Tropical Timber Market Report

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Headlines

Top Story

Irrational plywood market

Housing starts in Japan remain at very low levels but production and imports of plywood have been climbing. This has resulted in market prices for plywood (especially softwood ply) dropping to record lows says the Japan Lumber Reports. Panic selling by wholesalers, as they try to secure sales and dispose of stock, is driving down prices.

There are fears in the industry that some seriously weakened domestic plywood manufacturers could be put out of business.

The ‘highly irrational market’ for softwood plywood is impacting the market for imported hardwood plywood.

Report from Central/West Africa

Ban appears certain

Trade analysts now believe the log export ban in Gabon appears certain to come into effect as from 1st January 2010. This view has been formed on the basis of reports on various trade meetings with senior government officials rather than from official announcements.

No details have been issued by the government of Gabon and as a consequence the timber industry remains pondering what business plans and sales strategies it should implement. Importers in the consumer countries are in a similar situation and will have to adapt very quickly to a changed trade flow where a large volume of logs will no be longer available.

Ban to change trade flows

This change in trade flow will affect materials handling businesses at the ports and will drastically impact shipping, in particular existing time charters.

The trade is saying that, currently, there is insufficient capacity in Gabon to process the total allowable log harvest and that this will mean logging capacity will be underutilized and that there will be some loss of employment in the logging sector.

Alternative investments

Trade sources in Gabon believe that the government strategy is to seek expanded investment in non-timber sectors of the economy such as mining and agriculture and that it expects this expansion will absorb the workforce that will be displaced from the logging sector.

It is also rumoured that Gabon may be planning to access very substantial financial benefits in carbon capture payments through the REDD scheme that will help to fund the new policy to develop the industries outside the timber sector.

As to market reaction, the period November through to the end of January is, in normal economic times, the quietest for much of the global timber trade.

No price impact - yet

While there has yet to be any discernable general change overall in price regime, both producer and consumer markets are certain to be reviewing their options in the light of the probable Gabon log ban. Until the producers in Gabon have had time to assess how to deal with the new situation it will not be clear of what the effects may be.

The currently operating processing mills in Gabon could not immediately absorb a major input of large quantities of logs so there will not be a sudden surge in output of sawnwood or further processed products. It would take time before new mills, or those mills under construction could be brought into full production.

The trade is convinced that the major market impact in the first quarter of 2010 will be the removal of Gabon's log exports from the global market.

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

Third quarter market status

Prices for wood products improved slightly during the third quarter of 2009 as compared to the first and second quarters. Timber industry sources attributed the slight improvement to the ending of the recession in the major importing countries notably Germany, France, United Kingdom and the USA.

Dahoma selling well

There has been a significant improvement in prices of Dahoma sawnwood especially to the Middle East markets.

Dahoma sawnwood prices improved from the previous quarter levels of between US$290 per cu.m and US$310 per cu.m to an average price of US$350 per cu.m during the quarter under review.

With the recent high demand for this timber it is anticipated that prices could rise further in the subsequent quarter.

Generally, there were improvements in prices of between EU5 and EU10 for sawnwood. During the quarter, most sawnwood contracts for high density species especially Danta and Denya found their way on the Chinese market.

Though prices offered by the Chinese buyers were between $20 per cu.m and $40 per cu.m below the Ghana Guiding Selling Prices (GSP), it was a significant development for the Ghana timber industry since these species are not sought after by buyers in the traditional markets of Europe.

Rosewood enquiries

During the quarter under review a lot of inquiries were circulating for Rosewood, locally known as Kosso in the Volta Region and Kraye in the Brong Ahafo and Ashanti Regions.

Few contracts were approved for this species to the Indian and Chinese markets with prices ranging between $430 per cu.m and $450 per cu.m. On the premise of the high number of inquiries for Rosewood, it is anticipated that more contracts for this timber could be secured in the near future.

Ghana export Performance

A total of 2,847 export permits were vetted, processed, approved and issued to exporters during the third quarter of the year 2009. These covered shipment of various wood products through the ports of Takoradi and Tema as well as overland exports to neighbouring ECOWAS countries.

The corresponding figure of total export permits issued for the previous quarter was 1,654, thus in the third quarter there was a substantial increase (72%) in the number of permits issued.

This was attributably partly to the greater number of permits issued for the export of Teak billets, poles and logs. The increased export permits during the quarter, was also a reflection of the fact that overland exports to neighbouring ECOWAS countries have been increasing despite the global credit crunch.

Air- and kiln-dried sawnwood shipments continue to account for the highest number of export permit applications. The demand for sawnwood was higher than for secondary processed wood products like furniture parts, mouldings, floorings, dowels etc.

For the third quarter of 2009, there was a substantial fall in the number of permits issued for the export of boules. Nonetheless, the number of permits issued for the export of sawnwood, rotary veneer, sliced veneer, plywood, mouldings, layons and Teak billets/poles/logs rose during the period.

This increase, say analysts, is mainly attributed to the increase in demand for sawnwood and rotary veneer in the US market.

The increase is also attributed to increased demand for sawnwood, rotary veneer, sliced veneer, mouldings and layons in the EU market as well as increased purchases of sawnwood and plywood in the ECOWAS market, particularly Nigeria.

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	100-110	115-125
Chenchen	85-100⬆	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 Sawnwood Prices

Ghana Sawnwood, FOB	€ per m^3	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	855	-
Asanfina	500	545
Ceiba	200	255
Dahoma	300	390
Edinam (mixed redwood)	405	430
Emeri	330	400
African mahogany (Ivorensis)	595	665
Makore	520	580
Niangon	490	620
Odum	650	710
Sapele	540	600
Wawa 1C & Select	250⬇	285

Ghana sawnwood, 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	315⬇	350
Ofram, Ogea & Otie	315⬇	350
Chenchen	315⬇	360
Ceiba	325	335
Mahogany	415⬆	450

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

Rotary Veneer, FOB Core Grade 2mm & up	€ per m^3
Ceiba	260
Chenchen	290
Ogea	295
Essa	285
Ofram	300⬇

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	€ per m³			
B/BB, Thickness	Redwoods		Light Woods	
	WBP	MR	WBP	MR
4mm	560	475	500	370
6mm	340	325	335	300⬆
9mm	365	305	290	275⬆
12mm	300	295	280⬆	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

Malaysia's export of timber and timber products declined by 18% to RM13.95 billion in the first 3 quarters of 2009, in comparison with the same period in 2008,. The decline affected the sawnwood, plywood and wooden furniture sectors.

This was revealed by the Malaysian Timber Industry Board (MTIB) at the Industrialised Building System (IBS) seminar held in Kuala Lumpur recently.

Lamtec, a locally registered trade mark for Malaysian wooden laminated scantlings has found wide-acceptance in the German market largely because of the efforts of a German company PADO Elementebau GmbH, a window frame maker. The German manufacturer is using Malaysian and local timbers.

Lamtec's is the result of collaboration between the Malaysian Wood Industries Association (MWIA), Forest Research Institute of Malaysia (FRIM), Malaysian Timber Industry Board (MTIB) and Malaysian Timber Council (MTC).

Lamtec is also reportedly making its mark in the Austrian as well as the US markets. The Malaysian timbers used in the manufacture are Meranti, Kasai, Bintangor and Gerutu.

Log Prices

Sarawak log, FOB	US$ per m³
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
Selangan Batu SQ up	180-217

Pen. Malaysia logs, domestic (SQ ex-log yard)	US$ per m³
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 m³
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 m³
Balau (25&50mm,100mm+)	325-345
Merbau	452-504
Kempas 50mmx(75,100 & 125mm)	260-300
Rubberwood	
25x75x660mm up	202-252⬆
50-75mm Sq.	243-275⬆
>75mm Sq.	265-294⬆

Plywood Prices

Malaysia ply MR BB/CC, FOB	US$ per m³
2.7mm	404-466⬇
3mm	384-414⬇
9mm & up	330-402⬇

Meranti ply BB/CC, domestic	US$ per m³
3mm	329-420⬇
12-18mm	313-342

Other Panel Prices

Malaysia, Other Panels, FOB	US$ per m³
Particleboard	
Export 12mm & up	226-249
Domestic 12mm & up	211-228
MDF	
Export 15-19mm	279-310
Domestic 12-18mm	270-288

Added Value Product Prices

Malaysia, Mouldings, FOB	US$ per m³
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 m³
22x760x1220mm sanded & edge profiled	
Top Grade	557-590
Standard	541-560

Report from Indonesia

After three years of negotiation with the European Union (EU), Indonesia is apparently still reluctant to sign a voluntary accord aimed at stopping illegally harvested timber and timber products from entering the EU market.

Indonesia's chief delegate to the negotiation is reported as saying that Indonesia will continue to focus on enforcing good governance in forests management before signing the Voluntary Partnership Agreement (VPA). The Indonesian authorities have decided to wait until they can assess the impact of the EU-Ghana VPA.

Indonesia had previously signalled its intention to sign the VPA which would ensure that all timber and timber products entering the EU market derived from legitimate sources. Indonesia exports up to third of its timber and timber products to the EU annually.

The EU is also finalising a new regulation, expected to be adopted in 2010, which will require timber traders in the EU to implement procedures to mitigate the risk of illegal timber being traded in the EU.

Log Prices (domestic)

Indonesia logs, domestic prices	US$ per m^3
Plywood logs	
Face Logs	187-230
Core logs	169-202
Sawlogs (Meranti)	174-235
Falcata logs	143-177
Rubberwood	47-71⬆
Pine	159-198⬆
Mahoni (plantation mahogany)	465-492

Sawnwood Prices

Indonesia, construction material, domestic	US$ per m^3
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

Indonesia ply MR BB/CC, FOB	US$ per m^3
2.7mm	392-449⬇
3mm	349-390⬇
6mm	328-370⬇

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

Other Panel Prices

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

Added Value Product Prices

Indonesia, Mouldings, FOB	US$ per m^3
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

Trade cautions on volumes for tender

Market conditions remain unchanged from the time of the previous report. 2009 has been an important year for Myanmar teak.

The recession in the West has had a disturbing influence on the teak trade. The huge domestic market for teak in India remains strong mainly because teak is indigenous to India and therefore has a special place in the minds of consumers. Other markets that purchase teak, mainly for re-export have shown signs of weakening over the past few years.

2009 has not been a good year for the timber traders in Myanmar and all are looking for the market to pick up during the middle of 2010.

A report by one experienced timber trader on the November teak tender is quoted below:

“Because of short supply, the prices for fair and good decent parcels are still holding to the normal market prices. Other poor and average quality parcels are below the normal range of prices.

Anyway, in general, the prices for this month are slightly better than last month, because of the very small quantity put on sale. The seller (MTE) should be careful that if too small quantities are put up for sale, the general interest in Teak might fade away. It is important to supply the market with a reasonable quantity, to keep commercial interests.”

The above comment relates to the very small quantity of teak logs put up for sale in the recent months compared to the 5000+ton monthly offers in the past many years.

Sellers versus buyers’ market

Some analysts even went on to comment that teak has lost ground and the market is now a Buyers’ market. Price fixing; controlled delivery schedules and counter-offers on specifications used to be the prerogative of the sellers in the years prior to 2000.

Now, sellers no longer enjoy these privileges and have to yield to buyers' demands.

Analysts said this reference relates to natural forest teak only, as they consider 'plantation teak' as a commodity only like any other timber.

The same trade analyst expressed the hope that Myanmar would gradually scale down the harvesting of teak, for economic reasons and also for preserving a timber which is considered a national heritage.

Further, he suggested that Myanmar should do some serious restocking in the natural forests. Some opined that, more serious and responsible checks should be in place to protect this special timber from irresponsible harvesting. Conservationists view with concern the growing shipment of large quantities of teak logs of smaller dimensions and poorer grades.

What now for Myanmar teak?
There are rumours circulating that the MTE monopoly on timber (including teak) extraction may be withdrawn. When more information on this emerges it will be reported.

The history of teak extraction by State agencies goes back a long way. The State Timber Board (STB) – the precursor to the now Myanmar Timber Enterprise (MTE) - was formed under the State Timber Board Order 1948 and the State Timber Board Act of 1950.

STB handled all teak extraction from that period on. Milling of teak was done by the State sawmills. Private sawmills were also allowed to purchase teak logs in the STB auctions; mill them and sell in on the domestic market. They were also permitted to export.

In 1964, all remaining non-teak hardwood activities were nationalised and operated solely by the state. By the 1990's MTE has started relinquishing its monopoly on teak exports and also on the extraction of non-teak hardwoods.

Teak plantations were permitted for private entrepreneurs in 2004. By 2009, a major portion of MTE's timber extraction was being done by private companies. The first decade of the 21st century is witnessing significant changes in the Myanmar forestry sector. In the words of the ITTO correspondent in Myanmar 'Whither goest Myanmar teak?' 2010 may provide an answer.

Hardwood log Prices (FOB)

	€ per hoppus ton
Pyinkado	520 (48 tons) ↑
Gurjan (keruing-exp)	163 (244 tons) ↓
Tamalan (export)	928 (11 tons) ↑
In-gujan	-
Hnaw	333 (16 tons)
Yamane (export)	-
Sagawa	-

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) Oct	Nov
Veneer Quality 2nd Quality	-	-
3rd Quality		
4th Quality	3,188 (21 tons)	3,348 (10 tons)
Sawing Quality Grade 1 (SG-1)	2,231 (38 tons)	2,368 (41 tons)
Grade 2 (SG-2)	1,910 (36 tons)	1,927 (42 tons)
Grade 3 (SG-3)	-	-
Grade 4 (SG-4)	1,380 (209 tons)	1,533 (221 tons)
Grade 5 (SG-5) Assorted	1,482 (126 tons)	1,494 (96 tons)
Grade 6 (SG-6) Domestic	1,2547 (85 tons)	1,251 (87 tons)
Grade 7 (ER-1)	985 (89 tons)	898 (87 tons)
Grade 8 (ER-2)	-	658 (29 tons)

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

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

Report from India

GDP continues upwards
India's GDP for the third quarter 2009 at 7.9% beats market expectations and defies all forecasts. A strong upward rise from last month's 6.3 % is a welcome rebound for the manufacturing sector and better than expected news for the large agricultural sector. The timber trade remains buoyant with consumers showing more confidence to spend.

The growth forecast for the current year may be raised from 6.5 to 7.0 %. The Indian Planning Commission feels that the economy is back on its normal growth path.

Global Warming
On the issue of carbon dioxide mitigation there is some encouraging news from India. The latest government reports show that the forest cover is steadily increasing. In the last ten years India's net addition to its forest cover has broadly been 300,000 hectares per year and the country's total forest and tree cover is 78.4 million hectares or around 24% of its geographical area.

The 'India State of Forest Report 2009' reported that India's forests absorb some 11% of the country's greenhouse gas emissions. Improving the forest cover is a centerpiece of Indian strategy to combat climate change according to the Indian Environment and Forest Minister Mr. Jairam Ramesh when launching the report.

Broadly about 34 per cent of the country's forests fall in the tropical moist deciduous category, 30 per cent in the tropical dry deciduous, 11 percent in Himalayan temperate, 9 percent in the tropical wet evergreen category, 6 per cent in sub-tropical pine and 5 per cent in the tropical thorn category, says the report.

There is general consensus amongst industry that it is necessary to cut greenhouse gas emissions.

Teaknet

Teaknet (International Teak Information Network http://www.teaknet.org/) recently held an international workshop on Production and Marketing of Teak with support from FAO, the Asia Pacific Association of Forestry Research Institutions, Kerala Forest Research Institute and the Indian Ministry of Environment and Forests.

Papers were presented on 'Transforming the Teak sector'; Teak Forest Certification, Prospects and Problems of Teak in Bangladesh and Organizing markets for Teakwood under a commodity futures system.

Issues in the international trading of teakwood were discussed by Mr.R.T.Somaiya of the Timber Importers Association of India, Global trends in production of Teakwood plus several interesting papers on the silvicultural aspects and disease control in teak plantations were presented. A final report will be produced by the Teaknet co-coordinator Dr.K.Jayaraman.

Teaknet not only focuses on the Asia pacific region but is now truly international with members from 38 countries around the world which are growing teak.

Three new members were added to the steering committee; Mr.Ramon Carrillo, ITTO; Mr.Walter Kollert, FAO and Mr. Lars Graudal from Denmark who was also elected as the new Chairman of the Teaknet Steering Committee.

The current market price for Teak logs at the Indian auction is as follows:

Teak Logs

	Rs. per cubic metre
Grade 1 B	128,940
Grade 1 C	75,244
Grade 11 B	93.046
Grade 11 C	53,667
Grade 111 A	72,905
Grade 111 B	58,644

India Sawnwood Prices (domestic)

Sawnwood (Ex-mill)	Rs. per ft^3
Myanmar Teak (AD)	
Plantation Teak A grade	2000-3600⬆
Plantation Teak B grade	1800-3000⬆
Plantation Teak C grade	1250-1500⬆

India Sawnwood Prices (imports)

Sawnwood, (Ex-mill) (AD)	Rs. per ft^3
Merbau	1400
Balau	1150
Kapur	1000⬆
Red Meranti	650
Bilinga	650
Radiata Pine (AD)	300-350⬇

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

Logs from managed forest

Forest management practices are well established in state of Mato Grosso and beginning in the 1990s timber industries realised the need for conservation and sustainability.

Now, the industry associations want to show that forest harvesting has changed and that the focus is on sustainable harvesting management taking only those trees suitable for processing into lumber, plywood, furniture and other products.

According to the Northern Mato Grosso Wood Industry Union (SINDUSMAD) over 90% of the logs for timber products manufactured in the state come from managed forest.

In the Amazon, only 20% of the area of a forested property can be cleared, the remaining 80% must be sustainably managed by law.

In Sinop, the Sindusmad, Cipem CIPEM ('Centro das Indústrias Produtoras e Exportadoras de Madeira do Estado de Mato Grosso') and Famad ('Fundo de Apoio à Madeira de Mato Grosso') released a movie documentary showing the new reality of the logging activity in order to change the image of the regional timber industry.

Tax break for furniture

The government's decision to extend the exemption of IPI (Tax on Industrialized Products) for the furniture industry should generate a 6% increase in sales in December, according to a forecast of ACSP (São Paulo Commercial Association). Wooden furniture currently attracts a 5% IPI but this will become zero until March 31 2010.

An optimistic view was also expressed by the Brazilian Furniture Manufacturers Association Abimóvel which believes that sales could grow 15% in the first quarter of 2010.

However, the sector was showing a sign of recovery even before the tax exemption measure was announced. The ready availability of credit has contributed to stabilise sales. Analysts point out that the tax exemption measure took too long to be defined but, never-the-less, it should bring many benefits to the furniture sector.

The furniture manufacturing sector has had a difficult time because most sales are export-oriented and exports have fallen as result of the economic crisis.

Furniture raw materials cheaper

The Brazilian furniture industry has a great potential for export. Last year, exports were over US$980 million but for 2009 the strength of the real against the dollar has become an obstacle to expanding exports. However, the strong Real means that imported raw materials for the furniture sector have become cheaper such that it is now feasible to buy raw materials at a competitive cost, to process and add value and then export the finished product. In

As pointed out by some manufacturers, the margin saved on raw materials partially compensates for lower export sales, the result of the unfavorable exchange.

This is especially true for the solid wood and high-end furniture industry when importing hardwoods and veneer from the United States.

Out of the total volume of 7.2 million cu.m of sawnwood and wood panels consumed in 2008 by the furniture industry in Brazil, solid hardwood and pine accounted for 2.3 million cu.m and 1.8 million cu.m respectively. But, of this, only 1% of the solid hardwood and 2.9% of the solid pine was imported. The level of raw material imports by Brazilian manufacturers is likely to grow if the Real retains its strength.

Para timber sector recovery

According to the Association of Timber Exporters of Pará State (AIMEX) the recovery of the timber export sector in the Northern Amazonian state of Pará in the second half of the year helped lower the unemployment rate.

Recent employment statistics show that, after eight consecutive months of deficit, in September the state's timber sector reported the creation of over 800 new jobs and the trade is saying this trend is likely to continue for some time.

Between August and October this year, Pará exported 54% more than in the first half of the year. This translates to a trade value of only US$175 million between January to July 2009, only half of the value of exports in the months of August to October (US$ 375 million).

The export recovery is the result of the improved economic situation in the main markets of the US and EU.

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)	Ipé	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

Forest Convention

The 5th National Forest Convention, organized by ADEX (Peru's exporters association), focused on the latest trends in World markets and opportunities in Asia.

During the opening, the president of the exporters association, Jose Luis Silva, indicated that Peru has the possibility of becoming an important exporter of wood products.

He said that members of the association are concerned that, while Peru has more than 70 million hectares of forest, it is still a net importer of wood products. This was put down to the lack of effective policy for the development of the timber sector.

Hard hand on deforestation

Peru's exporters association (ADEX) has called for firm action by government to address deforestation in the Peruvian Amazon which is reported as around 150,000 ha. annually. This said the association could be addressed through incentives for activities other than agriculture and ranching, two of the main causes of deforestation in the country.

Forest clearing by charcoal producers was also identified as a cause of deforestation and ADEX, while recognizing the need for the government to support income generation through charcoal production; such production should be managed in a sustainable manner.

Protect a tree

The UK based Cool Earth has apparently started a campaign to get sponsors in Britain to fund a programme to help protect the tropical forests in the Ashaninka region of the Peruvian Amazon. Sponsors are asked to contribute £1.00 per tree, the amount said to be required to protect trees from illegal logging. Cool Earth is looking for 100,000 sponsors to raise the necessary £100,000 it deems necessary to protect the designated area of forest.

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	501-539⬇

*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	809-846⬇
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	US$ per m^3
(Iquitos mills)	
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

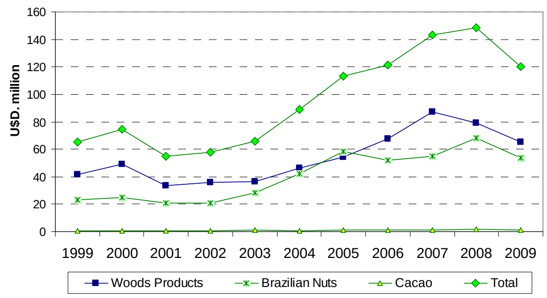
Peru, strips for parquet		US$ per m^3
Cabreuva/estoraque KD12% S4S, Asian market		1348-1444
Cumaru KD, S4S	Swedish market	760-856
	Asian market	1011-1201⬇
Cumaru decking, AD, S4S E4S, US market		902-1073⬇
Pumaquiro KD # 1, C&B, Mexican market		423-511
Quinilla KD, S4S 2x10x62cm, Asian market		502-533⬇
	2x13x75cm, Asian market	721-798

Report from Bolivia

Small enterprises dominate

Exports of forest products in the third quarter 2009 fell 14% compared to 2008. Despite the poor export performance the share of forest products in total exports maintained a 6.5% share in trade.

Bolivia export trends



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
Curupay	(FSC) (China mkt)	1600-1763

Report from Mexico

Market dependence

Mexico's main trading partner by a considerable margin is the US and some 85% of the country's exports are dependent on markets in N. America. Because of this dependence, Mexico's external trade has suffered this year because of the weak demand from its northern neighbour. Despite the economic downturn in the US 2008 furniture and household goods exports held up well.

Mexico/US trade US$ millions

	2004	2005	2006	2007	2008
Sawnwood	20.1	16.3	14.6	14.9	12.2
Plywood and veneers	7.1	5.2	5.3	8.2	4.8
Furniture	1,175	1,230	1,291	1,189	1,085

Interest rates held

Mexico's central bank has decided to hold interest rates at 4.5% a rate that has been in force for the past four months. For most of the year interest rates have been progressively cut in an attempt to spur growth.

Good news and bad

In the third quarter 2009 the Mexican economy grew by a reported 2.9% but, for the year as a whole it is estimated that GDP will fall by between 6-7%. On the positive side inflation at around 4%, just 1% more than the goal set by the Central Bank, is expected to fall in 2010.

World Bank support

In other news the World Bank recently approved a $1.5bn loan to Mexico in support of the Mexican government's economic stimulus measures

Analysts expect most of the effort to be put into stimulating employment and into financial regulatory reform.

CONAFOR News

News from CONAFOR can now be found in under Internet News on page 18.

Report from Guyana

Log market firm

During the second half of November the volume of logs exported declined but there was an increase in production and trade of finished and value added products.

Export prices for Greenheart logs remain unchanged while prices for Purpleheart (standard sawmill quality) recorded a very positive rise in average prices (USD 330/235). On the other hand, there were price falls recorded for Purpleheart Fair and Small sawmill qualities. There were no Mora logs exported at the end of November.

In comparison with the previous two weeks the latest prices for sawnwood achieved a higher average price; this was especially noticeable for Greenheart (Prime and select). In sharp contrast Greenheart merchantable grade sawnwood prices eased.

Sawnwood, mixed fortunes

Purpleheart sawnwood (select and merchantable) achieved good average prices but Mora (select) sawnwood prices recorded a drop in average prices. However merchantable grade Mora was selling well.

Producers of Dressed Greenheart are currently enjoying high prices, as are producers of Dressed Purpleheart which is selling at US$ 900/1126.

Baromalli plywood

As regards plywood, both BB/CC and Utility grade Baromalli were exported but BB/CC grade ply experienced a drop in price compared to levels two weeks ago

Roundwood exports contributed to foreign exchange earnings and achieved good average prices for the period under review. Splitwood also contributed to the export earnings during the period.

Value added product exports during this period included doors, indoor furniture, mouldings, builders joinery, windows, wooden utensils and ornaments exports of which contribute significantly to the overall export earnings.

Agency cooperation

As the Norway forestry support for Guyana begins, Guyana is taking steps to increase oversight of mining operations and the impact on forests by increasing the number of Mines officers stationed across the country.

The mining community is being challenged to be more transparent and identify procedures and practices to minimise irreversible damage to the forest.

For many years the mining and timber sectors have clashed over the extent of forest degradation in the course of mining. A statement from the Office of the Prime minister said “The recent agreement with Norway, through which Guyana receives payments to avoided deforestation and degradation, now puts a significant monetary and moral cost to any unnecessary degradation of forest areas for any purpose”,

The mining sector contributes massively to Guyana’s export revenue earnings and provides work for thousands but now needs to review its operational methods.

Plans are being drawn up to increase the coordination between the Guyana Geology and Mines Commission and the Guyana Forestry Commission.

The mining sector has come under increased focus because of the forest damage caused and have been advised that they would have to radically transform their operations.

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	
EU and US markets		Undressed	Dressed
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

Deteriorating softwood plywood market

Market prices for domestically manufactured softwood plywood continue downwards and have now dropped to record lows says the Japan Lumber Reports (JLR).

Panic selling by wholesalers is driving down prices day after day and there are fears that some seriously weakened domestic manufacturers could be put out of business

As companies try and secure a larger share of the market they are abandoning consideration of the demand levels so there is growing confusion in the sector.

This highly irrational market for softwood plywood is impacting the market for imported hardwood plywood. With the continued Yen appreciation over the past weeks importers are tempted to re-stock but are holding back because the whole market is in turmoil.

At the moment traders do not want to carry high inventories because the market situation is so uncertain.

Building materials company results

The financial performance of five major building trading firms, plus partial data from Sumitomo Forestry, over the past half year have been reported by the JLR and are summarized below.

Overall total sales declined by 22 % from the same period last year and ordinary profit levels fell a massive 29%.

Performance of major building materials companies

	Decline in Sales % drop, Apr - Sept 2009 on 2008
Itochu Kenzai	18.7
Sumisho and Mitsuibussan	22.7
Sojitz	26.1
Marubeni	22.3
Toyo Materia	20.6
Sumitomo Forestry	23.0

Profits have been driven down by low housing starts and by weak demand for building products.

The JLR says that market condition will likely remain unchanged during the second half of the financial year and that full year company results will probably be in line with those of the first half.

Plywood mills buying logs

Plywood mills in Japan are still actively buying tropical hardwood logs as their stocks have been declining. Recent buying activity in the SE Asian log market is because log supply is likely to drop in February due to the Chinese New Year holidays and the rain season, both of which slow harvesting. Tropical hardwood log consumption in November was 45,000 cu.m.

Sarawak Meranti regular log prices on the Japanese market are reported by the JLR at 6,200-6,300 yen per koku CIF. Small Meranti log prices are 5,200-5,300 yen while Sabah kapur (floater) log prices are about 8,900 yen per koku CIF.

Reports are indicating that log harvest rates and transportation volumes in the producing countries are dropping rapidly due to unfavorable weather conditions, usual for this time of year. Importers say that the weather will improve and water level in the rivers will be back to normal in a short time so that towing of logs downstream can resume.

The lower log availability has the effect of firming prices. Sarawak Meranti regular log prices are US$180-185 per cu.m FOB. Small Meranti logs are selling at US$140-145 and super small Meranti logs are reported as US$125-130 per cu.m FOB. Sabah Kapur prices are US$225-230 per cu.m FOB. Generally, prices have not increased much but grades which are in short supply are up US$5 per cu.m.

October housing starts

Total housing starts in Japan during October were 67,120 units, 27% less than the same month a year earlier. This is the eleventh consecutive month of decline and a record low for the month of October. The JLR is predicting that total year stars would be below 900,000 units.

Because of the weak economic situation in Japan buyers are opting for lower cost units and the average house floor space in October was 21% down on a year ago.

Sumitomo/Toyo merger

Sumitomo Forestry announced that Sumitomo Forestry Crest Co., Ltd. (Crest) and Toyo Plywood Co., Ltd., both subsidiary companies of Sumitomo Forestry, would merge from March, 2010. Crest will be the surviving company but the Toyo plywood brand name ‘Topura’ will be still be used after the merger.

Both companies are plywood manufacturers but, because of the weak demand for building materials the merger will allow for streamline of administrative functions. The surviving entity will, according to the JLR, target some Yen 39 billion in sales by 2012.

October plywood supply

Total plywood availability in Japan during October was 12.3% less than October last year but up 9.4% over September levels. Volumes of imported plywood were more than expected and on top of this, domestic production increased by 6.4% from September.

In particular, softwood plywood production was 190,000cu.m, 7.4% more than in September, The figure for October was the highest monthly production since October 2007 but sales dropped to 168,000 cu.m, down 4.1% which resulted in a big jump in inventories. The end of October inventory was 207,000 cu.m, 12% more than for September.

Plywood imports in October were 274,788 cu.m, 19.2% less than October last year but 11.9% more than September. With rising production, weak demand and increased imports inventories are seriously out of step with demand levels.

For the full JLR report see: www.n-mokuzai.com/english.htm

Log and Sawnwood Prices in Japan

Logs for Ply Manufacture, CIF	Yen per Koku
Meranti (Hill, Sarawak)	(Koku=0.278 m^3)
Medium Mixed	6,400↓
Standard Mixed	6,600↓
Small Log (SM60%, SSM40%)	6,400↓
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)	Nov (¥ per sheet)	Dec (¥ per sheet)
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	560	560
11.5mm for sheathing (F 4star, type 2)	910 X 1820	880	880
12mm for foundation (F 4star, special)	910 X 1820	850	830
12mm concrete-form ply (JAS)	900 X 1800	790	780
12m coated concrete-form ply (JAS)	900 X 1800	890	880
11.5mm flooring board	945 X 1840	1070	1100
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

New National Forest Inventory

According to the recently released Seventh National Forest Inventory (2004-2008), China’s forests cover an area of 195 million hectares, or 20.4% of the total land area.

The estimated growing stock is 13,721 million cubic metres. Of the total forest area, natural forest accounts for 120 million ha, (growing stock 11,402 million cu.m); the plantation area is 62 million hectares, (growing stock 196,100 million cu.m).

Compared with the sixth national inventory, the main points of interest are:

- Doubling of the forest area and growing stock
  The forest area increased by 20.54 million ha. and the forest cover increased from 18.2% to 20.4%, while the forest growing stock increased by 1,123 million cu.m, equal to an average annual net increase of 225 million cu.m.

- Natural forest resource increased significantly

There has been a net increase of 3.93 million ha in the natural forest area

- Plantation resources are increasing
  There has been a net increase of 8.43 million ha in plantation area and the growing stock increased by 447 million cu.m.

- Forest quality improved
  The average growing stock per hectare has increased by 1.15 cu.m, the annual increment is up 0.3 cu.m/ha, the number of trees per hectare increased by 57, the proportion of mixed forest rose by 9% and overall the structure of forest age distribution and tree species mix has improved.

- Harvests from plantation increased
  Harvests from plantations rose 12.3% and accounted for 39.4% of the total harvest.

- Proportion of forest managed by individuals rose

These results have been interpreted as showing that China's forest resources have entered a new and fast developing stage, however, forest protection and management is still problematic in many areas, says the inventory report In general, the increase of forest resources does not equate to the demands of Chinese society, especially in relation to protection and conservation.

The latest national inventory began in 2004 and ended in 2008, five years, and more than 20,000 technical personnel were involved.

Forest area to increase
To address climate change, Mr. Zhang Jianlong, Vice Administrator of the SFA told correspondents recently that China will increase its forest area by 40 million ha. by 2020. This will be achieved through implementation of the "Forestry Action Plan to Cope with Climate Change".

To fulfill the targets set the state will take the following measures:

- further strengthen tree planting
  Planting around villages and crop fields, as well as along roads and canals will be undertaken.

- Improve forest management
  The growing stock per hectare in China is well below the world average. The unit growing stock in 60million ha of plantations is only 49 cu.m/ha., this will be improved.
- Strengthen forest protection measures and take strong action against illegal felling and the unauthorized occupation of forest lands.

Expanding plantations
According to available statistics, China has established a total of 6.55 million ha of fast growing and high yielding plantations since 2002.

Up to now, a series of timber forest industrial belts have been formed, such as southern industrial belt, central eastern industrial belt, and northeastern and Inner Mongolian industrial belt.

According to the national working conference forest plantation full use of the achievements of collectively owned forests and mobilization of forest farmers will be beneficial.

Production needs to be oriented by market requirements and efforts are required to improve the productive capacity of forest lands.

Felling ban
According to information from the forestry department of Heilongjiang Province, a plan for the conservation and economic transition of Da Xinganling and Xiao Xinganling Mountains, the largest state owned forest district in China, has been submitted by Forestry Department of Heilongjiang Province

This plan will be phased over two years. Eventually harvesting will be completely banned in this area and enrichment planting will be carried out. Also rehabilitation and conservation of wetlands will be implemented.

It is forecast that, by the year of 2020, the ecological environment in this area will have been recovered and the forest cover will reach over 70%.

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 (Africa)	9300
US Maple 2" KD	7500-11500
US Cherry 2"	12000-12800
US Walnut 2"	14000-15500
Lauan	3500-4000
Okoume	3700-4000
Sapelei	5100-5500

Shanghai Furen Wholesale Market

Sawnwood		Yuan per m^3
Beech KD Grade A		4800-4900
US Cherry, 25mm		7000-7500⬇
US Red Oak, 50mm		9800-10050⬇
Sapele 50mm FAS (Congo)		
	KD (2", FAS)	6000-6100⬆
	KD (2",grade A)	5400-5500⬆

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
Mongolian Scots Pine	6m, 30cm diam.	1200

Hebei Shijiangzhuang Wholesale Market

Logs		Yuan per m^3
Korean Pine 4m, 38cm+ diam		1700⬇
Mongolian Scots Pine	4m, 30cm diam.	1300⬇
	6m, 30cm+ diam.	1400⬇
Sawnwood		
Mongolian Scots Pine	4m, 5-6cm thick	1450⬇
	4m,10cm thick	1500⬇

Zhejiang Jiashan Kaihua International Timber Market

Logs	Yuan per m^3
Okoume 80cm+	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

Re-stocking plywood

The market for tropical hardwood plywood in Europe is now winding down for the Christmas break which is likely to be extended this year. However there has been some forward buying in recent weeks as importers have been filling gaps in stocks in preparation for the New Year.

Although very few people are expecting a dramatic turnaround in demand during the first half of 2010, there is mounting concern that temporary supply problems may arise due to short-falls in landed stocks.

For much of 2009, European importers focused on winding down stock levels in the face of weak underlying consumption and uncertain economic conditions. For the first six months of the year, the large European plywood importers shifted away from bulk to container shipments as rates for the latter were extremely low and as importers were looking increasingly to buy smaller mixed batches.

However since the middle of 2009 freight rates have risen consistently as shipping lines reacted to the decline in trade by decommissioning a large number of vessels. Now much of the remaining capacity is overbooked. A 3-4 week gap between placing of forward orders and shipment to Europe has opened up making it more difficult for importers to fulfil short-term obligations. Importers may therefore be forced to build and carry more stock during the early part of 2010.

Shifting to combi-products

This year the UK market has shifted increasingly away from tropical-hardwood- throughout plywood in favour of products with a pine or poplar core. While bearing a passing resemblance to tropical hardwood plywood, the combi-product is much cheaper and – being widely offered from CE2+ certified mills - is generally regarded as providing adequate performance for a range of fairly utilitarian tasks in the UK.

Government green procurement policy in the UK has also tended to favour increased use of combi-product. Until recently there was particular interest in FSC Mixed products manufactured in Malaysia from an FSC-certified New Zealand radiata pine core and an MTCS-certified tropical hardwood face. However with the recent endorsement of MTCS by PEFC, more of this product is expected to be supplied with the PEFC logo.

The first shipment of PEFC-certified Malaysian combi-plywood, of around 10,000 cubic metres, is expected to be shipped to the UK in January. This is believed to be priced at around US$400/cu.m CIF UK for 18 mm product, significantly cheaper than the uncertified tropical-throughout plywood.

Manufacturers of alternative plywood products are also trying to exploit the rising interest in PEFC and FSC certified product in the UK plywood market. Weyerhauser has been particularly active marketing “tropical replacement panel”.

This is available FSC-certified and manufactured from Uruguayan plantation-grown eucalyptus. It bears a passing resemblance to tropical plywood, is supplied by a CE2+ certified mill and prices are very competitive. On the other hand, according to one major UK importer, the product is derived from smaller-diameter logs, cannot match the performance of tropical hardwood plywood and the volumes available are not yet large.

Drift away from Chinese plywood

The UK plywood market’s dependence on China has tended to decline this year. One large UK importer notes that “three quarters of Chinese manufacturers that were formerly manufacturing plywood are no longer involved in the plywood trade – most UK importers are now only dealing with a small number of larger better performing mills”.

This importer also noted that, due to lack of capital and credit, many Chinese mills are now asking for a 25% deposit up-front in order to purchase raw materials. This is a major disincentive to European importers buying from China.

Caution in market for tropical hardwood lumber

European tropical hardwood lumber importers have maintained a cautious approach to forward orders throughout the final quarter of the year. This is despite the combination of a strong euro, the widespread belief that European stocks are now quite low and signs that FOB prices for key products in both Africa and Asia are rising on the back of tight log supplies.

There is still great uncertainty over the likely level of European tropical hardwood consumption next year. Few importers are willing to speculate on market conditions 3 to 4 months in the future – which is the current lead time between ordering and delivery for African sawnwood. Lack of credit and cash-flow continue to be problems for many importers. As a result forward orders in recent weeks have concentrated on small mixed batches to fill gaps in stocks as they emerge.

Although some of the larger European importers engaged in the tropical hardwood trade report reasonable levels of trade this year – particularly those with a varied stock base and capable of delivering over a wide distance at short notice – most companies reckon that sales will have slumped by double-digit percentages in 2009.

Margins have also tightened as intense competition between importers has put downward pressure on European wholesale prices at a time when CIF prices have been rising. There continue to be reports of importers being forced to sell tropical hardwood lumber at below replacement price.

Decking orders
At this time of year, importers would normally be placing significant orders for garden decking products for the spring season. However orders are well down this year as the large merchants and retailers have been very reluctant to indicate their needs for 2010.

Window frame market
The German window frame market is one of the few bright spots in a generally gloomy picture. This sector is creating consistent demand for Malaysian and Indonesian Meranti window scantlings, but relatively high prices for the Asian hardwoods and limited availability mean that the actual volume of trade is now low.

The Netherlands Sawnwood Prices

FOB (Rotterdam)	US$ per m^3
Sapele KD	960
Iroko KD	1109
Sipo KD	1130
DRM Bukit KD	847
DRM Seraya KD	855⬆
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	1377⬆

UK Log Prices

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

UK Sawnwood Prices

FOB plus Commission	GB Pounds per m^3
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

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

Report from North America

US construction trends

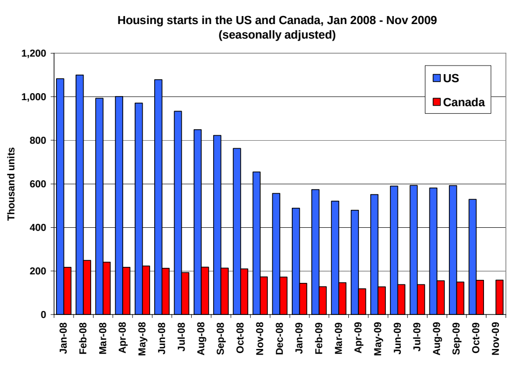
Overall construction spending in the US stabilised in October after falling for five months in a row. According to preliminary figures from the US Commerce Department, construction spending increased by 0.04% in October.

Residential construction drove this increase, while the non-residential sector continued to decline. Spending on office buildings, hotels and shopping centres remains more than 20% below 2008 levels.

After a modest recovery in new home construction over the summer, US housing starts dropped again in October (-10.6%). Applications for residential building permits also declined. Builders presumably held back on new construction to see if the government would extend the tax credit programme for homebuyers.

TheUS$8,000 tax credit programme for first-time homebuyers was due to expire at the end of November, but US Congress voted to extend it until next year. The tax credit programme has also been expanded to include homebuyers who currently own homes. A stronger housing market is essential for the recovery of the US economy, but the high unemployment level could slow the housing recovery.

In Canada, the market for new residential construction continued to improve. Multi-family housing starts declined slightly, but overall housing starts were up compared with October. Starts of single-family homes in urban areas increased by 3.4% from October.



The National Association of Home Builders stated that their Housing Market Index remained unchanged in November. Builders' confidence in the market for new single-family homes remained low, but the survey was carried out before the US Congress extended the tax credit programme for homebuyers.

The builders' sales expectations for the next six months improved, rising two points from October.

Looking at the Housing Market Index by region, the confidence of builders declined in the Northeast and Midwest, the South remained unchanged, and the West recovered from a previous drop in October.

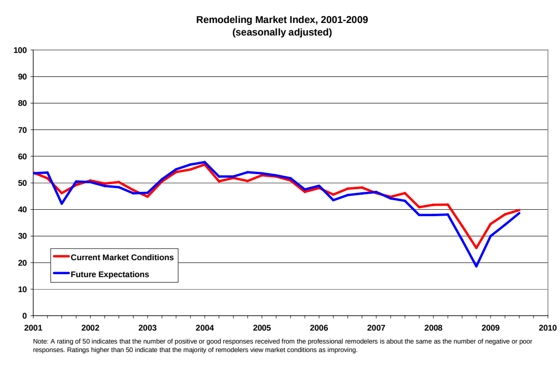
One third of the builders surveyed by the NAHB said that they lost business because of low home appraisal values. The low appraisal values are largely the result of the high number of foreclosed properties on the market, which is driving down prices.

In the residential remodeling market the upward trend continued in the third quarter of 2009. The current market conditions index rose to 39.8 in November, up 1.7 points from the second quarter. The index for future market expectations rose to 38.7 from 34.2.

Any index number below 50 indicates that more remodelers say that market conditions are getting worse compared with companies reporting improving conditions. The Remodeling Market Index has been running below 50 since the final quarter of 2005.

Current market conditions for major additions and minor additions improved, while the market for maintenance and repair remained the same from the second quarter of 2009.

Securing financing for remodeling projects remains the most significant obstacle for potential customers. Low home appraisals also impact the remodeling market because they hinder loans on home equity and slow down the sales of existing homes that would be remodeled if sold.



Slow US economic recovery

November brought better-than-expected job economic figures in the US. Unemployment fell to 10% from 10.2% in October. This is still more than double than what it was in 2007 before the recession began.

The underemployment rate, which includes part-time workers looking for full-time jobs and unemployed workers who have given up looking for a job, fell to 17.2% in November.

The number of newly laid-off workers applying for unemployment insurance increased more than expected at the end of November. Seasonal employment in construction plays a role in the decline, but the number of new claims will need to fall for several weeks to indicate that the economy creates new jobs.

The economy grew by 2.8% in the third quarter and economists expect a similar rate in the current quarter. In previous economic recoveries, the US economy grew at an average 6% pace per quarter.

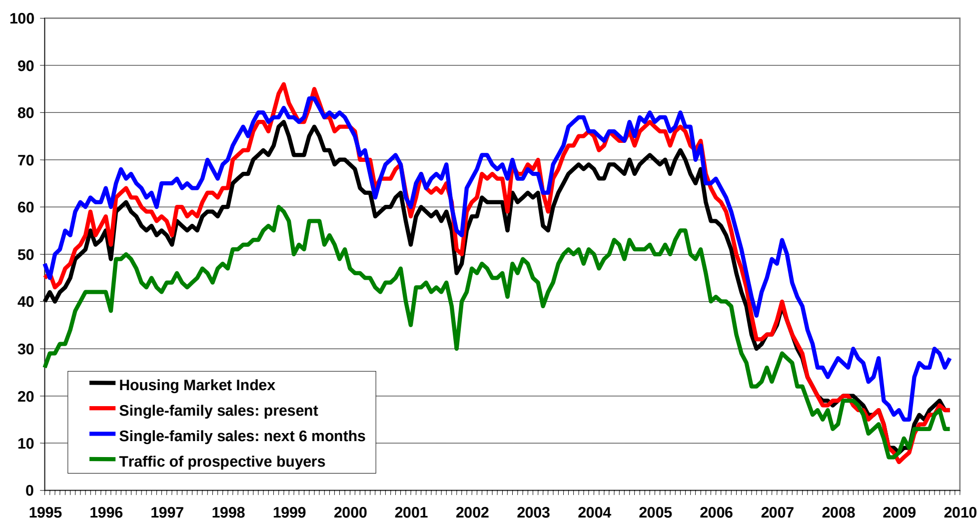
As a result of the weak economic growth, jobs remain scarce for the 15.4 million people out of work. It is likely that the unemployment rate will rise again in the coming months and remain above 9% through the end of 2010.

Federal Reserve Chairman Ben Bernanke said in a statement in December that he expects modest economic growth in 2010. He also warned that unemployment could remain high for some time.

To support the economic recovery, the Federal Reserve has kept interest rates near zero for a year. The bank is widely expected to leave rates at those record low levels at its meeting on December 15-16, 2009.

While economic activity in the manufacturing sector grew in most industrial sectors in November, wood products and furniture manufacturing reported a decline. According to the Manufacturing ISM Report on Business, the wood products sector and the furniture and related products sector reported declines in new orders, production and employment.

Housing Market Index and its components, 1995-2009
(seasonally adjusted)



Note: A rating of 50 indicates that the number of positive or good responses received from the builders is about the same as the number of negative or poor responses. Ratings higher than 50 indicate that the majority of builders view market conditions as improving.

Source: NAHB/Wells Fargo Housing Market Index

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=20601116&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

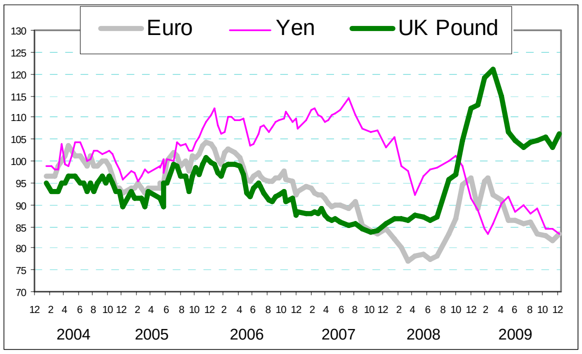
The world’s forests are being damaged by climate change-related heat and drought, even in areas not traditionally known for water shortages, U.S. Geological Survey researchers say in the first global assessment of tree deaths from heat stress and drought. The findings highlight the very real risk that tree mortality could become a bigger problem as global climate change progresses.
http://solveclimate.com/blog/20091117/climate-change-killing-trees-countries-around-world

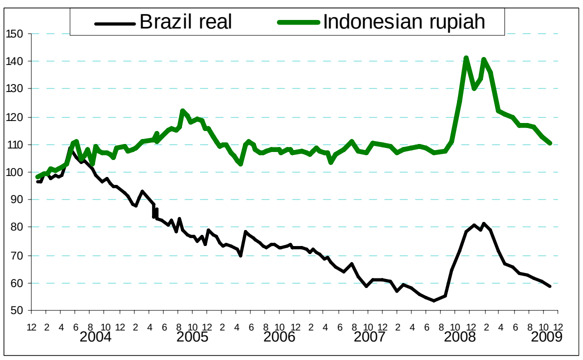
Main US Dollar Exchange Rates

As of 14th December 2009

Brazil	Real	1.7449	⬇
CFA countries	CFA Franc	438	⬆
China	Yuan	6.8282	⬆
EU	Euro	0.6825	⬇
Indonesia	Rupiah	9452	⬇
Japan	Yen	88.58	⬆
Malaysia	Ringgit	3.4095	⬇
Peru	New Sol	28.653	⬆
UK	Pound	0.6132	⬇

Exchange rates index (Dec 2003=100)

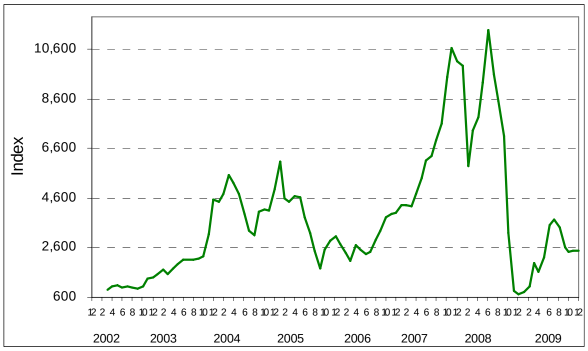




Abbreviations and Equivalences

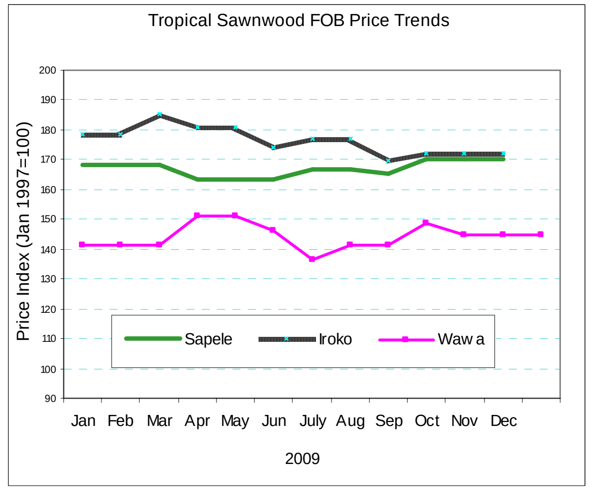
LM	Loyale Merchant, a grade of log parcel
QS	Qualite Superieure
CI, CE, CS	Choix Industriel, Economique or Supplimentaire
FOB	Free-on-Board
CIF; CNF	Cost, insurance and freight; Cost and freight
KD; AD	Kiln Dry; Air Dry
Boule	A log sawn through and through, the boards from one log are bundled together.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

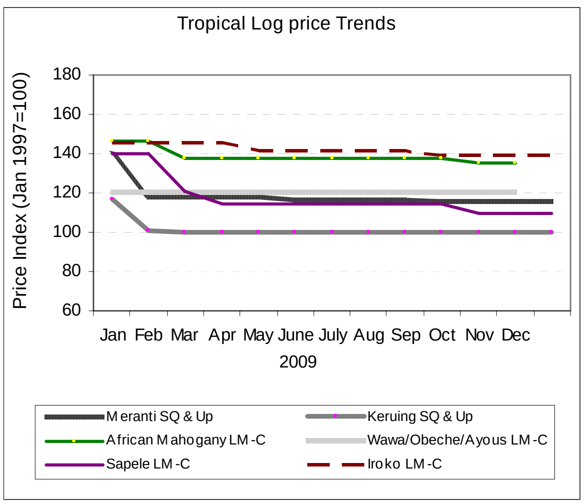


The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes. It is based on a 52,454 mt bulk carrier carrying commodities such as timber.

Tropical Sawnwood Price Trends

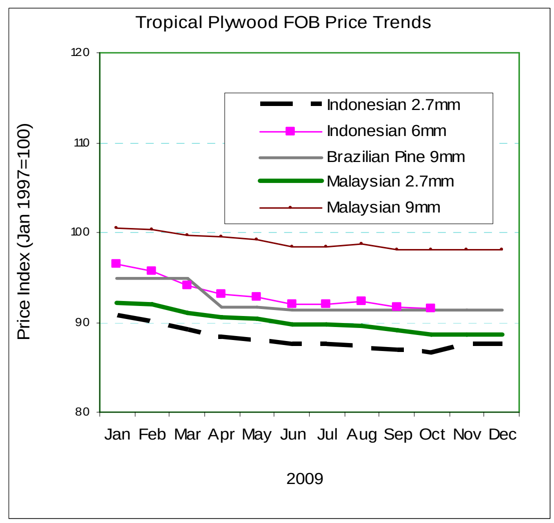


Tropical Log Price Trends



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

Tropical Plywood Price Trends



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