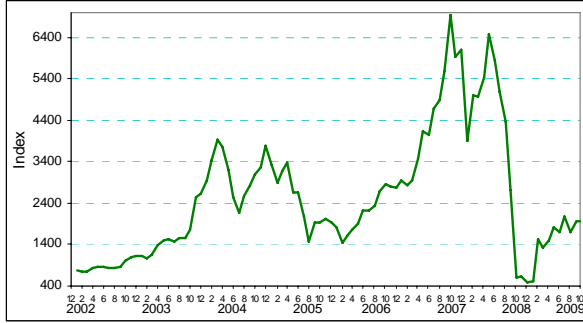
Exchange rates index (Dec 2003=100)



Abbreviations and Equivalences

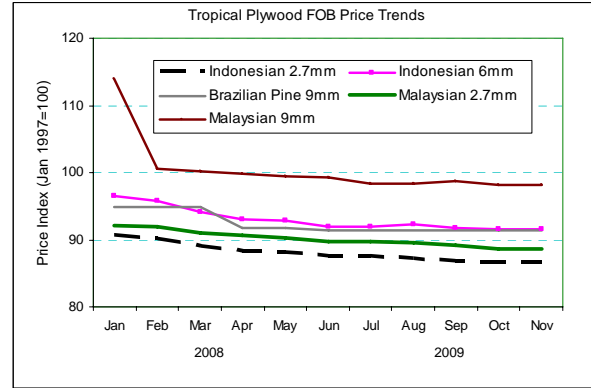
LM	Loyale Merchant, a grade of log parcel
QS	Qualite Superieure
CI, CE, CS	Choix Industriel, Economique or Supplimentaire
FOB	Free-on-Board
CIF; CNF	Cost, insurance and freight; Cost and freight
KD; AD	Kiln Dry; Air Dry
Boule	A log sawn through and through, the boards from one log are bundled together.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

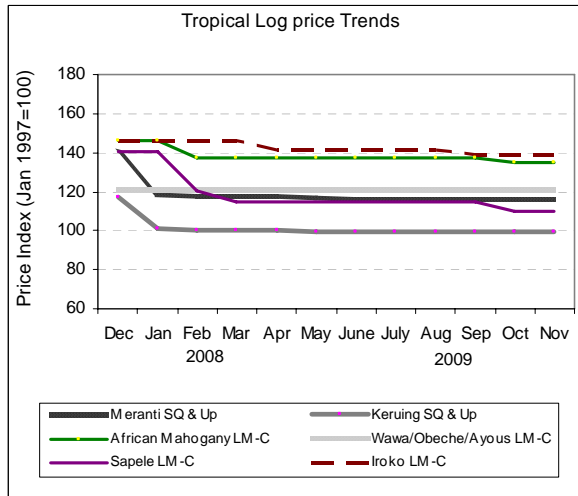


The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes. It is based on a 52,454 mt bulk carrier carrying commodities such as timber.

Tropical Plywood 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>

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Tropical Sawnwood Price Trends

