Tropical Timber Market Report

Volume 15 Number 18, 16th – 30th September 2010

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Indonesia tightens controls to identify illegally harvested timber

At the beginning of the September, the Indonesian government strengthened measures to ensure only timber and timber products with proper documentation proving legality are exported. Any timber or timber products not supported by appropriate documentation are immediately considered as illegally harvested.

Indonesia will apply a system called the Timber Legality Verification System (SVLK) to track and monitor output from industrial forest concessions (HTI), production forest concessions (HPH) and community plantation forests (HTR).

The system is said to satisfy European Union legislation designed to remove illegal wood from European trade. According to the EU requirements, timber tracking and due diligence systems are due to be fully effective by 2013.

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Headlines

Report from Central/West Africa

Iroko remains in good demand

The market situation remains unchanged and there are no reasons to expect any major fluctuations in the near future, says an analyst. During the past few months price changes have mostly been driven by increasing demand for individual species and this fortnight was no exception. Iroko logs are still in good demand and prices climbed by another Euro 10 per cu.m from the mid-September level. However, Iroko sawnwood prices have not yet fully caught up with the rise in log prices. Over the past two weeks sawnwood prices moved up by Euro 10 per cu.m while prices for strips were unchanged at Euro 350 per cu.m.

Sawmills in the West and Central African region still have fair numbers of existing contracts to complete for the final quarter. According to analysts, there is a chance of some new business opportunities, however, sawmillers are cautious about the first months of next year and this is reflected in their lack of willingness to invest to increase production.

Gabon plans Free Trade Zone

As the log export ban in Gabon is maintained, contractors have now begun preparations for a Free Trade Zone which is planned to encourage investment in various industries including timber processing. There are reports that the log ban is beginning to impact government revenues and the business outlook for the many ancillary traders and suppliers to the logging sector.

Export markets

In Cameroon, Congo Brazzaville and Equatorial Guinea, log exports are reportedly sufficient to meet the current market demand, China and India being the main export destinations. China's demand for sawnwood is expected to continue to grow.

The market situation for hardwood sawnwood in the UK and Continental Europe is dull, but steady. Only iroko and ayous sawnwood are in demand. Prices for all other species have remained unchanged through the past two weeks or more.

As the European winter begins, there is a great deal of uncertainty over prospects for the building and construction industries. UK businesses are waiting for the government's autumn spending review due to be published in October. The review is expected to bring cuts in government expenditure that will affect the construction industry and is forecast also to restrain the housing 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	205	205	122
Belli	210	210	-
Bibolo/Dibétou	145	130	
Bubinga	600	530	390
Iroko	250	235	190
Okoume (60% CI, 40% CE, 20% CS) (China only)	230	-	-
Moabi	275	275	190
Movingui	180	150	140
Niove	130	130	-
Okan	320	320	-
Padouk	370	340	235
Sapele	240	220	170
Sipo/Utile	270	250	200
Tali	265	265	-
	C1	CE	CS
Okoume	170	160	120

West Africa Sawnwood Prices

West Africa sawnwood, FOB		€ per m^3
Ayous	FAS GMS	300
Okoumé	FAS GMS	370
	FAS. fixed sizes	340
	Std/Btr GMS	275
Sipo	FAS GMS	475
	FAS fixed sizes	-
	FAS scantlings	490
Padouk	FAS GMS	540
	FAS scantlings	525
	Strips	300
Sapele	FAS Spanish sizes	390
	FAS scantlings	460
Iroko	FAS GMS	480
	Scantlings	500
	Strips	350
Khaya	FAS GMS	380
	FAS fixed	380
Moabi	FAS GMS	475
	Scantlings	440
Movingui	FAS GMS	335

Report from Ghana

Second quarter wood product contracts fell 10%

Permits for a total contract volume of 105,926 cu.m of wood products were approved and processed by the TIDD in Ghana during the second quarter of 2010, down 10.2% compared to the first quarter of 2010. As in the first quarter of 2010, there were no recorded applications for furniture parts exports in the period under review. Analysts say this was because of the fact that the main furniture export company, Scanstyle Mim Limited, has been concentrating on the domestic market.

Export levels of all major wood products decreased in volume during the second quarter, except sawnwood and rotary veneer which picked up by 5.5% and 99% respectively in comparison to the previous quarter. Exports of Plywood, poles/billets/logs, sliced veneer and processed lumber/mouldings fell by 16%, 39%, 44% and 45% respectively compared to the first quarter of 2010.

Sawnwood continued to be the leading export product accounting for 44% of the total export volume in the second quarter of 2010.

The regional offices in Kumasi, Accra and Sunyani accounted for 40%, 1.6% and 12% respectively of the total export permits issued during the second quarter.

Wood product contracts (cu.m)

Product (m3)	1st quarter 2010	2nd quarter 2010	% Change
Lumber	44302	46739	5.5%
Plywood	41228	34486	-16.4%
Rotary Veneer	2268	4512	98.9%
Sliced Veneer	10166	5684	-44.1%
Poles/Billet/Logs	9633	5855	-39.2%
Processed Lumber/Moulding	4759	2607	-45.2%

Source: The Ghana Timber Industry Development Division (TIDD)

Sales to the Middle East, China and North African countries improve

The falling Euro exchange rate against the US dollar during the second quarter of 2010 boosted timber exports from Ghana to the Middle East, China and North African countries. Ghana's timber exports are priced in Euro while contracts made with the aforementioned countries are quoted in US dollars.

The medium to heavy density species including dahoma, danta, edinam and denya have been difficult to sell in European markets, however, markets in the Middle East, China and North African countries have shown increased interest in these species.

Due to the booming plywood market in the West African region, more and more processing mills in Ghana focused on production of plywood instead of sliced and rotary veneer for export. As a result, production of veneer for export has been low since 2009, however, the second quarter contracts showed improved sales for rotary veneer.

Generally, the contract prices met the Guiding Selling Prices (GSP) set by the TIDD. The average market prices for BB/CC quality plywood in the West African region were 5% to 10% higher than the GSP in the second quarter of 2010. Prices of mahogany sawnwood for the US market improved significantly from a price average of US$798 per cu.m in the first quarter to US$830 per cu.m in the second quarter of 2010.

Ghana Log Prices

Ghana logs, domestic	US$ per m^3	
	Up to 80cm	80cm+
Wawa	130-140	145-165
Odum Grade A	160-170	175-185
Ceiba	104-110	120-140
Chenchen	90-100	105-120
Khaya/Mahogany (Veneer Qual.)	100-115	120-145
Sapele Grade A	135-150	160-175
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	552
Ceiba	215	266
Dahoma	315	390
Edinam (mixed redwood)	400	445
Emeri	350	414
African mahogany (Ivorensis)	563	690
Makore	520	585
Niangon	505	600
Odum	630	690
Sapele	530	590
Wawa 1C & Select	250	295

Ghana sawnwood, domestic		US$ per m^3
Wawa	25x300x4.2m	255
Emeri	25x300x4.2m	310
Ceiba	25x300x4.2m	218
Dahoma	50x150x4.2m	282
Redwood	50x75x4.2m	315
Ofram	25x225x4.2m	310

Ghana Veneer Prices

Rotary Veneer, FOB	€ per m^3	
	CORE (1-1.9mm)	FACE (<2mm)
Bombax	315	350
Ofram, Ogea & Otie	318	355
Chenchen	315	350
Ceiba	320	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	274
Chenchen	305
Ogea	300
Essa	290
Ofram	300

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afrormosia	1.19	1.00
Asanfina	1.40	0.90
Avodire	1.12	0.70
Chenchen	1.25	0.70
Mahogany	1.25	0.70
Makore	1.20	0.72
Odum	1.80	1.10

Ghana Export Plywood Prices

Plywood, FOB	€ per m^3			
B/BB	Redwood		Light Wood	
	WBP	MR	WBP	MR
4mm	560	465	500	380
6mm	340	345	335	320
9mm	365	325	295	285
12mm	300	305	290	285
15mm	310	290	280	285
18mm	300	285	285	280

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	10.18	11.00
Hyedua	13.67	13.93	17.82
Afrormosia	13.72	18.22	17.82

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

Mouldings (FOB export)	€ per m^3
Dahoma grade 1	492
Denya grade 1	516
Hotrohotro grade 1	580
Wawa grade 1	490
Wawa grade 2	420
Ekki grade 1	475
Wawabimba Laminated grade 1	750

Report from Malaysia

Concerns over expansion of the Red List

A recently published study by the International Union for Conservation of Nature (IUCN) reports that over one-fifth of the world's plants are under threat of extinction. The IUCN study suggests that three species; keruing, meranti and kapur from three different genera *Dipterocarpus, Shorea* and *Dryobalanops* may also be threatened. The species are not on the IUCN Red List yet as they need to undergo a lengthy verification process. For more information: http://www.iucnredlist.org/news/srli-plants-press-release

The Sarawak Timber Association (STA) stated that inclusion of these three major commercial tree species into the IUCN Red List of Threatened Species would severely impact Sarawak's timber trade. These three species account for up to 62% of total log and 24% of sawnwood exports from Sarawak respectively. In the period from January to August this year, Sarawak exported 2.71 million cu.m of logs worth RM1.32 billion, compared to 3.78 million cu.m and RM1.79 billion for the entire 2009.

Web based marketing tools for furniture markets

Prices of Malaysian wood and timber products continue to climb as the US dollar depreciates against the Malaysian Ringgit. The situation has been beneficial for Malaysian importers of veneers and other raw materials for the domestic furniture industry, but at the same time, Malaysian furniture exporters are facing difficulties in the international market.

As a result of the appreciating Ringgit coupled with ocean freight rate increases, exporters of Malaysian furniture are facing stiff competition, not only from Chinese furniture manufacturers but also from US based furniture manufacturers. Some furniture manufacturers in Malaysia say that their advantage of low-cost manufacturing has been lost due to the lowest Ringgit to US dollar exchange rate in 13 years.

In addition, the Malaysian Ringgit has also strengthened against the Euro having the effect of making Malaysian furniture exports more expensive in the US market compared to the exports from Europe.

American department stores such as Macy's, Sears and Wal-Mart are collaborating with some US based manufacturers to market both home and office furniture through the internet lowering the marketing and retailing costs. This is an advantage that most Malaysian furniture manufacturers have been unable to tap.

However, Malaysian owned "Laura Ashley" is the exception. The furniture manufacturer operates in 225 stores in the UK and in 233 franchises worldwide. Improvements made in web marketing boosted company's sales through the internet by 63%. Currently, e-market sales comprise 12% of the company's total sales of furniture and home furnishing.

Log Prices

Sarawak log, FOB	US$ per m^3
Meranti SQ up	242-267⬆
Small	227-257⬆
Super small	224-245⬆
Keruing SQ up	228-240⬆
Small	214-242⬆
Super small	196-223⬆
Kapur SQ up	219-244⬆
Selangan Batu SQ up	209-243⬆

Pen. Malaysia logs, domestic (SQ ex-log yard)	US$ per m^3
DR Meranti	250-269⬆
Balau	309-338⬆
Merbau	340-372⬆
Rubberwood	78-112⬆
Keruing	228-244⬆

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
DR Meranti	401-437⬆
White Meranti A & up	291-321⬆
Seraya Scantlings (75x125 KD)	440-453⬆
Sepetir Boards	259-281⬆
Sesendok 25,50mm	352-370⬆
Kembang Semangkok	314-337⬆

Malaysian Sawnwood, domestic	US$ per m^3
Balau (25&50mm,100mm+)	332-352⬆
Merbau	464-516⬆
Kempas 50mmx(75,100 & 125mm)	267-307⬆
Rubberwood	
25x75x660mm up	221-271⬆
50-75mm Sq.	260-292⬆
>75mm Sq.	282-311⬆

Plywood Prices

Malaysia ply MR BB/CC, FOB	US$ per m^3
2.7mm	418-480⬆
3mm	398-428⬆
9mm & up	345-417⬆

Meranti ply BB/CC, domestic	US$ per m^3
3mm	342-433⬆
12-18mm	325-354⬆

Other Panel Prices

Malaysia, Other Panels, FOB	US$ per m^3
Particleboard	
Export 12mm & up	236-259⬆
Domestic 12mm & up	223-240⬆
MDF	
Export 15-19mm	290-321⬆
Domestic 12-18mm	280-298⬆

Added Value Product Prices

Malaysia, Mouldings, FOB	US$ per m^3
Selagan Batu Decking	550-561⬆
Red Meranti Mouldings	
11x68/92mm x 7ft up	
Grade A	565-578⬆
Grade B	519-529⬆

Furniture and Parts Prices

Malaysia, Rubberwood, FOB	US$ per piece
Semi-finished dining table	
solid laminated top 2.5'x4', extension leaf	67-83⬆
As above, Oak Veneer	74-88⬆
Windsor Chair	66-68⬆
Colonial Chair	64-69⬆
Queen Anne Chair (soft seat)	
without arm	65-72⬆
with arm	64-73⬆
Chair Seat 27x430x500mm	52-57⬆

Rubberwood Tabletop	US$ per m^3
22x760x1220mm sanded & edge profiled	
Top Grade	595-626⬆
Standard	576-596⬆

Report from Indonesia

Indonesia tightens controls to identify illegally harvested timber

At the beginning of the September, the Indonesian government strengthened measures to ensure only timber and timber products with proper documentation proving legality are exported. Any timber or timber products not supported by appropriate documentation are immediately considered as illegally harvested

Indonesia will apply a system called the Timber Legality Verification System (SVLK) to track and monitor industrial forest concessions (HTI), production forest concessions (HPH) and community plantation forests (HTR).

The system is said to satisfy European Union legislation designed to remove illegal wood from European trade. According to the EU requirements, timber tracking and due diligence systems are due to be fully effective by 2013

The Indonesian government commented that they are committed to the Voluntary Partnership Agreement (VPA) to be signed with the EU. A technical meeting, planned to take place by the end of 2010, is to address outstanding issues before the final agreement is signed. The annexes to the VPA are expected to be completed by the end of October 2010.

The VPA requires a specific agency to oversee approval of licences to export any timber and timber products. Presently, five institutions including PT Sucofindo, PT Mutuagung Lestari, PT Mutu Hijau Indonesia, PT TUV International Indonesia and the Forest Industry Revitalization Board (BRIK) have been appointed to verify the legality of timber products for export.

Japan seeks alternatives to overcome rising raw material costs

The Japanese government is considering further collaboration with the Indonesian Institute of Science (LIPI) in the area of timber processing. The collaboration is meant to address the issue of rising raw material prices.

Indonesia is the largest exporter of plywood to the Japanese market. Japan also imports hardwood roundwood from other countries which is processed by its downstream processing industry. Japan has vast domestic forest resources which it is planning to exploit by legislating for domestic wood use in the country.

Appreciation of Rupiah eases

Prices of Indonesian timber products remained steady and largely unchanged as the Indonesian Rupiah depreciated against the US dollar. Indonesian timber product exporters earlier expressed their concerns over the continuous apperception of the Indonesian currency against the US dollar.

Log Prices (domestic)

Indonesia logs, domestic prices	US$ per m^3
Plywood logs	
Face Logs	200-243
Core logs	181-214
Sawlogs (Meranti)	193-254⬆
Falcata logs	158-192
Rubberwood	71-95⬆
Pine	173-214
Mahoni (plantation mahogany)	481-509

Sawnwood Prices

Indonesia, construction material, domestic	US$ per m^3
Kampar (Ex-mill)	
AD 3x12-15x400cm	189-208⬆
KD	208-242
AD 3x20x400cm	229-252
KD	231-260
Keruing (Ex-mill)	
AD 3x12-15x400cm	243-257
AD 2x20x400cm	231-249
AD 3x30x400cm	213-232

Plywood Prices

Indonesia ply MR BB/CC, FOB	US$ per m^3
2.7mm	403-460⬆
3mm	360-401⬆
6mm	339-381⬆

MR Plywood (Jakarta), domestic	US$ per m^3
9mm	261-272⬆
12mm	253-263⬆
15mm	242-256⬆

Other Panel Prices

Indonesia, Other Panels, FOB		US$ per m^3
Particleboard	Export 9-18mm	225-234
	Domestic 9mm	204-216
	12-15mm	197-208⬆
	18mm	188-200
MDF	Export 12-18mm	258-271
	Domestic 12-18mm	240-251

Added Value Product Prices

Indonesia, Mouldings, FOB	US$ per m^3
Laminated Boards	
Falcata wood	306-319
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	495-529
Grade B	451-472

Report from Myanmar

Domestic consumption and exports to ASEAN grow

After the economic crisis in 2008/09, timber exports from Myanmar shifted to some other ASEAN countries and the Middle East, as the EU countries reduced imports by about 80% compared to the pre-crisis level. U Nay Tun Min, secretary general of the Timber Merchant Association (TMA), said this was mainly because buyers from the EU found their buying power curtailed, while demand from ASEAN countries like Thailand, Singapore, Vietnam and Malaysia was strong. However, according to analysts, the Indian market remains the major export destination for Myanmar timber with about 70% to 80% share of the total exports.

Domestic timber demand for construction and furniture manufacturing has been increasing during the past few years. Analysts say that the domestic timber processing industry, however, is suffering from raw material shortages and thus log exports need to be cut by 50%. Domestic demand for timber increased sharply after Cyclone Nargis hit Myanmar in 2008, and the domestic timber industry provided low cost materials for the housing sector and to build fishing boats.

Asian Free Trade Agreements facilitating exports

The ASEAN market is becoming more and more important for Myanmar timber exports after the establishment of the ASEAN Free Trade Area (AFTA). Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand reduced import tariffs on all products to 0-5% in January 2010 to comply with the AFTA agreement. Countries including Cambodia, Laos, Myanmar and Vietnam are due, by 2015 to reduce the tariff levels to 0-5%. At present, all wood and timber product exports from Myanmar enjoy zero export duties.

In addition, the Generalized System of Preferences (GSP), a programme effective in Japan and Republic of Korea, provides zero tariff treatment for some imports from developing countries including value-added timber products from Myanmar.

The recent agreement with China, the China-ASEAN Free Trade Area effective from January 2010, has also proven to be effective in improving Myanmar timber exports to China.

Myanmar log prices (natural forest logs)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)	
Veneer Quality	Jul	Aug
2nd Quality	6,669 (3 tons)	nil
3rd Quality	6,437 (4 tons)	6,378 (5 tons)
4th Quality	4,370 (11 tons)	4,400 (10 tons)
Sawing Quality		
Grade 1 (SG-1)	3,249 (36 tons)	3,261 (41 tons)
Grade 2 (SG-2)	2,566 (29 tons)	2,244 (35 tons)
Grade 3 (SG-3)	nil	nil
Grade 4 (SG-4)	1,590 (223 tons)	1,779 (216 tons)
Grade 5 (SG-5) Assorted	1,443 (121 tons)	1,325 (107 tons)
Grade 6 (SG-6) Domestic	1,127 (102 tons)	1,109 (106 tons)
Grade 7 (ER-1)	919 (107 tons)	834 (111 tons)
Grade 8 (ER-2)	nil	nil
Short Logs 6 ft. / 7 ft.	nil	nil

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 growth sustained

In the second quarter of 2010, India's GDP continued to grow, posting the highest growth rate in 30 months. Between April – June 2010 GDP surged 8.8% compared to the same period in 2009. Growth in rural India was 2.8% in the second quarter of 2010 against 1.9% last year. Buoyant economic activity generated more jobs in the country during the second quarter of 2010 and GDP is expected to continue growth towards the target level of 10%.

Exports in August were US$16.6 billion, up 23% compared to August 2009. At this pace of growth, India is going to meet the export target of US$200 billion set for 2010. August imports in India grew 32% to US$29.7 billion compared to last year.

Growing interest in planting of non-timber species

The monsoon season has been favourable for the tree planting in India and as a result, over 1 billion trees have been planted by NGOs so far. Planted species include bamboo providing raw material for pulp and paper industry and also for handicraft manufacturing enhancing the livelihood of the rural population in forest areas. Other planted tree species for non-timber production include *mangifera*, tamarind, *Melia azhadirachta*, *Melia dubia*, *Eugenia* and *Mimusops diospyros*.

The trend of planting non-timber species is well supported with public participation, for example in Ahmedabad municipality 919,770 trees were planted around the city area in one day.

Auction sales in Government Forest depots

At recent log auction sales in Central Indian Government Forest depots, approximately 19,000 cu.m of teak, 8,600 cu.m of salwood and 7,800 cu.m of mixed hardwood logs were sold. Demand for domestic teak is improving as Myanmar teak log imports fall short of demand. However, due to the monsoon and a quiet period in housing activity, prices were somewhat lower at Rs.700 for salwood and Rs.550-600 for mixed hardwoods. The average teak log prices were as follows:

Girth in cms.	Length	Av. price per cft.
46 to 60	3 to 4 metres	Rs.800 to 850
61 to 75	"	Rs.850 to 900
76 to 90	"	Rs.950 to 1000
91 and up	"	Rs.1200 and up
46 to 60	4 to 5 metres	Rs.900 to 950
61 to 75	"	Rs.1000 to 1100
76 to 90	"	Rs.1200 to 1300
91 and up	"	Rs.1500 and up

Imported timber and plywood market

CNF timber prices have been increasing due to the significant rise in ocean freight costs. Especially container freight rates have surged while break bulk rates are more flat.

Prices for domestically manufactured marine plywood have recently been revised due to the higher costs of labour, chemicals, phenolic resins and timber this is driving wholesalers to source their plywood from overseas.

Prices of other grades of locally manufactured plywood have remained steady, however, analysts expect some price revisions to come soon.

CNF Plantation Teak

	US$ per m^3
Tanzania Teak sawn	760-800⬆
Côte d'Ivoire logs	500-560⬆
PNG logs	500-550⬆
El-Salvador logs	375-430⬆
Guatemala logs	425-450⬆
Ghana logs	500-540⬆
Benin logs	480-525⬆
Brazil squares	400-425⬆
Togo logs	375-430⬆
Ecuador logs	350-400⬆
Costa Rica logs	400-425⬆
Panama logs	350-375⬆

Variations exist based on lengths and average girths of logs in a parcel. Prices also vary with measurement allowances given for bark and sap in different countries of origin.

India Sawnwood Prices (domestic)

Sawnwood (Ex-mill)	Rs. per ft^3
Myanmar Teak (AD)	
Export Grade F.E.Q.	5000-5300⬆
Plantation Teak A grade	2100-3600⬆
Plantation Teak B grade	2000-3000⬆
Plantation Teak C grade	1500-1800⬆

India Sawnwood Prices (imports)

Sawnwood, (Ex-mill) (AD)	Rs. per ft^3
Merbau	1300⬆
Balau	1100⬆
Kapur	900⬆
Red Meranti	600⬆
Bilinga	650
Radiata Pine (AD)	340-350

Sawnwood, (Ex-warehouse) (KD)	Rs. per ft^3
Beech	1100⬆
Sycamore	1200⬆
Oak wood	1300⬆
American Walnut	1600
Hemlock clear grade	1000⬆
Hemlock AB grade	850⬆
Western Red Cedar	1350⬆

India Plywood Prices

Plywood, (Ex-warehouse) (MR Quality)	Rs. per sq.ft
4 mm	30.8⬆
6 mm	40.7⬆
12 mm	59.4⬆
15 mm	71.5⬆
18 mm	85.5⬆

Locally Manufactured Plywood "Commercial Grade"	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	Rs.10.00	Rs.17.50
6mm	Rs.14.50	Rs.25.50
8mm	Rs.18.25	Rs.28.60
12mm	Rs.22.25	Rs.30.70
18mm	RS.28.00	Rs.41.30
5mm Flexible ply	Rs.18.50	Rs.22.50

Report from Brazil

August timber exports

In August 2010, exports of timber products (except pulp and paper) increased by 22% from US$179 million in August 2009 to US$217 million.

However, exports of tropical sawnwood decreased in terms of both volume and value, from 48,400 cu.m in August 2009 to 42,300 cu.m in August 2010 and from US$21.3 million to US$19.9 million, representing 12.6% decline in volume and 6.6% in value.

The recent declines in exports of tropical plywood appear to have bottomed out as exports increased from 8,800 cu.m in August 2009 to 9,800 cu.m in August 2010, up 11.4%. In value terms, the increase was 10.2%, from US$4.9 million to US$5.4 million.

Pine sawnwood exports surged 83% in August 2010 compared to the August 2009, from US$7.8 million to US$14.3 million. In terms of volume, exports rose 47.8% from 41,800 cu.m to 61,800 cu.m over the period.

The value of pine plywood exports jumped 80% in August 2010 compared to the level in August 2009, from US$18 million to US$32 million. Export volumes grew by 31.4% during the period, from 66,800 cu.m to 87,800 cu.m.

For wooden furniture, the value of exports rose slightly by 1.3% compared to the level in August 2009 to US$48.1 million in August 2010.

Slight increase in timber prices

The average price of timber products in Brazil increased slightly from the last fortnight period. The prices in the US dollars increased 0.46% due to a slight appreciation of Brazilian currency against the US dollar.

Inflation eases

According to the Brazilian Institute of Geography and Statistics (IBGE), the Consumer Price Index (IPCA) of August 2010 showed only a slight increase (0.01%) from July and a 0.04% increase compared to the same month last year. The IPCA is the official index used by the Central Bank to monitor inflation and keep it within the targeted rate of 4.5% with a tolerance of two percentage points for 2010. The accumulated IPCA for the first eight months of the year was 3.2%.

The Copom (Economic Policy Committee) kept the prime interest rate (Selic) at 10.75% per year in August. The prime interest rate has been lifted three times this year.

In August 2010, the Brazilian currency slightly appreciated against the US dollar compared to previous month, the average exchange rate now being at BRL1.76/US$.

Forest management more profitable than cattle grazing and agriculture

A Study conducted by the Federal Rural University of Amazonia (UFRA) for the Pará State Forest Development Institute (IDEFLOR) shows that forest management is more profitable than cattle grazing and agriculture in the Amazon if cattle farmers and agriculturalists comply fully with the existing environmental and labour laws.

According to the UFRA, each hectare of Amazon rainforest can generate BRL22.00 from forest management per year, compared to BRL6.00 from cattle grazing and BRL14.00 from agriculture. The comparison considered the costs of complying with environmental and labour laws. However, without complying with the legislation, cattle grazing would be more profitable than forest management.

The study was carried out to offer guidance for forest concessionaires in Pará state forests. The local roundwood timber market was used as a reference to calculate the value of standing stock to be managed. The average price of standing timber was estimated at BRL27.20 per cu.m.

Major challenges of timber industry in Pará

The Pará Timber Exporters Association (AIMEX) recently made an assessment of the timber sector in Pará over the last four years. The assessment was done in advance of the next governor’s election taking place in October 2010. AIMEX presented the following main problems faced by the sector to Pará state governor candidates:

- Inefficient administration and excessive bureaucracy of the State Secretary of the Environment (SEMA);
- Lack of efficient licensing of timber-related activities;
- Lack of standardisation of inspection procedures by IBAMA (Brazilian Institute for Environment and Renewable Natural Resources);
- Slow adoption of state forest concessions system.

AIMEX acknowledges that the current government had successes and has shortcomings. The forestry sector’s main challenge in the coming years is to recover from the international financial crisis. AIMEX suggested the following measures to be implemented:

- Establishment of the Forest Management Support Programme (PAMFLOR) to bring efficiency and transparency to the forest licensing system;
- Implementation of the Forest Harvest Plan;
- Meeting the goal of 6.5 million cu.m of timber production in 2010;
- Establishment of standards for industrial inspection together with IBAMA;
- Building a policy for the forest industry sector with a specific tax regime to increase timber industry’s competitiveness;
- Enabling adequate credit lines for the sector;
- Attaching the forestry sector to the major strategy for economic development.

Brazilian furniture sector imports certified wood from US

Some Brazilian furniture companies have been replacing tropical veneers and timber with imported certified wood from the US. Imported species including walnut, ash, oak, maple, tulip tree have been used by some Brazilian furniture manufacturers especially when the final product is exported to the international markets where the use of certified timber is necessary.

Ready access to certified timber is one of the reasons Brazilian furniture makers are beginning to import wood from the US. In addition, the US timber and veneer supply is constant around the year while in Brazil; the rain season interrupts or reduces timber supply for furniture manufacturers.

Brazil Log Prices (domestic)

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	148
Jatoba	106
Guariuba	70
Mescla (white virola)	76

Brazil Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB		US$ per m^3
Jatoba Green (dressed)		842↑
Cambara KD		500↑
Asian Market (green)	Guariuba	271↑
	Angelim pedra	648↑
	Mandioqueira	239↑
Pine (AD)		199↑

Brazil sawnwood, domestic (Green)		US$ per m^3
Northern Mills (ex-mill)	Ipé	713↑
	Jatoba	545↑
Southern Mills (ex-mill)	Eucalyptus (AD)	190
	Pine (KD) 1st grade	244↑

Brazil Veneer Prices

Veneer, Export (Belem/Paranagua Ports) FOB	US$ per m^3
White Virola Face 2.5mm	299↑
Pine Veneer (C/D)	211↑

Rotary cut Veneer, domestic	US$ per m^3	
(ex-mill Northern Mill)	Face	Core
White Virola	258	214

Brazil Plywood Prices

Plywood, FOB	US$ per m^3
White Virola (US Market)	
5.2mm OV2 (MR)	472↓
15mm BB/CC (MR)	409↓
White Virola (Caribbean market)	
4mm BB/CC (MR)	525
12mm BB/CC (MR)	422

Pine Plywood EU market, FOB	US$ per m^3
9mm C/CC (WBP)	280↓
15mm C/CC (WBP)	263↓
18mm C/CC (WBP)	250↓

Plywood, domestic (ex-mill Southern mill)		US$ per m^3
Grade MR (B/BB)	White Virola 4mm	909↑
	White Virola 15mm	663↑

Domestic prices include taxes and may be subject to discounts.

Other Brazil Panel Prices

Belem/Paranagua Ports, FOB	US$ per m^3
Blockboard Pine 18mm 5 ply (B/C)	315
Domestic Prices, Ex-mill Southern Region	
Blockboard White Virola faced 15mm	564↑
Particleboard 15mm	362↑

Brazil Added Value Products

FOB Belem/Paranagua Ports		US$ per m^3
Edge Glued Pine Panel		
Korean market (1st Grade)		656↓
US Market		498↑
Decking Boards	Cambara	617↑
	Ipê	1,624↑

Report from Peru

Sustainable harvest plan for cedar in Peruvian Amazon

In the Peruvian Amazon there are approximately 300,000 cedar trees (*Cedrela odorata*), which could be exploited commercially, according to an assessment prepared by the National Agriculture University of La Molina for the Ministry of Agriculture and the Environment. According to the assessment, about 3,000 cedar tree could be harvested sustainably per year in the Peruvian Amazon.

The assessment complements an earlier study "Evaluation of commercial stocks and strategy for the sustainable management of mahogany" by introducing fixed harvest quota also for cedar. The study also proposes establishing wood traceability systems, in order to monitor species that are being harvested and processed for further marketing.

New forestry law to be approved later this year

Wilfredo Panduro, head of the Regional Forest Resource Management Wildlife Regional Government of Loreto (formerly INRENA), stated that the draft Forestry Law was passed back to the Committee preparing the proposal after comments made in the Congress. Recently, the committee has been working on collecting more information and details from the regions to be added to the next draft.

Environment Minister Antonio Brack said that the new Forestry and Wildlife law is due to be approved by Congress in December this year. U.S. representatives have acknowledged that the Forestry bill in Peru is progressing well in compliance with the Free Trade Agreement (FTA) being prepared between the countries. The FTA is almost completed and the new Forestry and Wildlife law is needed to finalise the conditions of the agreement. The rights of indigenous people are still the issue clouding the bill and its approval in the Congress.

Forest concessions under investigation

Out of the 240 forest concessions in Peru (including timber, reforestation and ecotourism), between 80 and 100 are under an investigation due to suspected violation of some regulations, said Omar Guerrero, the deputy director of Supervision Office of Wood Forest Concessions (OSINFOR). The infractions that have been found so far range from bad timber stocking to missing licences or contracts.

Free Trade Agreement between Peru and Republic of Korea

Peru and Republic of Korea have concluded a Free Trade Agreement (FTA) which is expected to come into effect in January 2011.

The total trade between these two countries has been growing over the past few years totalling US$1.6 billion in 2009. The agreed FTA is said to be a comprehensive pact involving goods, services and investment opportunities that will be mutually beneficial.

As a result of the FTA, wood and timber product exports from Peru to Republic of Korea are anticipated to grow 30%, according to Eric Fischer, chairman of the wood committee of Peru's Exporters Association.

“Korea is a highly industrialised country in this field and its forest sector provides a wide variety of wood products that are used for various applications in the construction sector”, Fischer added.

Peru Sawnwood Prices

Peru Sawnwood, FOB Callao Port	US$ per m^3
Mahogany S&B KD 16%, 1-2” random lengths (US market)	1698-1745
Spanish Cedar KD select	
North American market	918-922
Mexican market	897-921
Pumaquiro 25-50mm AD Mexican market	532-586

Peru Sawnwood, FOB Callao Port (cont.)	US$ per m^3
Virola 1-2" thick, length 6'-8' KD	
Grade 1, Mexican market	312-364
Grade 2, Mexican market	255-274↑
Cumaru 4" thick, 6’-11’ length KD	
Central American market	831-855
Asian market	829-888
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	312-339↑
Grade 2, Mexican market	259-269↑
Grade 3, Mexican market	139-156
Marupa (simarouba) 1”, 6-13 length KD	
Grade 1, Mexican market	216-235

Peru sawnwood, domestic	US$ per m^3
Mahogany	879-911
Virola	54-72
Spanish Cedar	259-311
Marupa (simarouba)	61-75

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	402-411
Cedar fissilis, 2 faces sanded 4x8x5.5mm	746-758
Lupuna, treated, 2 faces sanded, 5.2x4x8mm	363-385
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	1341-1432
Cumaru KD, S4S Swedish market	797-920
Asian market	1077-1232
Cumaru decking, AD, S4S E4S, US market	949-1139
Pumaquiro KD # 1, C&B, Mexican market	423-511
Quinilla KD, S4S 2x10x62cm, Asian market	502-527
2x13x75cm, Asian market	712-779

Report from Guyana

Log prices down – sawnwood up

For the period under review, greenheart log prices remained unchanged while purpleheart and mora log prices were down.

For sawnwood, undressed greenheart (select) prices jumped from US$785 per cu.m to US$933 per cu.m over the period under review. However, the exported volumes were small.

Similarly, undressed purpleheart (select) gained from US$750 per cu.m to US$1000 per cu.m while mora sawnwood prices were steady. Dressed greenheart and purpleheart both reached higher price averages at US$975 per cu.m and US$912 per cu.m respectively.

During the period under review, baromalli plywood prices were steady for BB/CC and down for utility category.

Guyana’s washiba (ipe) continues to be in demand attracting a price average of US$1,600 per cu.m for this fortnight period.

Roundwood and splitwood contributed to the total export earnings with favourable average prices the major destination being the Caribbean market.

For the period under review, exports of value-added products gained. The major product categories were doors and windows made from amarante/purpleheart. Also, NTFP's and mouldings contributed to the total export earnings.

Guyana log export policy

Guyana Log Export Policy having a specific focus on enhancing domestic value-added forest product production and utilisation of lesser known species came into effect in January 2009. The policy introduces higher export commission rates on key log species used for value-added production in Guyana. Before the imposition of higher export commission rates, the rate was 2% on all logs. The current regulation recognises three groups with different treatments applied since January 2009.

The first group of species were imposed with a 7% export commission rate effective from January 2009, 10% from January 2010, and subjected to 12% from January 2011 up to December 2011. This group includes the following log species: purpleheart, red cedar, letterwood, bulletwood, cow wood, tatabu, kabukalli, shibadan, tauroniro, washiba, hububalli, tonka bean, darina, greenheart, and brown silverballi.

The second group of species were imposed with a 7% export commission rate from January 2009 and 10% from January 2010 up to December 2011. The group includes: itikiboroballi, determa, wamara, hakia, mora, dukali, keriti silverballi, wallaba, fukadi, and futui.

The third group exposed to the higher export commission rates include squares 20.3 cm X 20.3 cm and greater (or 8" X 8" and greater). This applies to the following species: purpleheart, red cedar, letterwood, kabukalli, shibadan, washiba, hububalli and tonka bean.

According to interim reports, the implementation of Guyana log export policy has proved to be so far successful. The main value-added timber species showed a 40% decrease in log export volume in 2009 and a 25% decrease in the first half of 2010 compared to the same period in 2009. Among the main species that have shown significant decline in log exports are greenheart, purpleheart, kabukalli and washiba. However, production volumes of these logs have been maintained implying higher domestic processing.

Exports of value-added forest products, especially dressed sawnwood for construction, have increased for washiba, kabukalli and shibadan as a result of the policy implementation. The Guyana Forestry Commission (GFC) has been working to encourage the forest sector to take steps to further develop timber processing. The GFC expects that two currently implemented ITTO projects on Kiln Drying and Forest Industry Development will boost this effort.

According to the GFC, a comprehensive assessment and recommendations on the current log export policy will be published in 2011. In this review, performance of the current policy, other international examples, and plans for Guyana's forest sector will be taken under consideration.

Guyana Log Prices

Logs, FOB Georgetown	SQ - $ Avg unit value per m^3		
	Std	Fair	Small
Greenheart*	140	130	120
Purpleheart	200-230⬇	170-215⬇	150-200⬇
Mora	120⬇	115-120⬇	-

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

Guyana Sawnwood Prices

Sawnwood, FOB Georgetown		$ Avg unit val. per m^3	
EU and US markets		Undressed	Dressed
Greenheart	Prime	-	-
	Standard	-	649-975
	Select	575-933	
	Sound	-	
	Merchantable	500	
Purpleheart	Prime	-	-
	Standard	-	700-912⬆
	Select	636-1000	
	Sound	-	
	Merchantable	550-650	
Mora	Prime	-	
	Select	500-509⬆	
	Sound	450	
	Merchantable	400⬇	

Guyana Plywood Prices

Plywood, FOB Georgetown Port			$ Avg unit val. per m^3
Baromalli	BB/CC	5.5mm	-
		12mm	470⬆
	Utility	5.5mm	-
		12mm	385-475⬇

Report from Japan

July plywood imports jumped

According to the Japan Lumber Reports (JLR), plywood consumption in Japan during July was 533,100 cu.m, up 19% from July 2009 and 2.9% more than recorded in June 2010. July plywood imports amounted to 303,400 cu.m, gaining 22% from July last year and 9.3% from June 2010. Japanese wholesalers say that imports over 300,000 cu.m, under the current market situation, are pushing down prices. However, imports are expected to decrease due to log shortages in the producing countries.

July plywood imports from Malaysia surged 29% over July last year. From the beginning of the year, Malaysia exported 11% more plywood to Japan compared to the same period last year while Japan's plywood imports from Indonesia have remained stable.

Due to relatively high inventories and current weak demand imported plywood prices were down. The average market price for imported 3x6 concrete formboard is now Yen 890-920 per sheet delivered, which is Yen 10-20 per sheet less than in August. Prices for 3x6 coated concrete formboard are now at Yen 1,060-1,080 per sheet and for 2x6 at Yen 780-790 per sheet, down Yen 10-20 per sheet and Yen 30 per sheet respectively from August.

July and cumulative plywood imports from the beginning of the year 2010

	July 2010 (cu.m)	% change on July-09	Jan-July 2010 (cu.m)	% change Jan-July 2009 to 2010
Malaysia	166,145	28.7	932,536	11.4
Indonesia	76,259	-6.3	517,074	-0.9
China	49,616	47.1	345,992	68.3
New Zealand	3,533	173	21,056	38.2
Canada	415	-52.4	2,808	-17.3
Others	7,464	246.4	39,842	83
Total imports	303,432	22.1	1,859,308	15.9

Source: JLR

Wood composite flooring imports pick up

In the first half of 2010, imports of wood composite flooring amounted to 6,785,900 tsubo (22,393,470 square metres), up 7.6% compared to the same period last year.

Type 1 wood composite flooring uses hardwood plywood. In the first half of 2010, the output of Type 1 flooring totalled 4,751,700 tsubo while imports were 4,714,900 tsubo. Type 3 wood composite flooring uses domestic softwood, plantation plywood and fibreboard. Production of Type 3 was 2,152,300 tsubo and imports 2, 071,000 tsubo in the first half of the year, up 9.4% and 3.6% respectively compare to the same period last year.

The JLR forecasts higher wood composite flooring prices for the second half of the year as tropical hardwood plywood prices are anticipated to rise. The share of domestic softwood in wood composite flooring is increasing and a new product using domestic softwood plywood and MDF has already been introduced, reports JLR.

Falcata plywood supply increases

Falcate plywood manufacturer in Indonesia, PT Sejahtera Usaha Bersama, has increased the supply of falcate plywood for Japanese building material manufacturer Tostem Corporation, reports JLR.

Tostem Corporation is said to start production of structural 12mm floor base boards with certified falcate plywood core and with certified South East Asian hardwood plywood face and back.

PT Sejahtera Usaha Bersama has been producing monthly 35,000 cu.m of falcate plywood out of which 500-600 cu.m has been exported to Japan. According to JLR, exports to Japan will grow to 3,000 per month.

PT Sejahtera Usaha Bersama is part of the Samko Timber group including also other plywood and Laminated Veneer Lumber (LVL) manufacturers such as Sumber Graha Sejahtera and Sumarindo.

Law to promote wood in public buildings

The law promoting wood use in public buildings is due to come into effect on 1 October 2010, reports the JLR. The law aims at increasing the degree of self-sufficiency in industrial wood consumption and to tackle climate change by intensifying the use of wood. The law requires the use of locally grown wood for public buildings; it also recommends wood use in biomass power generation, pulp and paper manufacturing and building infrastructure. The initiative in the public sector is expected to have a knock-on effect on the private sector leading to a greater use of wood in buildings.

All in all, the forestry sector and wood building material manufacturers in Japan expects the new regulations to improve timber demand which has been sluggish due to the low housing starts. The challenge for the building material manufacturers is to develop new wood products for large buildings. Larger size squares like 135mm, 150mm and 180mm will be needed instead of standard housing size squares of 105mm and 120mm.The JLR notes that new building standards and technical solutions need to be sought to meet new challenges and requirements from the construction sector.

Log and Sawnwood Prices in Japan

Logs for Ply Manufacture, CIF	Yen per Koku
Meranti (Hill, Sarawak)	(Koku=0.278 m^3)
Medium Mixed	7,100
Standard Mixed	7,300
Small Log (SM60%, SSM40%)	7,100
Taun, Calophyllum, others (PNG)	8,000
Mixed light hardwood, G3/4 grade (PNG)	-
Keruing MQ & up (Sarawak)	10,500
Kapur MQ & up (Sarawak)	9,600

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)	Aug (¥ per sheet)	Sep (¥ per sheet)
2.4mm (thin plywood, F 4star, type 2)	920 X 1830	320	320
3.7mm (med. Thickness, F 4star, type2)	910 X 1820	450	450
5.2mm (med. Thickness, F 4star, type 2)	910 X 1820	560	560
11.5mm for sheathing (F 4star, type 2)	910 X 1820	910	910
12mm for foundation (F 4star, special)	910 X 1820	950	940
12mm concrete-form ply (JAS)	900 X 1800	920	910
12m coated concrete-form ply (JAS)	900 X 1800	1090	1080
11.5mm flooring board	945 X 1840	1250	1280
3.6mm baseboard for overlays (OVL)	1230 X 2440	740	740
OSB (North American)			
12mm foundation of roof (JAS)	910 X 1820	-	-
9mm foundation for 2 by 4 (JAS)	910 X 2440	-	-
9mm conventional foundation (JAS)	910 X 2730	-	-
9mm conventional foundation (JAS)	910 X 3030	-	-

Report from China

China's timber consumption anticipated to increase

According to Zhang Jianlong, deputy administrator of the State Forestry Administration, China's total timber consumption will increase from 457 million cu.m in 2009 to 477 million cu.m for 2010, and the need for timber imports for domestic consumption will grow from 100 million cu.m to 150 million cu.m per year in 2010. Zhang Jianlong pointed out that the growing need for timber cannot be met only by importing more. It is urgent to promote domestic timber supply, allocate land areas for wood and timber production and improve forest management, he added.

According to the latest national forest inventory, China's total forest cover is 1.9 billion hectares accounting for 20% of the total land area, with a 13.7 billion cu.m standing wood stock volume. China's total area of plantation is the highest in the world, making up 38% of the global total.

In recent years, China's forest resources have been increasing due to large scale reforestation efforts, conversion of agricultural land to forests and through the implementation of the Natural Forest Protection Programme.

According to the National Plan for Conservation and Utilization of Forest Land (2010-2020), domestic consumption of timber and wood products will grow rapidly in line with social and economic development. The plan also addresses how to increase China's forest area in the future. According to the plan, China's forest area will reach 223 million hectares and standing wood stock 15.8 billion cu.m by 2020.

Shandong forestry enterprises in foreign countries

The implementation of Shandong Province's strategy to establish business activities abroad is reportedly progressing. According to the statistics from Shandong Forestry Bureau, some 17 forestry enterprises from Shandong Province have been setting up businesses in foreign countries for logging, timber processing and establishing forest plantations. These enterprises have rented or purchased a total of 3.5 million hectares of forests with 400 million cu.m of standing wood stock, which is four times more than the total provincial forest resources.

Zaozhuang Mining Industry Group invested US$200 million to buy forests with 1.6 million cu.m of standing wood stock in Canada and to build a timber downstream processing base in Rizhao City. Yangxin Eurasia Woodwork Company rented a forest area with 1.2 million cu.m of standing wood stock while Yantai Northwest Forestry Co. Ltd rented forest area with 45,000 cu.m, both in Russia. In Gabon, Shangdong Longsheng Group acquired a concession with 450,000 cu.m of standing wood stock. Shandong Sun Paper Industry Co. Ltd rented forests with a total of 99,900 cu.m standing stock from South East Asian countries such Laos to initiate pulp and paper production.

The expansion of Shandong forestry sector seems to continue as more and more enterprises are showing interest to invest in foreign forestry resources, capital and technologies. In 2007, there were 21 Shandong's enterprises participating in field visit to Russian forest resources. In March 2010, 8 enterprises took part in the Investment and Trade fair held in Russia for Shandong downstream timber enterprises.

Shandong Forestry Bureau has established cooperation with Russia, Japan, Indonesia and Australia to facilitate and provide information for enterprises to invest in foreign countries.

Cost of Chinese furniture in US market

According to Chinese furniture industries, furniture exports will be greatly affected by the changes in the US Formaldehyde Standards for Composite Wood Products Act, which stipulates hardwood plywood, particleboard and MDF sold in the US must meet a formaldehyde emission standard of 0.09 parts per million by January 1, 2013.

As a result, furniture enterprises will have to use E0 panel instead of E1 panel to produce their products which will increase the costs of furniture manufacturing by 20%, says a spokesman of Zhejiang furniture industry.

Wood-based panel imports from Thailand pick up

According to the statistics from Ningbo Entry-Exit Inspection and Quarantine Bureau, in the first seven months of 2010 wood-based panel imports from Thailand through Ningbo Port were 60,000 cu.m worth US$21 million. Thailand tripled its wood-based panel exports over the same period in 2009, making up 38% of the total wood-based panel imports through Ningbo Port.

There were 3 major enterprises which imported each 15,000 cu.m of rubber wood panels in Ningbo district.

Guangzhou City Imported Timber Market

Logs	Yuan per m^3
Lauan (50-60cm)	1900-2100
Kapur (up to 79cm)	2000-2100
Merbau 6m, (up to 79cm)	3500-4000
Teak	11000-13000
Wenge	5000-5200
Sawnwood	
Teak sawn grade A (Africa)	9300
US Maple 2" KD	7500-10000
US Cherry 2"	10000-13000
US Walnut 2"	14000-16000
Lauan	4000-4200
Okoume	4000-5000
Sapele	6100-6300

Shanghai Furen Wholesale Market

Logs	Yuan per m^3
Teak (Myanmar, all lengths)	7500-8500
Sawnwood	
Beech KD Grade A	4800-5000
US Cherry, 1 inch	9500-10000
US Red Oak, 50mm	6500-7000⬆
Sapele 50mm FAS (Congo)	
KD (2", FAS)	6500-6800
KD (2",grade A)	5700-5800

Shandong De Zhou Timber market

Logs		Yuan per m^3
Larch	6m, 24-28cm diam.	1200
White Pine	6m, 24-28cm diam.	1300
Korean Pine	4m, 30cm diam.	1350
	6m, 30cm diam.	1450
Mongolian Scots Pine	6m, 30cm diam.	1380⬆

Hebei Shijiangzhuang Wholesale Market

Logs		Yuan per m^3
Korean Pine 4m, 38cm+ diam		1600
Mongolian Scots Pine	4m, 30cm diam.	1450
	6m, 30cm+ diam.	1600
Sawnwood		
Mongolian Scots Pine	4m, 5-6cm thick	1550
	4m,10cm thick	1600

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	800-1200
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

Europe offers little prospect of improved hardwood plywood demand

European consumption of tropical hardwood plywood remained at low levels during the third quarter and there now seems little prospect of any significant upturn in forward buying before the end of the year.

The significant UK market for tropical hardwood plywood is becoming increasingly oriented towards break bulk shipments from China at a time when consumption is limited and buying is more price focused. Despite continuing concerns about quality, fitness for purpose and environmental credentials, Chinese plywood is being favoured in the UK because it offers a 20-30% price advantage compared to Malaysian plywood, the principal competitor.

After significant arrivals of Chinese product in recent months and with construction sector activity still slow and facing an uncertain future, forward buying of hardwood plywood in the UK has been limited in September. A particular concern for the future of the UK market is the government Comprehensive Spending Review due to be published in October which may well demand very significant cutbacks in public sector spending on construction and renovation activity.

European imports of hardwood plywood from Indonesia are now restricted to high value specifications, with much of the volume destined for continental Europe rather than the UK. Rising prices for birch plywood from Russia over recent months, a result of the forest fires that raged through the country this summer, have helped boost demand for film-faced Indonesian plywood in Europe.

European imports of hardwood plywood from Brazil, formerly a major supplier, are currently running at negligible levels. Brazilian hardwood plywood exports to the whole of Europe averaged little more than 2000 cu.m per month in the first half of 2010.

CIF Europe prices for Chinese hardwood plywood edged higher over recent months in response to rising raw material and labour costs in China and strengthening of the Yuan on international exchange markets. Although there are reports of a downturn in Chinese production in recent weeks due to poor weather conditions, European agents and importers report that supplies are sufficient to meet continuing low levels of European consumption. Anticipated increases in Chinese FOB prices may be offset by slightly lower freight rates in coming weeks.

Meanwhile CIF Europe prices for Malaysian and Indonesian hardwood plywood have remained broadly steady in recent months, with a slight rising tendency reported for some grades such as film-faced Indonesian product. No significant supply problems are reported and products are currently available for reasonably prompt shipment.

Consumption of okoume plywood in the main European markets of France, Netherlands, Italy and Spain, remains very sluggish. This business has become increasingly difficult during the course of 2010 with, on the one hand, margins squeezed by rising raw material costs due to the Gabon log export ban and, on the other, mounting competitive pressure from lower priced alternatives such as poplar combi plywood.

European demand for African sawnwood still subdued

European forward orders for African tropical sawnwood have remained subdued during the third quarter. An improvement in the Euro-Dollar exchange rate, which decreased the competitiveness of African hardwoods relative to Asian alternatives, reinforced the usual slowdown over the summer vacation period. There is still little sign of any significant improvement in orders at the end of September. Many European importers continue to reduce their stock holdings of African sawnwood in the face of sluggish consumption and on-going supply difficulties.

Following CIF Europe price rises for African hardwood sawnwood in the first half of 2010, prices have remained broadly stable over recent months. However, there are some signals that the rise in prices for sapele sawnwood, probably the most significant tropical joinery species traded in Europe, may resume during the last quarter of the year. This reflects low stocks both in Europe and in the African supply pipeline which has resulted in long lead times. New forward orders of sapele sawnwood are unlikely now to be shipped prior to Christmas.

European demand for sipo sawnwood is currently very subdued and FOB prices are stable. Demand for iroko sawnwood is a little more buoyant which, against a background of very limited availability, is encouraging some exporters to push for higher prices.

The Gabon log export ban has led to a decrease in availability of sawnwood of more special African species such as padouk, ovangkol, and bubinga in the European market. Significant volumes of these species were formerly cut from Gabonese logs in European mills. These species are likely to remain in limited supply until such time as African mills respond by increasing levels of processing for the relevant European niche markets.

In contrast to the situation with African sawnwood, there are reports that weakening of the US dollar against the Euro during the third quarter, combined with rising prices for sapele sawnwood and low landed stock levels encouraged a pick-up in European forward orders of Malaysian meranti sawnwood during the third quarter.

The Netherlands Sawnwood Prices

FOB (Rotterdam)	US$ per m^3
Sapele KD	953⬆
Iroko KD	1130⬆
Sipo KD	1130⬆
DRM Bukit KD	932
DRM Seraya KD	939
DRM Meranti KD Seraya MTCC cert.	953
Merbau KD	1215
Sapupira (non FSC) KD	946
Sapupira (FSC) KD	1483
Anti-slip decking AD C&F Rotterdam	
Selangan batu	1504

UK Log Prices

FOB plus commission		€ per m^3
N'Gollon (khaya)	70cm+ LM-C	350-380
Ayous (wawa)	80cm+ LM-C	250-270
Sapele	80cm+ LM-C	320-340
Iroko	80cm+ LM-C	380-420
African Walnut	80cm+ LM-C	340-370

UK Sawnwood Prices

FOB plus Commission		GB Pounds per m^3
Framire	FAS 25mm	495-505⬆
Sipo	FAS 25mm	685-710⬆
Sapele	FAS 25mm	590-610⬆
Iroko	FAS 25mm	700-730⬆
Wawa	FAS25mm	305-340⬆
CIF plus Commission		
Tulipwood FAS 25mm		345-370
Meranti Tembaga Sel/Btr (KD 2"boards)		545-565⬇
Balau/Bangkirai Decking		945-990⬇
White Oak		580-630

UK Plywood and MDF Prices

Plywood Panels 8x4", CIF	US$ per m^3
Brazilian WBP BB/CC 6mm	540-560
Malaysian WBP BB/CC 6mm	560-580
China (hardwood face, eucalyptus core) 18mm	370-380
China (tropical hardwood face, poplar core) 18mm	350-370

Report from North America

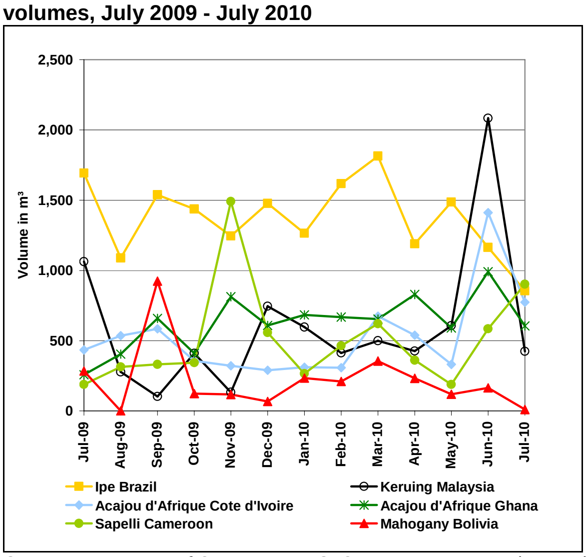
US tropical timber imports

Hardwood sawnwood imports

The US imported 18,806 cu.m of tropical sawnwood in July 2010, 9% less than in June. Balsa remains the leading species (5,737 cu.m), followed by acajou d'Afrique (2,108 cu.m), mahogany (1,995 cu.m) and sapelli (1,924 cu.m). Virola imports from Peru and Brazil picked up in July totalling 1,341 cubic metres. Keruing sawnwood from Malaysia dropped from a high of 2,083 cu.m in June to 425 cu.m in July.

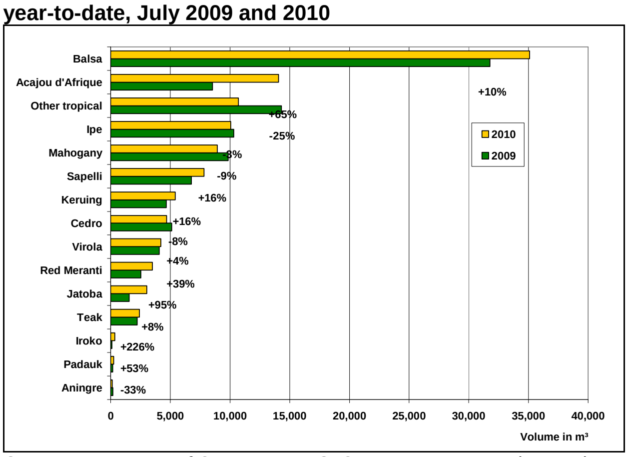
Year-to-date tropical sawnwood import volumes were 8% higher in July than in the same period last year. Among the species with the largest gains were acajou d'Afrique (+65%), red meranti (+39%) and jatoba (+95%). The year-to-date value of tropical sawnwood imports was 16% higher than in July 2009.

US tropical hardwood sawnwood imports. Monthly import volumes, July 2009 - July 2010



Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

US tropical hardwood sawnwood imports. Import volumes year-to-date, July 2009 and 2010

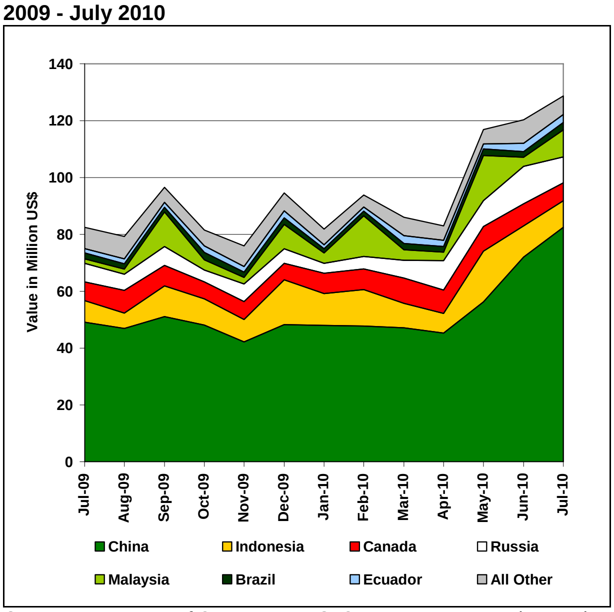


Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

Hardwood plywood imports

US imports of hardwood plywood continued to recover in July 2010. Year-to-date imports were US$710.8 million, up by 34% from the same period in 2009. Monthly imports were worth US$128.7 million in July, up 7% from June. July 2010 imports from China were US$82.5 million (+29% year-to-date), from Indonesia US$9.3 million (+80% year-to-date), and from Malaysia US$9.7 million (+296% year-to-date). July imports from Brazil were US$2.5 million (+6% year-to-date) and from Ecuador US$2.7 million (+54% year-to-date).

US hardwood plywood imports. Monthly import values, July 2009 - July 2010



Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

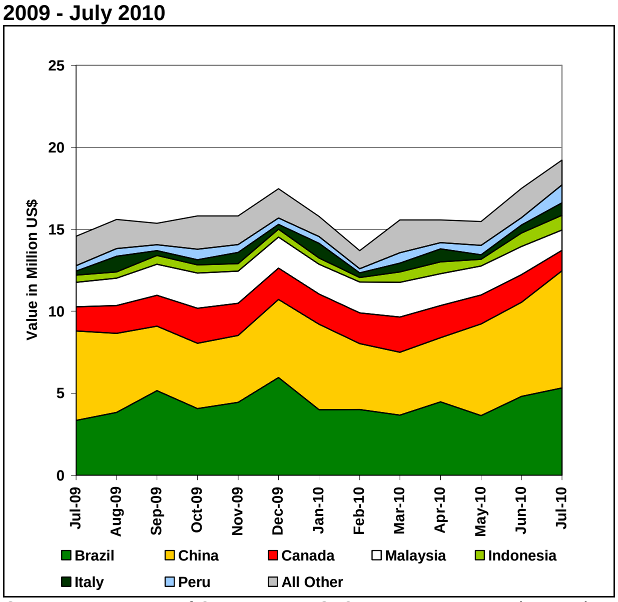
Hardwood moulding imports

Hardwood moulding imports increased to US$19.3 million in July, which is 15% above June imports. Year-to-date imports were US$106.7 million in July, up by 4% compared with the same period last year. Year-to-date imports declined for jatoba (-14%), ipe (-20%) and mahogany (-24%) compared to 2009. Cumaru moulding imports were up by 40% on a year-to-date basis.

The US imported from Brazil US$2.3 million worth of jatoba moulding in July (+11% from June), US$321,000 of cumaru moulding (-44%), and US$541,000 of ipe moulding (+133%). The value of cumaru moulding imports from Peru were US$507,000 (+66%).

China is again the top supplier with US$35.4 million year-to-date July. Brazil is back on second place at US$29.9 million.

US hardwood moulding imports. Monthly import values, July 2009 - July 2010

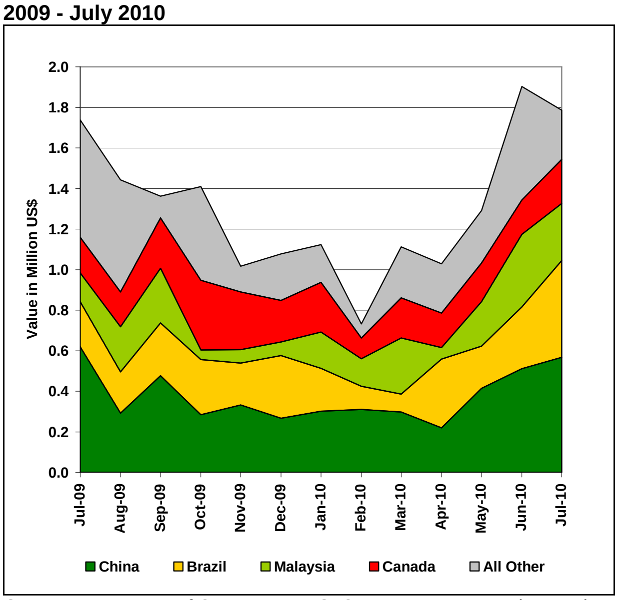


Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

Hardwood flooring imports

Hardwood flooring imports recovered from the record low last winter, but imports remain at very low levels. Total July imports were valued at just US$1.8 million. Year-to-date imports declined by 48% compared to July 2009. China is the country most affected by this decline. July imports from China were just US$567,000 (-72% year-to-date). Hardwood flooring imports from Brazil were US$477,000 in July 2010 (-6% year-to-date). Malaysia's exports were US$281,000 (-15% year-to-date).

US hardwood flooring imports. Monthly Import Values, July 2009 - July 2010



Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

Thermally treated wood on show at 2010 IWF

Several suppliers of thermal wood modification equipment exhibited at the 2010 International Woodworking Machinery & Furniture Supply Fair (IWF) in Atlanta. The intended market is North American hardwoods and softwoods that could replace tropical hardwoods in flooring, other interior furnishings, outdoor furniture, etc. Thermally modified wood products are also often marketed as green products since the process does not use any chemicals. The heat treatment in kilns increases the wood's water resistance and dimensional stability. The treatment schedule can be adjusted to achieve desired colour changes in the wood.

The biennial IWF is North America's largest trade show of machinery, supplies and services for the woodworking industries. This year's show was significantly smaller in both attendance and number of exhibitors than the 2008 show, reflecting the difficult market conditions for the wood products industry.

US Timber prices

	Aug-10 US$ per cu.m	Sep-10 US$ per cu.m
Ipe (Brazil) Decking Premium Grade AD, 1x6, FOB Belem	2400	2425
Ipe (Brazil) Decking Premium Grade AD, 5/4x6, FOB Belem	2400	2450
Jatoba (Brazil) No.1 Common & Better AD, FOB Belem	-	-
Jatoba (Brazil) No.1 Common & Better KD, FOB Belem	-	-
Khaya (Côte d'Ivoire) FAS KD, FOB Abidjan	740	740
Khaya (Ghana) FAS KD, FOB Takoradi	880	870
Sapele (Cameroon) FAS AD, FOB Douala	720	720
Sapele (Cameroon) 4/4 to 8/4 FAS KD, FOB Douala	840	840

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 petroleum-based adhesives used to make plywood and many other wood products have been proved to leach toxic formaldehyde fumes, but all that is on the way out. Scientists from the USDA Forest Products Laboratory are working on a new class of soy-based wood adhesive that uses a substance found in soy milk and tofu. Soy-based wood adhesives that perform as well as their petroleum-based cousins are already inching their way into the market, but the USDA scientists have a more ambitious goal: to develop soy-based glues that are even stronger than conventional glues.
http://www.scientificamerican.com/article.cfm?id=thanks-to-tofu-the-plywood-of-the-f-2010-08

The Ministry of Lands and Natural Resources of Ghana has embarked on a revision of the 1994 Forest and Wildlife Policy of the country. The review has become necessary in view of the negative emerging trends in the forestry sector, both locally and internationally and the need to develop a framework to address some of the concerns. Among other issues, there is a need to cater for the interests and needs of the informal forest sector and other services that the forestry department provides.
http://www.ghananewsagency.org/s_science/r_20245/

The furniture industry in Saudi Arabia has emerged as a fast growing, highly untapped industry over the past few years, according to a new report. The booming economy, government support and young population base, coupled with other secondary factors, have created a strong platform for the furniture industry to grow to new horizons. Despite the economic slowdown, the industry sustained its growth rate and achieved positive year-on-year growth. Moreover, furniture consumption is anticipated to grow at a Compound Annual Growth Rate of around 12% during 2011-2013, making Saudi Arabia one of the most attractive furniture markets in the Middle East.
http://www.tehrantimes.com/index_View.asp?code=226521

Engineered softwood products are becoming cheaper creating more competition in the construction sector against steel and hardwood timber, according to the latest report by forest consultants URS. URS said the prices of engineered softwood products had been on a "downward path" over the past year, with price declines of 2-5 per cent in the year to June. The price of Laminated Veneer Lumber (LVL) continued to decline in the June quarter. "The downward price movements in engineered wood products will continue to place competitive pressure on solid hardwood timber and steel products in high strength commercial and residential construction," URS said.
http://www.smh.com.au/business/property/cheaper-softwood-puts-pressure-on-competition-20100829-13xou.html

The Consumer Council of Fiji calls for standard for plywood used in building and repairing boats.
http://www.fijitimes.com/story.aspx?id=155640

The low-grade packing timbers that have been used for pallets and timber dunnage have found to be the major cause for spreading forest-destroying diseases throughout the world. Young beetle grubs can survive and grow to maturity in cut timber. Importing countries generally discard these packing timbers, just when the beetles complete their development and emerge into a new habitat. The international phytosanitary regulations, generally known as ISPM15 and backed by the United Nations, were designed and introduced to address the global spread of timber pests and disease by regulating the movement of unprocessed raw timber packaging and dunnage.
http://www.ferret.com.au/c/PACKSPEC/Research-on-tImber-pallets-alternatives-to-stop-spread-of-invasive-species-by-Packspec-n896819

A new fund in Australia has raised hundreds of millions of dollars to invest in forests in New Zealand and Australia. New Forests Pty has closed the approximate $A648 million Australia New Zealand Forest Fund, which will invest in timberland properties and forestry-related assets in Australia and New Zealand. The fund's investors include international and regional institutional investors who have identified Australian and New Zealand timberland as an attractive component of their alternative asset portfolio allocation.
http://tvnz.co.nz/business-news/forestry-fund-in-australia-invest-nz-3791275

Omar Azan, president of the Jamaica Manufacturing Association is urging actors in the furniture industry to share information, make use of clustering, and to be aggressive in their marketing to survive over the tight economic climate. Azan offered the advice while addressing the Jamaica Wood Products and Furniture Association (JaWFA) installation ceremony of new executives. He said that what would take the sector to another level is sharing at four levels. The training, he said, should take place between manufacturers; between manufacturers and the association that serves them; between manufacturers and government; and between manufacturers and the public.
http://www.jamaica-gleaner.com/gleaner/20100919/business/business2.html

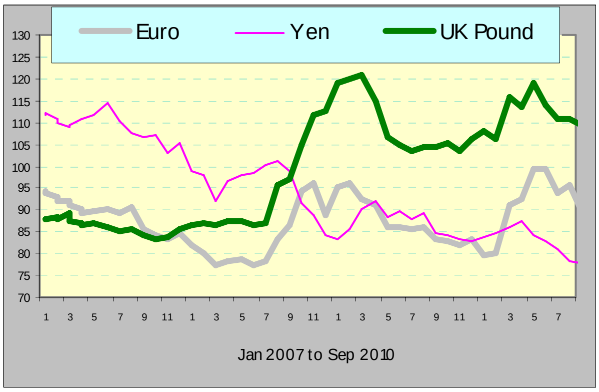
Swedish furniture giant IKEA Group plans over the next three years to double its annual spending on products from South Asia to €1 billion. In addition, IKEA is pressing the Indian government to relax investment regulations so it can launch its retail superstores in the country. The company is eager to open retail stores in India, but regulations require it to have a local business partner limiting its share in a joint venture to 51%.
http://online.wsj.com/article/SB10001424052748703989304575503391487933342.html?mod=googlenews_wsj

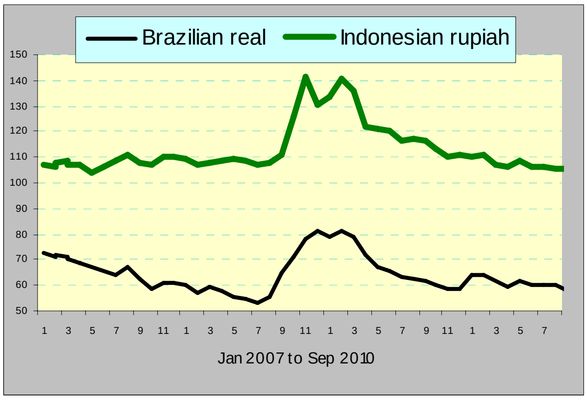
Main US Dollar Exchange Rates

As of 29th September 2010

Brazil	Real	1.7039
CFA countries	CFA Franc	482
China	Yuan	6.6874
EU	Euro	0.7337
India	Rupee	44.7227
Indonesia	Rupiah	8937
Japan	Yen	83.65
Malaysia	Ringgit	3.0855
Peru	New Sol	2.7871
UK	Pound	0.6336

Exchange rates index (Dec 2003=100)

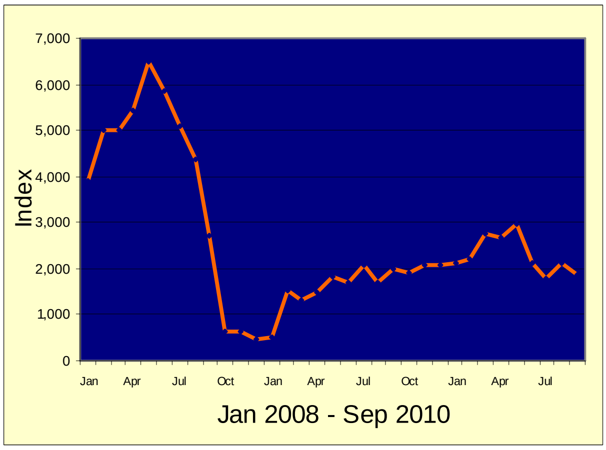




Abbreviations and Equivalences

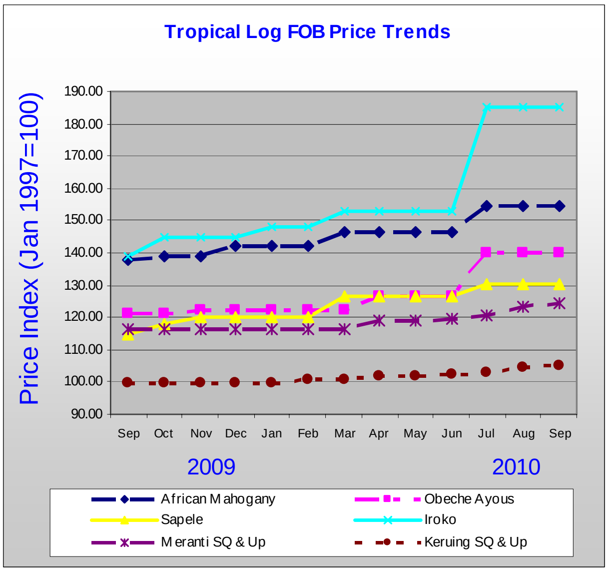
LM	Loyale Merchant, a grade of log parcel
QS	Qualite Superieure
CI, CE, CS	Choix Industriel, Economique or Supplimentaire
FOB	Free-on-Board
CIF; CNF	Cost, insurance and freight; Cost and freight
KD; AD	Kiln Dry; Air Dry
Boule	A log sawn through and through, the boards from one log are bundled together.
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
TEU	Twenty-foot equivalent unit
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
OSB	Oriented strand board
MDF	Medium Density Fibreboard
PHND	Pin hole no defect grade
$; ⬆⬇	US dollar; Price has moved up or down

Ocean Freight Index

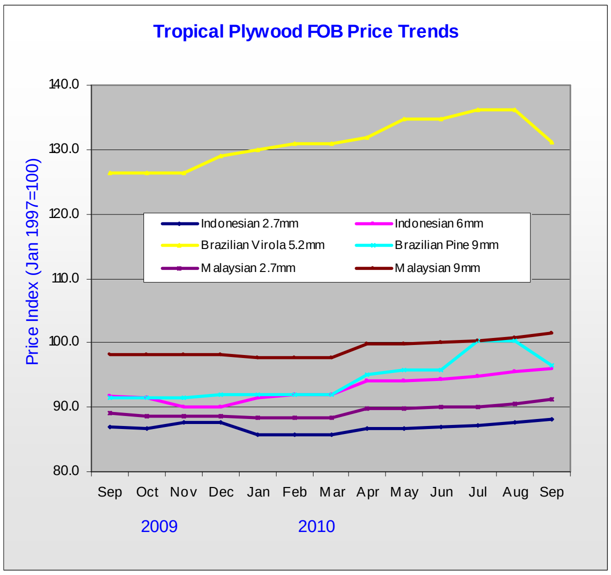


The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes. It is based on a 52,454 mt bulk carrier carrying commodities such as timber.

Tropical Log Price Trends

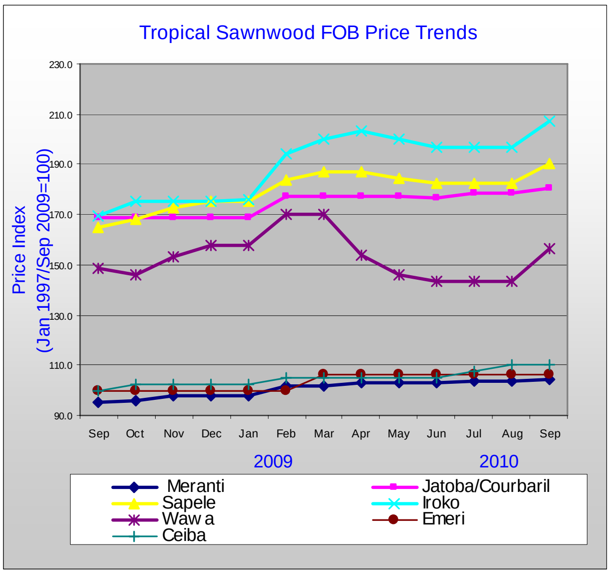


Tropical Plywood Price Trends



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

Tropical Sawnwood Price Trends



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