

# Tropical Timber Market Report

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## Top Story

### **Guangdong Province links investment in processing to investment in raw material supply**

Guangdong Province is implementing regulations requiring that investment in primary processing timber enterprises must be backed by a feasibility study on raw material supply.

New enterprises which have an annual production capacity of over 10,000 cu.m can only be established after a forest inventory and planning process has been completed.

New primary processing industries with an annual production capacity of over 30,000 cu.m are required to include provision for the establishment of forest resources which can supply at least 50% of their raw material requirements.

## Report from Central/West Africa

### Price levels unchanged as new export markets absorb increased output

The news from producers is that there has been little change in the market situation even as buyers in Europe and N. America prepare for the Christmas and New Year holidays.

Export prices for logs and sawnwood remain stable. The doubts expressed by exporters in August and September this year that the prices being obtained for certain species were likely to fall back to the previously established levels did not materialise.

The anticipated price correction did not occur even as sawnwood production in the region expanded steadily throughout the year.

Efforts at market diversification to a wider range of consumer countries have been successful for some exporters and this has helped balance production and demand levels thereby stabilising prices.

### Producers track demand trends to avoid over-production

In recent weeks log harvesting in Cameroon has not picked up as expected as the rains lasted through into November, much longer than usual. This has resulted in log stocks dropping below normal levels for this time of year.

Elsewhere, production and export volume have remained quite closely balanced but sawmillers are keeping a very close check on customer demand forecasts hoping to avoid running into an oversupply situation.

### Chinese preference for 'in fashion' species amid slowing demand

As mentioned in previous reports, producers are seeing a slowdown in demand from China but this, so far, has not impacted the overall market, though certain species are said to be 'out of favour'.

The effect of any decline in demand is more likely to be felt by sawnwood producers than log exporters. This, say analysts, is because the availability of logs for export continues to fall and demand for export logs is firm in India. However, the recent weakening of the rupee is likely to soon have an impact on the market.

### Market prospects for 2012 hinge on resolution of EU debt crisis

Producers are unanimous in their view that forecasting how business will develop in the first quarter of 2012 is virtually impossible. They are somewhat reassured that the Eurozone countries are determined to resolve the currency problem in ways that will ensure more stable economies for the biggest debtors. However, the trade is aware that there will still be large spending cuts that will negatively impact demand for Central and W. African wood products.

The UK government appears to be ready to release funding for infrastructure projects to stimulate the construction sector and it seems likely this may become part of the pattern for other European countries as one of the quickest ways to boost employment opportunities.

The new government in Spain might well take this route as the construction sector is in disarray with reports of around 30% unemployment in this sector.

### Log Export Prices

West African logs, FOB		€ per m <sup>3</sup>		
Asian market		LM	B	BC/C
Acajou/ Khaya/N'Gollon	205	205	165	
Ayous/Obeche/Wawa	200	200	145	
Azobe & Ekki	205	205	122	
Belli	215	215	-	
Bibolo/Dibétou	145	130		
Bubinga	790	625	480	
Iroko	290	280	220	
Okoume (60% CI, 40% CE, 20% CS) (China only)	250	-	-	
Moabi	280	280	190	
Movingui	185	150	140	
Niove	155	155	-	
Okan	310	310	-	
Padouk	380	345	235	
Sapele	250	245	180	
Sipo/Utile	275	250	190	
Tali	285	285	-	

### Sawnwood Export Prices

West African sawnwood, FOB		€ per m <sup>3</sup>	
Ayous	FAS GMS	300	
Bilinga	FAS GMS	505	
Okoumé	FAS GMS	450	
	Merchantable	300	
	Std/Btr GMS	334	
Sipo	FAS GMS	500	
	FAS fixed sizes	-	
	FAS scantlings	460	
Padouk	FAS GMS	850	
	FAS scantlings	860	
	Strips	350	
Sapele	FAS Spanish sizes	395	
	FAS scantlings	430	
Iroko	FAS GMS	655	
	Scantlings	655	
	Strips	405	
Khaya	FAS GMS	425	
	FAS fixed	440	
Moabi	FAS GMS	530	
	Scantlings	540	
Movingui	FAS GMS	420	

## Report from Ghana

### Export permits drop by a third in July-September period

A total of 1,235 export permits were processed, approved and issued by the Timber Industry Development Division (TIDD) during the third quarter, covering shipments of timber and wood products through the ports of Takoradi and Tema, as well as overland exports to neighbouring ECOWAS countries.

The Table below summarises the number of export permits issued by product during the second and third quarter of 2011.

	2nd Qtr 2011	3rd Qtr 2011	
PRODUCT	Permits Issued	Permits Issued	% Change
Lumber	1,032	564	-45.3
Rotary Veneer	31	29	-6.5
Sliced Veneer	126	101	-19.8
Curls Veneer	1	1	0
Boules	17	11	-35.3
Plywood	271	279	3
Mouldings	156	135	-13.5
Dowels	5	5	0
Floorings	15	4	-73.3
Layons	3	2	-33.3
Teak Logs	80	86	7.5
Gmelina Billets/Poles	10	16	60
Blockboard	4	2	-50
Profile Boards	4	0	
TOTAL	1755	1235	-29.63

The number of permits issued in the third quarter declined by almost 30% compared to the previous quarter.

The number of permits issued in Kumasi fell drastically from the previous quarter figure of 622 to just 155. This, say local analysts, could be due to the TIDD exercise of eliminating chainsaw lumber exports which go mainly to neighbouring countries.

The number of permits issued for Kumasi shipments to neighbouring countries dropped from 519 in the second quarter to 54 in the third quarter.

The highest number of export permits issued was for sawnwood shipments which accounted for 45% of the total number of export permits issued during the quarter under review. Permits for plywood export were the second highest.

#### Regional, Middle East and Asian markets sustain price levels

During the third quarter of this year the TIDD processed and approved contracts for the exports of sliced veneer, mouldings and celtis sawnwood meant for the West African market.

Mouldings produced from species such as wawa, koto, otie, utile, ofram and walnut were shipped to Nigeria. Contracts for exports of sliced veneer to the Ivory Coast and celtis sawnwood for Senegal were approved.

During the third quarter exporters were able to meet the Minimum Guiding Selling Price (GSP) for plywood destined for the West African market, especially Nigeria. Most export contract prices were well above the GSP. The TIDD data shows that prices for wawa sawnwood contracts for Far and Middle East countries improved from levels recorded recently.

#### Firm demand at low prices an issue in the US market

In contrast, exporters of mahogany sawnwood to the US market were, with a few exceptions, unable to satisfy the GSP. The gap between the contract price and the GSP in the second quarter was around 3-7%. However, in the third quarter the difference between the price being offered by US buyers and the Ghana GSP widened to 7-11%.

Ghana's under utilised species such as celtis, yaya and denya continued to find markets in the Middle and Far East countries. Shorts of denya sawnwood continue to attract buyers for the Chinese market.

#### Ghana's exports to the US boosted by African Growth and Opportunity Act

Ghana's exports of all products to the US doubled during the period September 2010 to September 2011 according to the US International Trade Commission (USITC) which uses statistics data provided by the US Department of Commerce to compile country reports.

This performance was aided by the US 'African Growth and Opportunity Act' (AGOA). The data show that Ghana's export under the AGOA (including the GSP) increased from US\$31.1 mil. September 2009- 2010 to US\$195.7 mil. over the same period up to September 2011.

Ghana's main exports to the US market comprised agricultural products, forest products, textiles and apparel.

#### Domestic Log Prices

Ghana logs	US\$ per m <sup>3</sup>	
	Up to 80cm	80cm+
Wawa	140-150	157-170
Odum Grade A	165-170	175-185
Ceiba	118-130	132-148
Chenchen	90-100	105-120
Khaya/Mahogany (Veneer Qual.)	111-123	125-145
Sapele Grade A	145-155	160-185
Makore (Veneer Qual.) Grade A	128-135	140-166
Ofram	105-114	118-127

#### Domestic Sawnwood Prices

		US\$ per m <sup>3</sup>
Wawa	25x300x4.2m	289
Emeri	25x300x4.2m	305
Ceiba	25x300x4.2m	240
Dahoma	50x150x4.2m	330
Redwood	25x300x4.2m	444
Ofram	25x225x4.2m	298

### Export Sawnwood Prices

Ghana Sawnwood, FOB FAS 25-100mm x 150mm up x 2.4m up	€ per m <sup>3</sup>	
	Air-dried	Kiln-dried
Afrormosia	855	-
Asanfina	495	560
Ceiba	210	269
Dahoma	330	385
Edinam (mixed redwood)	400	450
Emeri	350	490
African mahogany (Ivorenensis)	568	685
Makore	530	580
Niangon	515	620
Odum	625	720
Sapele	555	630
Wawa 1C & Select	260	307

### Export Veneer Prices

Rotary Veneer, FOB	€ per m <sup>3</sup>	
	CORE (1-1.9mm)	FACE (<2mm)
Bombax	315	350
Ofram,	320	355
Ogea & Otie	315	350
Chenchen	315	350
Ceiba	330	353
Mahogany	415	450

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

### Export Rotary Veneer Prices

Rotary Veneer 2mm and up, FOB	€ per m <sup>3</sup>	
	CORE (2mm & up)	FACE (2mm & up)
Ceiba	280	285
Chenchen	305	345
Ogea	305	340
Essa	290	330
Ofram	310	350

### Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afrormosia	1.19	1.00
Asanfina	2.00	.90
Avodire	1.12	0.69
Chenchen	1.10	.59
Mahogany	2.00	1.40
Makore	2.00	0.90
Odum	1.80	1.40

### Export Plywood Prices

Plywood, FOB BB/CC	€ per m <sup>3</sup>		
	Ceiba	Ofram	Asanfina
4mm	380	565	597
6mm	367	540	575
9mm	310	384	445
12mm	290	390	397
15mm	285	327	343
18mm	275	320	333

Grade AB/BB would attract a premium of 10%, B/BB 5%, C/CC 5% and CC/CC 10%.

### Export 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%.

### Export Moulding Prices

Mouldings (FOB)	€ per m <sup>3</sup>
Dahoma grade 1	492
Denya grade 1	700
Hotrohotro grade 1	580
Wawa grade 1	500
Wawa grade 2	428
Ekki grade 1	570
Wawabimba Laminated grade 1	750

## Report from Malaysia

### Investment in furniture production will bring substantial benefits to Sarawak

The Ministry of International Trade and Industry is urging the timber sector in Sarawak, as the state with the largest timber resource, to consider expanding investment in the furniture industry. This, says the Ministry, could lead to a higher return on investments.

The Ministry added that, while Malaysia exported RM8 billion worth of furniture in 2010, Sarawak's share was a mere RM20 million of the total.

The Sarawak Timber Industry Development Corporation (STIDC) hoped that its planned establishment of extensive plantations will provide resources for the furniture industry in Sarawak to take off.

### Risk of credit squeeze looms in Malaysia and across Asia

According to Nomura International (Hong Kong) Ltd, the Malaysian economy is expected to recover in the second half of 2012 and fourth quarter 2012 growth of up to 7.3%. Growth in the third quarter 2011 is projected at 5.8% and fall to around 4% in the final quarter of the year.

The exposure of Malaysian banks to European banks reportedly stood at US\$50 billion in June 2011 excluding investments by HSBC and Standard Chartered banks, both of which have significant operations in Malaysia.

European banks with large overseas exposure may tighten credit lines and lessen their exposure in Asia which could lead to tighter credit conditions and net capital outflows from Asian countries.

### Government spending led growth may be unsustainable in the long term

The current GDP growth achieved in Malaysia was driven by public sector investment with one-third of this coming from direct government spending. This, say analysts is unsustainable in the long term.

As a result there is not much room for expansionary fiscal policy in Malaysia for 2012 due to the relatively high public-debt-to-GDP ratio of 55%, the second highest in Asia.

The outlook for the Malaysian timber industry in 2012 remains uncertain as prices of timber and wood products remain weak mainly because of poor housing starts in major export markets.

### Log Export Prices (Sarawak)

	US\$ per m <sup>3</sup>
Sarawak log, FOB	265-292
Meranti SQ up	253-286
Small	255-279
Super small	247-259
Keruing SQ up	238-271
Small	227-251
Super small	239-265
Kapur SQ up	244-278
Selangau Batu SQ up	

### Domestic log Prices

	US\$ per m <sup>3</sup>
Pen. Malaysia logs, domestic (SQ ex-log yard)	
DR Meranti	283-302
Balau	325-355
Merbau	378-409
Rubberwood	105-139
Keruing	247-263

Peninsular Malaysian meranti logs are top grade and are used to produce scantlings for the EU. These log prices are higher than for the same species in Sarawak's.

### Export Sawwood Prices

	US\$ per m <sup>3</sup>
Malaysia Sawwood, FOB	
DR Meranti	412-448↓
White Meranti A & up	308-338↓
Seraya Scantlings (75x125 KD)	448-460↓
Sepetir Boards	276-305↓
Sesendok 25,50mm	362-380↓
Kembang Semangkok	343-372↓

### Domestic Sawwood Prices

	US\$ per m <sup>3</sup>
Malaysian Sawwood, domestic	
Balau (25&50mm,100mm+)	344-364↓
Merbau	485-537↓
Kempas 50mmx(75,100 & 125mm)	289-329↓
Rubberwood	
25x75x660mm up	236-287↓
50-75mm Sq.	275-307↓
>75mm Sq.	297-327↓

### Export Plywood Prices

	US\$ per m <sup>3</sup>
Malaysia ply MR BB/CC, FOB	
2.7mm	443-504↓
3mm	425-455↓
9mm & up	377-447↓

### Domestic Plywood Prices

	US\$ per m <sup>3</sup>
Meranti ply BB/CC, domestic	
3mm	369-459↓
12-18mm	352-381↓

### Other Panel Export and Domestic Prices

	US\$ per m <sup>3</sup>
Malaysia, Other Panels, FOB	
<i>Particleboard</i>	
Export 12mm & up	262-285
Domestic 12mm & up	253-267
<i>MDF</i>	
Export 15-19mm	313-345
Domestic 12-18mm	305-324

### Export Added Value Product Prices

	US\$ per m <sup>3</sup>
Malaysia, Mouldings, FOB	
Selagan Batu Decking	574-584↓
Red Meranti Mouldings	
11x68/92mm x 7ft up	
Grade A	568-601↓
Grade B	543-553↓

### Export Furniture and Parts Prices

	US\$ per piece
Malaysia, Rubberwood, FOB	
Semi-finished dining table	
solid laminated top 2.5'x4', extension leaf	78-94↓
As above, Oak Veneer	84-98↓
Windsor Chair	77-79↓
Colonial Chair	75-80↓
Queen Anne Chair (soft seat)	
without arm	74-86↓
with arm	77-87↓
Chair Seat 27x430x500mm	63-68↓
Rubberwood Tabletop	US\$ per m <sup>3</sup>
22x760x1220mm sanded & edge profiled	
Top Grade	634-664↓
Standard	617-633↓

## Report from Indonesia

### Risk of dispute looms peatland boundaries are adjusted

Indonesia is revising the boundaries of the peatland defined in the moratorium agreed with Norway. Reports suggest that some 4.8 million ha. of peatland will be removed from the area of 10.7 million ha. previously defined as protected in the original moratorium.

Compounding the chances of a dispute on areas covered by the moratorium is the decision by the Governor of Aceh province to allow an oil palm plantation to be established in an area which, say opponents, is a protected peatland.

### Weak global demand for Indonesian products will eventually affect Indonesian domestic economy

The housing markets in major timber importing countries continue to weaken and the EU debt crises continues to bear upon international trade opportunities. These factors, amongst others, are causing export prices for Indonesian timber products to spiral downwards reaching their lowest in 2011.

While the Indonesian domestic economy has remained stable, analysts are of the opinion that it will not be long before the weak global demand for Indonesian products begins to affect the local economy.

### Exporters call for aggressive timber export promotion

Indonesian timber exporters have expressed the view that there is a need for the timber industry and Indonesian government to formulate strategic programmes to boost the export of timber products.

Some timber exporters added that, while there are ongoing efforts, more aggressive programmes and planning are needed to cushion and safeguard the Indonesian timber industry in the short-term while solutions to the US and EU debt crises are negotiated.

### Domestic Log Prices

Indonesia logs, domestic prices	US\$ per m <sup>3</sup>
Plywood logs	
Face Logs	221-264
Core logs	209-238
Sawlogs (Meranti)	218-278
Falcata logs	186-217
Rubberwood	94-98
Pine	195-238
Mahoni (plantation mahogany)	504-535

### Domestic Ex-mill Sawnwood Prices

Indonesia, construction material, domestic	US\$ per m <sup>3</sup>
Kampar (Ex-mill)	
AD 3x12-15x400cm	208-227
KD	222-257
AD 3x20x400cm	242-265
KD	243-272
Keruing (Ex-mill)	
AD 3x12-15x400cm	257-271
AD 2x20x400cm	247-265
AD 3x30x400cm	230-249

### Export Plywood Prices

Indonesia ply MR BB/CC, export FOB	US\$ per m <sup>3</sup>
2.7mm	430-485↓
3mm	388-429↓
6mm	367-409↓

### Domestic Plywood Prices

MR Plywood (Jakarta), domestic	US\$ per m <sup>3</sup>
9mm	292-303
12mm	283-294
15mm	273-288

### Export and Domestic Other Panel Prices

Indonesia, Other Panels, FOB	US\$ per m <sup>3</sup>
<i>Particleboard</i>	
Export 9-18mm	243-252
Domestic 9mm	226-238
12-15mm	221-233
18mm	217-228
<i>MDF</i>	
Export 12-18mm	275-290
Domestic 12-18mm	261-273

### Export Added Value Product Prices

Indonesia, Mouldings, FOB	US\$ per m <sup>3</sup>
Laminated Boards	
Falcata wood	325-338↓
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	518-549↓
Grade B	476-498↓

## Report from Myanmar

### 2011 has not been a very good year for the Myanmar timber industry

In reviewing the year analysts say, compared to 2010, 2011 was not a very good year for the timber trade.

While demand for teak held up reasonably well, demand for pyinkado was very weak throughout the year.

Prices for pyinkado started to show signs of weakness in late 2010 and this continued throughout 2011.

Analysts say the price levels for pyinkado are set too high and do not reflect current interest in this timber or the economic realities in the importing countries.

Another factor which disrupted trade was the weather. Early rains in April this year made transportation of logs difficult and caused a supply shortage in the Yangon log yards.

The market for lower priced gurjan (kanyin) logs, which was not active during 2010, made a slight recovery in the second quarter only to weaken again in September and October.

The slowdown in western economies has had a negative impact on the demand from countries importing timber from Myanmar.

### Few prospects for a quick market turn-round

Demand in India, a major buyer of timber from Myanmar, has been affected largely by the rapid depreciation of the Indian rupee.

India is a main market for teak from Myanmar and in this market demand for teak began to weaken during the second half of the year. As the year is about to come to an end there are few prospects for an early recovery in demand for teak, pyinkado and gurjan.

### CIFOR statistics illustrate strength of demand for logs in India

Myanmar's Central Statistical Organisation data reports the export of logs from January to December in 2010 as 237,100 cubic tons of teak and 681,500 cubic tons of hardwoods. The figures for the period January to September 2011 are 185,400 tons of teak and 572,400 tons of hardwoods.

Figures compiled by CIFOR for the year 2010 showed China bought 0.4 million cu.m of logs valued at US\$ 0.14 billion CIF and 0.1 million cu.m of sawnwood valued at US\$0.05 billion CIF from Myanmar. India's imports were stated at 0.8 million cu.m of logs valued at US\$0.31 billion CIF.

### December teak log sales for local millers concluded

The following are the results for tender sales of teak logs for the local industries held on 9 December 2011.

#### Yangon lots- total 401 tons

Grade	Euro/ton
SG-5	1629
SG-6	1283
SG-7	532
SG-8	250

€per ton of 50 cubic feet hoppus measure

#### Mandalay lots. Total 181 tons

Grade	Euro/ton
SG-7	415

€per ton of 50 cubic feet hoppus measure

### Dates for December open tender for teak

The Myanmar Timber Enterprise open tender teak log sales for December will be held on the 16<sup>th</sup> and the 19<sup>th</sup> of this month.

### November hardwood log prices

Hardwood log prices FOB per hoppus ton	Euro per h.ton
Pyinkado export quality	685+ (280 tons)
Gurjan export quality	390 (260 tons)
Hnaw (Haldu)	589 (8 tons)
Htaukkyant (Indian Laurel)	407 (48 tons)

Prices are in Euro per hoppus ton FOB (Hoppus ton equivalent to 1.83 cu.m)

### Myanmar Teak Log Auction Prices (natural forest logs)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)	
	Oct	Nov
<i>Veneer Quality</i>		
2nd Quality	nil	nil
3rd Quality	nil	nil
4th Quality	4,630 (11 tons)	4,739 (10 tons)
<i>Sawing Quality</i>		
Grade 1 (SG-1)	3,200 (15 tons)	3,386 (15 tons)
Grade 2 (SG-2)	2,880 (209 tons)	2,793 (45 tons)
Grade 4 (SG-4)	2,092 (67 tons)	2,091 (231 tons)
Grade 5 (SG-5) Assorted	1,494 (219 tons)	1,577 (198 tons)
Grade 6 (SG-6) Domestic	1,343 (59 tons)	1,245 (85 tons)
Grade 7 (ER-1)	1,100 (30 tons)	973 (27 tons)

Hoppus ton=1.8m<sup>3</sup>; All grades, except SG-3/5/6, are length 8' x girth 5' & up. SG-3/4/6 are girth 4' & up. SG-3 grade is higher than SG-4 but with lower girth and price. Prices differ due to quality or girth at the time of the transaction.

## Report from India

### Global economic downturn affecting the Indian economy

India's GDP fell to a two year low of 6.9 percent in the second quarter of this financial year, slipping below 8% for the third straight quarter. The economy grew 8.4% during the corresponding quarter of last year.

Simultaneously, the Indian rupee suffered its worst decline against the US dollar in 16 years. In November the currency plunged almost 7 percent, pushing the downward trend to over 14 percent for the year to date.

Dollar demand from importers and financial outflows, as investors reacted to growing risks, caused the slide. The government and the Bank of India are acting to arrest this situation and stabilise the rupee exchange rate.

### Real estate sector performance slows

Analysts suggest that the shadow of the global economic weakness will dent India's growth figures for a while.

The focus of domestic manufacturers will shift from consumer demand in the mega cities such as Mumbai and New Delhi to other newly developed cities.

Government investment in rural development projects holds a better promise for industry than the weakening demand in the traditional urban domestic markets.

Boom and bust swings in demand are a common phenomenon and this provides an opportunity for the industry to attend to production and distribution weaknesses and to improve performance by delivering higher quality products and better services.

The emerging so-called 'integrated townships' are where the future of India's manufacturing sector will be in the future say analysts. The global economic weakness and the undermining of consumer confidence have put a brake on consumption by consumers in the high-end domestic market.

The timber industry has to turn to the affordable home segment which was not given much attention while the overall real estate market was booming. Housing demand from middle and lower income groups will probably be the driving force for the manufacturing industry from 2012 onwards.

### Smugglers of Red Sanders become violent

Forest officials and wardens are facing increased violence from timber smugglers.

The unresolved case of the death of a forest officer in Andhra Pradesh, the main producing area for red sanders, is thought to be caused by the action of gangs stealing this timber. This is the first time that a forest officer has been killed pursuing thieves.

It is estimated that approximately 2,000 tons of this precious wood is being smuggled to other Asian countries for the manufacture of herbal medicines, special musical instruments and cosmetics.

In 2010-2011, 1,591 persons were arrested and a total of 1,290 tons of red sanders was seized.

### First hardwood auction in the Central Province fetches good prices

Harda, Jabalpur, Hoshangabad and Betul Forest Division depots have just completed the first post Deewali auctions for the current season and the dates for sales during December have been set.

Approximately 20,000 cu.m of teak logs and 14,500 cu.m of other hardwoods as well as bamboo and teak poles will be sold at the upcoming auction.

At the recently concluded auction good demand resulted in high average prices for teak logs as shown below.

### Teak log prices (per cubic foot)

#### 2 ~ 3 metres length

46 ~ 60 cms girth	Rs.1000~1100
61 ~ 75 “	Rs.1100~1200
76 ~ 90 “	Rs.1200~1300
91 cms and up	Rs.1400 plus

#### 3 ~ 4 metres length

46 ~ 60 cms girth	Rs.1050~1150
61 ~ 75 “	Rs.1200~1300
76 ~ 90 “	Rs.1300~1400
91 cms and up	Rs.1500 plus

#### 4 ~ 5 metres length

45 ~ 60 cms girth	Rs.1300~1400
61 ~ 75 “	Rs.1400~1500
76 ~ 90 “	Rs.1600~1700
91 cms and up	Rs.1800 plus

### Laurel logs (per cubic foot)

#### 3 to 4 metres length

46 to 60 cms.girth	Rs.250 ~300
61 to 75 “	Rs.300 ~350
76 to 90 “	Rs.400 ~450
90 cms and up	Rs.500 plus

### Imported Plantation Teak Prices (C&F)

	US\$ per m <sup>3</sup>
Tanzania Teak sawn	450-800
Côte d'Ivoire logs	450-850
PNG logs	500-700
El-Salvador logs	400-550
Guatemala logs	400-500
Nigeria squares	300-500
Ghana logs	350-650
Guyana logs	300-450
Benin logs	425-650
Benin sawn	475-600
Brazil squares	400-600
Columbia logs	400-600
Togo logs	350-500
Ecuador squares	350-1000
Costa Rica logs	350-650
Panama logs	350-475
Sudan logs	350-800

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.

### Domestic Ex-mill Sawnwood Prices for Myanmar Teak

Sawnwood (Ex-mill)	Rs. per ft <sup>3</sup>
Myanmar Teak (AD)	
Export Grade F.E.Q.	4200-10400
Plantation Teak A grade	3100-4200
Plantation Teak B grade	2600-3100
Plantation Teak FAS grade	2000-2600

### Domestic ex-mill sawnwood prices and ex-warehouse sawnwood prices for imported timbers

Sawnwood, (Ex-mill) (AD)	Rs. per ft <sup>3</sup>
Merbau	1300-1500
Balau	1350-1750
Kapur	900-1050
Red Meranti	750-950
Radiata Pine (AD)	500-550

Sawnwood, (Ex-warehouse) (KD)	Rs. Per ft <sup>3</sup>
Beech	900-1200
Sycamore	900-1200
Red oak	950-1300
White Oak	1250-1650
American Walnut	1800-2150
Hemlock clear grade	900-1100
Hemlock AB grade	750-850
Western Red Cedar	1200-1350
Douglas fir	950-1000

### Domestic Ex-warehouse Prices for Imported Plywood

Plywood, (Ex-warehouse) (MR Quality)	Rs. per sq.ft
4 mm	30.25
6 mm	44.00
12 mm	66.50
15 mm	79.00
18 mm	95.00

### Domestic Ex-warehouse Prices for Locally Manufactured Plywood

Locally Manufactured Plywood "Commercial Grade"	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	Rs.14.10	Rs.24.20↓
6mm	Rs.20.60	Rs.35.20
8mm	Rs.26.50	Rs.39.40
12mm	Rs.32.00	Rs.42.20
19mm	RS.43.25	Rs.56.75
5mm Flexible ply		Rs.27.00

## Report from Brazil

### Furniture hub in Cruzeiro do Sul attracts investors

The establishment of an industrial hub in Cruzeiro do Sul in the Amazon State of Acre is almost complete. The Acre State government has invested about R\$3 million in the development of this industrial centre.

This investment, specifically for the wood processing sector, has attracted the attention of entrepreneurs from other States.

Many industrialists are keen on this initiative in Acre as the state has two strategic road connections, one is highway BR-364, which helped inter-state integration and another is the convenient connection to ports on the Pacific coast via the Trans-oceanic highway.

This new development makes Acre an attractive location for industrial development and new wood processing operations are expected to open at the industrial hub.

The timber industry in Acre benefits from support for its operations, with its raw material supply is guaranteed legal since it comes from community and publicly managed forests or from private land covered by management plans.

Representatives of manufacturers in the hub are appreciative of the investment by the state government and the efforts of the government to invest in an industrial sector.

**Bright long term prospects for wood product manufacturers**

Despite the current global economic downturn, countries with primary raw material production capability have a secured future. This has prompted the Brazilian Senate to review the country’s long term export strategy.

Analysts suggest that, taking account of global trends, the forestry and timber industries will have a bright future in the coming years.

In September, Brazilian exports of wood products were valued at US\$155 million, representing a 6.7% decline on the previous month. Imports of wood products were US\$17 million, a sharp drop of 14.4% from the previous month.

In order to be well prepared for the eventual improvement in global demand parliamentary initiatives, aimed at creating the conditions for investment in added value production, are said to offer prospects for a sound future for the sector in the medium to long-term.

There is a proposal being considered by the Brazilian senate for a ban on the export of unprocessed wood. This measure, if adopted, should encourage greater investment in wood processing which, in turn would create more jobs and increase export earnings.

**Furniture output grows despite uncertainties in global economy**

The Brazilian furniture industries are worried that the uncertainties in the global economy, mainly caused by the crisis in the euro-zone countries, will continue to depress demand. In addition exchange rate fluctuations have resulted in Brazilian wood products loosing international competitiveness.

Despite the international crisis, the furniture sector achieved positive growth in August mirroring trends in the overall Brazilian processing industries. Furniture output in August increased 12% compared to levels in August 2010.

However, furniture exports have been falling. For the year to-date Brazil’s furniture exports were around US\$337 mil., 12% lower than in the same period in 2010.

In contrast furniture imports have been growing due mainly to the strength of the real. From January to August 2011, imports climbed 97% higher than in the same period in 2010. However, in September there was a significant drop in the level of imports reflecting the sharp depreciation of the Brazilian real against the US dollar.

Measures by the federal government to assist the furniture sector such as investment in promotion, lowering interest rates, and other measures to boost domestic demand helped the furniture sector.

**Wood Identification System could raise tax revenues to state**

The Mato Grosso Institute of Agricultural Protection (Indea) participated in the First Wood Anatomy and Identification Seminar in the Amazon, in Belém, Pará. The main objective was to exchange experiences on the establishment of wood anatomy and identification systems and log scaling in the Amazon region.

In 2009, when the latest survey was conducted, there were 71 wood processing centres in the Amazon region. These centres were logging approximately 14.2 million cubic metres annually. The states of Pará, Mato Grosso and Rondônia were the largest producers. Estimates of the gross revenue generated by the Amazon timber industry in that year were around R\$4.9 billion.

Cost effective systems for anatomical identification of species is considered the most reliable means to ensure that consumers receive the species they require. Correct specie identification is also a tool to value products an element in the process to secure certification from state agencies.

If an easy to use wood identification system can be developed it could, say analysts, result in higher state timber tax revenues and help in protecting controlled species as well as improving consumer protection.

**Domestic Log Prices**

Brazilian logs, mill yard, domestic	US\$ per m <sup>3</sup>
Ipê	167
Jatoba	122
Guariuba	82
Mescla (white virola)	87

**Export Sawnwood Prices**

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per m <sup>3</sup>
Jatoba Green (dressed)	1,002
Cambara KD	592
Asian Market (green)	
Guariuba	314
Angelim pedra	722
Mandioqueira	270
Pine (AD)	223

**Domestic Sawnwood Prices**

Brazil sawnwood, domestic (Green)	US\$ per m <sup>3</sup>
<i>Northern Mills</i> (ex-mill)	
Ipê	856
Jatoba	643
<i>Southern Mills</i> (ex-mill)	
Eucalyptus (AD)	219
Pine (KD) 1st grade	252

**Export Veneer Prices**

Veneer, Export (Belem/Paranagua Ports) FOB	US\$ per m <sup>3</sup>
White Virola Face 2.5mm	314
Pine Veneer (C/D)	229

**Domestic Veneer Prices**

Rotary cut Veneer, domestic	US\$ per m <sup>3</sup>	
(ex-mill Northern Mill)	Face	Core
White Virola	287	235

### Export Plywood Prices

	US\$ per m <sup>3</sup>
Plywood, FOB	
White Virola (US Market)	
5.2mm OV2 (MR)	455
15mm BB/CC (MR)	401
White Virola (Caribbean market)	
4mm BB/CC (MR)	554
12mm BB/CC (MR)	427

	US\$ per m <sup>3</sup>
Pine Plywood EU market, FOB	
9mm C/CC (WBP)	326
15mm C/CC (WBP)	305
18mm C/CC (WBP)	315

### Domestic Plywood Prices

	US\$ per m <sup>3</sup>
Plywood, domestic (ex-mill Southern mill)	
Grade MR (B/BB) White Virola 4mm	930
White Virola 15mm	693

Domestic prices include taxes and may be subject to discounts.

### Export Prices For Other Panel Products

	US\$ per m <sup>3</sup>
Belem/Paranagua Ports, FOB	
Blockboard Pine 18mm 5 ply (B/C)	313
<i>Domestic Prices, Ex-mill Southern Region</i>	
Blockboard White Virola faced 15mm	609
Particleboard 15mm	409

### Export Prices For Added Value Products

	US\$ per m <sup>3</sup>
FOB Belem/Paranagua Ports	
Edge Glued Pine Panel	
Korean market (1st Grade)	704
US Market	543
Decking Boards	
Cambara	713
Ipê	1,879

## Report from Peru

### Peru's GDP growth may exceed forecasts

Official data from the national authority, SUNAT, reveals that the value of Peru's exports in the first 10 months of the year rose by more than a third compared to levels in the same period in 2010.

Analysts report that exports of traditional products grew by 75% while the so-called non-traditional exports grew over 20%.

Foreign exchange earnings were derived mainly from agricultural products, the oil and gas industries, the mining sector (copper and gold) and the fisheries sector.

Economists are painting a rosy picture of prospects for the country's GDP growth suggesting that growth in 2011 could exceed government forecasts.

### Peru stands to gain from Economic Partnership Agreement with Japan

The Economic Partnership Agreement with Japan, which was signed earlier this year, has been ratified and analysts point out that this will benefit the textile and clothing sectors as well as the forestry, agriculture and fishing sectors.

This agreement provides for reduced tariffs on Peruvian products. Similarly, Peru will also benefit from competitive Japanese products. From 2012 Peru will have operational trade agreements with two of the world's largest economies namely Japan and China.

For more see [www.andina.com.pe](http://www.andina.com.pe)

### Export Sawnwood Prices

	US\$ per m <sup>3</sup>
Peru Sawnwood, FOB Callao Port	
Mahogany S&B KD 16%, 1-2" random lengths (US market)	1655-1702
Spanish Cedar KD select	
North American market	958-977
Mexican market	946-965
Pumaquiro 25-50mm AD Mexican market	532-586

	US\$ per m <sup>3</sup>
Peru Sawnwood, FOB Callao Port (cont.)	
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	390-421
Grade 2, Mexican market	333-365
Cumaru 4" thick, 6'-11' length KD	
Central American market	834-849
Asian market	798-871
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	509-549
Dominican Republic	564-573
Marupa (simarouba) 1", 6-11 length Asian market	368-394▲

	US\$ per m <sup>3</sup>
Peru Sawnwood, FOB Iquitos	
Spanish Cedar AD Select Mexican market	887-909
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	392-425↓
Grade 2, Mexican market	311-347↓
Grade 3, Mexican market	161-176
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	258-283

### Domestic Sawnwood Prices

	US\$ per m <sup>3</sup>
Peru sawnwood, domestic	
Mahogany	867-911
Virola	69-92↓
Spanish Cedar	264-305
Marupa (simarouba)	73-87↓

### Export Veneer Prices

	US\$ per m <sup>3</sup>
Veneer FOB Callao port	
Lupuna 3/Btr 2.5mm	198-223
Lupuna 2/Btr 4.2mm	212-222
Lupuna 3/Btr 1.5mm	211-221

### Export Plywood Prices

	US\$ per m <sup>3</sup>
Peru plywood, FOB Callao (Mexican Market)	
Copaiba, 2 faces sanded, B/C, 15x4x8mm	318-347
Virola, 2 faces sanded, B/C, 5.2x4x8mm	399-406
Cedar fissilis, 2 faces sanded 4x8x5.5mm	750-761
Lupuna, treated, 2 faces sanded, 5.2x4x8mm	363-385
Lupuna plywood B/C 15x4x8mm	366-382
B/C 9x4x8mm	345-350
B/C 12x4x8mm	350-360
B/C 8x4x15mm	410-429
C/C 4x8x4mm	389-425
Lupuna plywood B/C 8x4x4mm Central Am.	370-393

### Domestic Plywood Prices

	US\$ per m <sup>3</sup>
Lupuna Plywood BB/CC, domestic (Iquitos mills)	
122 x 244 x 4mm	438
122 x 244 x 6mm	397
122 x 244 x 8mm	415
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

### Domestic Prices for Other Panel Products

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

### Export Prices for Added Value Products

		US\$ per m <sup>3</sup>
Peru, FOB strips for parquet		1287-1388
Cabreuva/estoraque KD12% S4S, Asian market		852-961
Cumaru KD, S4S	Swedish market	970-1020
	Asian market	934-996
Cumaru decking, AD, S4S E4S, US market		423-511
Pumaquiro KD # 1, C&B, Mexican market		477-503
Quinilla KD, S4S 2x10x62cm, Asian market		708-768
	2x13x75cm, Asian market	

## Report from Guyana

### Mora and purpleheart logs are the current favourites in export markets

The weakness in demand for greenheart logs continues and there were no exports of this product during the period under review. Demand in the local market is stable and there is continued processing of greenheart logs into added value products to satisfy the housing market.

On the other hand, purpleheart logs are in demand in export markets and prices are favourable for all log categories. The current price levels are higher than those in the previous period of review.

Mora logs are also in demand and this translated into attractive and improved prices for all log categories compared with levels in the previous period.

### Firm European demand for sawn greenheart surprises the trade

While demand for greenheart logs is weak the situation is different for greenheart sawnwood. Undressed greenheart sawnwood attracted good prices and rather surprisingly, there was firm demand from major buyers in Europe, Guyana's main market for greenheart.

Overall, prices for undressed greenheart sawnwood are holding for all categories except merchantable.

After a quiet period, undressed greenheart prime quality was in demand again on the export market and good prices of US\$ 800 per cubic metre were secured.

Select quality undressed greenheart was exported at prices from US\$636 to US\$806 per cubic metre, up on levels in the previous period. On the other hand, exporters report that prices for undressed greenheart sound quality fell from US\$1,509 to US\$1,399 per cubic metre.

Prices for undressed purpleheart select quality remain unchanged while undressed Mora sawnwood prices were favourable during this fortnight period with export demand for all categories except prime quality.

During the period under review dressed sawn prices were mixed. Dressed greenheart prices fell at the top of the range from US\$1,350 to US\$996 per cubic metre.

Dressed purpleheart prices, on the other hand, rose significantly from US\$912 to US\$1,060 per cubic metre for this period in comparison to the previous period.

Guyana washiba (ipe) in the form of dressed sawnwood attracted a remarkable price average of USD 2,500 per cubic metre.

Guyana plywood was shipped to destinations in the Caribbean and South America at prices as much as US\$600 per cubic metre.

### Export Log Prices

Logs, FOB Georgetown	SQ - \$ Avg unit value per m <sup>3</sup>		
	Std	Fair	Small
Greenheart*	-	-	-
Purpleheart	215-275↑	170-280↑	150-270↑
Mora	120-165	115-155↑	110-145

\*Small SQ is used for piling in the USA and EU. Price depends on length. In the case of no price indication, there is no reported export during the period under review.

### Export Plywood Prices

Plywood, FOB Georgetown Port		\$ Avg unit val. per m <sup>3</sup>	
Baromalli	BB/CC	5.5mm	Not available
		12mm	485-600
Utility		5.5mm	No export
		12mm	"

In the case of no price indication, there is no reported export during the period under review.

### Export Sawnwood Prices

Sawnwood, FOB Georgetown		\$ Avg unit val. per m <sup>3</sup>	
EU and US markets		Undressed	Dressed
Greenheart	Prime	800	-
	Standard	-	615-996
	Select	575-806	
	Sound	1,399	
	Merchantable	-	
Purpleheart	Prime	-	-
	Standard	-	750-1,060
	Select	650-1,050	
	Sound	-	
	Merchantable	-	
Mora	Prime	-	
	Select	500	
	Sound	467	
	Merchantable	400	

In the case of no price indication, there is no reported export during the period under review.

### Guyana's forestry sector falls under New Ministry of Government

Following the 2011 elections in Guyana the Ministry of Natural Resources and Environment responsible for the forestry and mining sectors in the country has been established.

The new ministry is currently headed by the former Minister of Agriculture Mr. Robert Persaud and seeks to harmonise policies in key areas of environment and natural resources so as to increase development within the natural resources sector.

This new ministry will be addressing a number of issues related to mining, environment, climate change and forestry. Guyana has been actively engaged in international dialogue to ensure and promote legal timber production and sustainable forest management and work on this will be enhanced.

### **Progress on the implementation of the Guyana Legality Assurance System**

The Guyana Legality Assurance System framework falls within the mandate of the new ministry in maintaining the legality aspect within forestry.

The Guyana Legality Assurance System has recently undergone rigorous review/audit by international bodies to assure its transparency and acceptance internationally.

A progress report on the implementation of the system was recently handed to the then Minister of Agriculture (now the new Minister of Natural Resources and the Environment). Implementation of this system is expected to make further progress in 2012.

## **Report from Japan**

### **Bearish sentiment in Japan caps log prices**

Prices for Malaysian logs moved up marginally in September but the underlying demand was not strong enough to sustain them. Currently, prices remain largely unchanged. Sentiment in the Japanese industry and in Malaysia is bearish, says the Japan Lumber Reports (JLR).

Importers in India, big buyers of Malaysian logs, are unable to live with the previous high prices, particularly as the rupee has depreciated significantly and rapidly. Indian buyers are reportedly looking for lower FOB prices. The other major market for logs is China where buyers are quiet.

### **Weak demand for super-small meranti and MLH logs**

The rainy season will soon begin in Sarawak and the question is when will it actually cause a slow down of harvesting operations. Normally the rain intensifies in December but so far, says the JLR, the slight rain so far has not hampered extraction and transportation.

Malaysian plywood mills are reportedly not chasing logs supplies as the plywood market is dull. As a result some log types such as super small Meranti and MLH are moving very slowly.

Sarawak meranti regular logs for the Japanese market are priced between US\$280-300 per cu.m., unchanged in two weeks. Some suppliers are pushing for US\$330 per cu.m but the Japanese mills find it hard to pay that much unless the quality of the logs is extremely good.

Meranti small log FOB prices are also flat at US\$260-270 per cu.m while super small log prices are US\$200-230, US\$20 down from October.

The demand for tropical logs in Japan is rather limited consequently suppliers are facing an up-hill struggle even to maintain prices at current levels. The JLR reports that Japanese plywood mills have ample log stocks and as consumption is slow the mills are cautious about committing to additional supplies.

### **Kitanihon Plywood abandons restoration of damaged plymill**

The Kitanihon plywood factory located in Ofunato which produced around 11,000 cu.m of plywood annually was badly damaged by the March tsunami.

The company has now abandoned restoration efforts due to the high cost and the risk of another tsunami since the plant is close to the ocean. A total of 127 employees will lose their jobs.

The subsidiary company, Ofunato Plywood, which had been manufacturing tropical hardwood plywood, had also stopped operation in May with the loss of 50 jobs.

### **Domestic forestry to get a boost from supplementary budget**

A third supplementary budget was approved in late November reports the JLR. Japan's Forestry Agency secured a budget of Yen 317.5 bil. far larger than the initial budget request of Yen 270 billion. The increase is due to a three year extension of the fund for revitalisation of the forests.

Funds are provided to subsidise the supply of domestic forest thinning for processing and use in the rehabilitation of quake damaged areas. Funds are also provided for the building of logging roads for more efficient harvesting.

The JLR says additional works to be financed from the budget include, clarification of forest boundaries, provision of harvesting machines, subsidies for log extraction, assistance for construction of additional wood processing facilities and work to dispose of biomass from the quake hit areas.

The focus of the budget is restoration of quake damaged areas and as such the previous emphasis on promoting domestic wood use in public buildings and support for the wider use of domestic timber is not emphasised in this budget.

The JLR reports that an amount of Yen 11.2 bil. is provided in the budget for restoration of damaged wood processing plants.

Funds have also been allocated to investigate the extent of radiation contamination from the damaged Fukushima nuclear power plant and as well as for decontamination of the forest but, as yet, there appears to be no available technology for this.

### **Incentives aimed at stimulating housing demand**

The budget for the Ministry of Land, Infrastructure and Transport contains elements aimed at stimulating demand for housing.

A range of measures have been introduced including, making it easier for home buyers to secure a mortgage, support for energy efficient homes and extension of the housing 'eco point' system.

The 'eco-point' system will apply to energy saving units and also house building in the quake damaged areas. Accordingly, the scheme is now called 'Restoration support and housing eco point system'. Points are earned by home owners when energy efficient materials and systems are used for building houses (e.g. double glazing, insulation and solar panels).

A budget has been provided to support local contractors who build the so called 'long life quality homes'. A subsidy is will be provided for houses if more than half of the timber used is certified.

#### Housing starts slipped in October as builders waited for reintroduction of subsidies

Total starts in October were 67,273 units, 5.8% less than the same month a year ago. This was the second lowest level of housing starts since October 2009.

The JLR commented that house builders postponed start-up as they anticipated the incentive measures introduced in the latest budget.

Owner units have fallen for two months and the starts for October were the second lowest for October. Units built for rent were the lowest for an October month. On the other hand, condominium starts were up but were less than 9,000 units. The only sector for which starts were unchanged was the detached built for sale homes.

In the quake damaged areas of Iwate and Fukushima prefecture starts were down by more than 10% but starts in Miyagi prefecture increased.

#### Imported Log and Sawwood Prices

Logs for Ply Manufacture, CIF Meranti (Hill, Sarawak)	Yen per Koku (Koku=0.278 m <sup>3</sup> )
Medium Mixed	8,300↓
Standard Mixed	8,400↓
Small Log (SM60%, SSM40%)	7,700↓
Taun, Calophyllum, others (PNG)	6,800↓
Mixed light hardwood, G3/4 grade (PNG)	-
Keruing MQ & up (Sarawak)	12,000↓
Kapur MQ & up (Sarawak)	11,000↓

Logs for Sawmilling, CIF	Yen per m <sup>3</sup>
Melapi (Sarawak) High Select	13,000
Agathis (Sarawak) High Select	-

Lumber, FOB	Yen per m <sup>3</sup>
White Seraya (Sabah) 24x150mm, 4m, Grade 1	155,000
Mixed Seraya, Sangi 24x48mm, 1.8-4m, S2S	58,000

#### Wholesale Plywood Prices (Tokyo)

Indonesian & Malaysian Plywood	Size (mm)	Nov (¥ per sheet)	Dec
2.4mm (thin plywood, F 4star, type 2)	920 X 1830	370	370
3.7mm (med. Thickness, F 4star, type2)	910 X 1820	540	540
5.2mm (med. Thickness, F 4star, type 2)	910 X 1820	630	630
12mm for foundation (F 4star, special)	910 X 1820	1120	1120
12mm concrete-form ply (JAS)	900 X 1800	970	970
12mm coated concrete-form ply (JAS)	900 X 1800	1100	1100
11.5mm flooring board	945 X 1840	1450	1420
3.6mm baseboard for overlays (OVL)	1220 x 2440	990	990

#### Report from China

#### Interim results of national inventory show expansion of forest area

National forest inventories are carried out every five years in China and to-date seven inventories have been implemented.

The eighth forest inventory was started in 2009. In 2010 the State Forest Administration completed preliminary investigations in seven provinces, Shanxi, Liaoning, Heilongjiang, Jiangsu, Guangxi, Guizhou and Ningxia.

The results just released show that the area available for forest plantations increased by 1,696,600 ha while the conversion of forest land to non forest use fell by 14%. Overall the forest area in the seven provinces increased by 3.94 million ha.

The growing stock rose by 325.63 million cu.m and the growing stock in high forest increased by 2.36 cu.m per ha. Contracted forest lands, forested lands and plantations for operation by individuals increased from 13%, 15% and 17% at the last count to 34%, 40% and 71% in the recent inventory.

The results also indicate that the average growing stock per ha in high forests in the six provinces is only 70.6 cu.m, 15.3 cu.m lower than the 85.9 cu.m national average.

#### Guangdong Province links investment in processing to investment in raw material supply

As of September this year, Guangdong Province began the implementation of "Administrative Regulations on Operation, Processing and Transportation of Timber". This marked a further development to regulate the timber supply chain through provincial regulations.

The changes are contained in thirty two articles in the Regulations which define timber and management responsibilities and streamlines requirements for permits to conduct timber operations and processing.

At the same time, the Regulations define the legal responsibility of each stakeholder and provide for a monitoring and policing system for timber transportation.

According to the Regulations, primary processing timber enterprises with an annual production capacity of over 10,000 cu.m can only be established after a forest inventory and planning process has been completed.

A feasibility study on raw material supply is required this must be approved by the provincial forestry authority.

Also within the Regulations applications for a license to establish a primary timber processing plant with an annual production capacity of over 30,000 cu.m, must include provision for the creation of forests which can supply 50% of the raw materials need by the plant.

The Regulations prohibits institutions or individuals engaged in processing of timber from operating without a certificate; operation and processing of timber outside the scope and size prescribed in the license; operation and processing of timber without legal raw material supply, purchase of timber from forest areas without permits.

Analysts believe that these Regulations will promote the protection of forest resources and encourage efficient management and operation of timber enterprises in Guangdong Province.

#### **Diversification of log sources benefits New Zealand and N. American suppliers**

Due to the high cost of Russian logs, which now attract an export tariff, Chinese importers are sourcing more logs from New Zealand and North America. In first nine months of this year, China imported some 3.61 million cu.m of logs from the US, up 107% from the same period 2010.

Imports from Canada totalled 1.76 million cu.m (up 137%) while imports from New Zealand reached 6.18 million cu.m (up 42%). Imports from these two countries accounted for around 36% of the total logs imports into China.

In contrast, log imports from Russia plummeted and the ratio of imported Russian logs to China's total logs imports fell from 43% to 34%. However, despite the increased cost Russia remains the largest supplier of logs to China.

According to analysts, the reasons behind the changing log supply are that firstly Russia introduced the export tax on logs which suppliers passed on to importers resulting in increased costs. Secondly, China's imports of logs are mostly coniferous timbers and supplies from the various sources can be substituted for each other in most end-uses.

The US is one of the most important markets for China and Chinese companies know that by using American timbers they will be more likely to be able to satisfy the US consumer.

#### **Guangzhou City Imported Timber Wholesale Market**

Logs		Yuan per m3
Lauan (50-60cm)		2000-2100
Kapur (up to 79cm)		3300-3500
Merbau 6m, (up to 79cm)		3500-4000
Teak		11000-13000
Wenge		6200-7200
Sawnwood		
Teak sawn grade A (Africa)		9600
US Maple 2" KD		7500-9500
US Cherry 2"		10000-13000
US Walnut 2"		14000-16000
Okoume		4500-5000
Sapele		5900-6100

#### **Shanghai Furen Imported Timber Wholesale Market**

Logs		Yuan per m3
Teak (Myanmar, all lengths)		7500-8500
Sawnwood		
Beech KD Grade A		4800-5000
US Cherry, 25mm		9000-10000
US Red Oak, 50mm		9500-9800
Sapele 50mm FAS (Congo)		
KD ( FAS)		6500-6800
KD (grade A)		5700-5800

#### **Hangzhou Imported Timber Wholesale Market**

Logs		Yuan per m3
Ash 4m, 30cm diam.		2900-3800
Linden 4m, 26cm diam.		1800-2100
Sawnwood		
Beech Europe		3000-5500
Black walnut North America		7000-13000
Teak Myanmar		9000-18000
Red oak North America		6500-8500
Alder Myanmar		4500-5000
Sapele Africa		3800-4500
Plywood		
Red beech 4x8x3 mm		50-65
Black walnut 4x8x3 mm		50-95
Teak 4x8x3 mm		65-130

#### **Shandong De Zhou Imported Timber Wholesale Market**

Logs		Yuan per m3
Larch 6m, 24-28cm dia.		1800
White Pine 6m, 24-28cm dia.		1750
Korean Pine 4m, 30cm dia.		-
6m, 30cm dia.		-
Mongolian Scots		
Pine 6m, 30cm dia.		1580

#### **Hebei Shijiazhuang Imported Timber Wholesale Market**

Logs		Yuan per m3
Korean Pine 4m, 38cm+ diam		1800
Mongolian Scots Pine 4m, 30cm diam.		1700
6m, 30cm+ diam.		1750
Sawnwood		
Mongolian Scots Pine 4m, 5-6cm thick		1700
4m, 10cm thick		1750

#### **Wenzhou Imported Timber Wholesale Market**

Logs		Yuan per m3
Wenge (Africa)		4500-5100
Plantation Teak (Africa)		2100-2500
Merbau		3500-5000
Sapele		3200-3700
Plywood		Yuan per piece
Red beech 4x8x3 mm		40-80
Black walnut 4x8x3 mm		40-85
Teak 4x8x3 mm		45-110

### **Challenging European market for tropical hardwood plywood**

The European market for tropical hardwood plywood faces numerous challenges. Prices for existing landed stocks are under downward pressure as consumption is slow in the winter season and, with the European economic situation so fragile, few importers are expecting a significant rise in sales next year.

However, rising production costs in SE Asia mean that shippers either have to raise prices – currently very difficult in an unreceptive market - or to cut costs. Many are choosing the latter course and this risks compromising on quality.

Chinese manufacturers have been the major beneficiaries of these trends. Their ability to offer low prices, combined with the willingness of many importers to buy on price not quality, has meant that China has continued to gain market share in Europe this year.

### **European importers unconcerned about impact of Chinese New Year on supplies as landed stocks are adequate**

Despite the anticipated slowing in supply of plywood from mid-January during the Chinese New Year, orders for Chinese hardwood plywood from China by European buyers remain subdued.

Consumption of existing European inventories of this commodity remains slow. With availability in China good and relatively short turnaround times for new orders, European importers seem little concerned about any potential shortfall in supply.

According to Timber Trades Journal (TTJ), the UK's timber industry magazine, the sale of assets of UK-based RKL Plywood which recently went into administration, has led to increased availability of Chinese plywood on the UK market.

This has further dampened prices on the ground in Europe at a time when other issues of limited raw material supply and rising production costs argue in favour of increased prices.

With Chinese exporters also wanting to reduce inventories, some are offering discounted prices in the hope of stimulating sales. However there has been no reduction in production costs in China.

FOB prices of better quality Chinese plywood have remained stable or even tended to rise to accommodate increased costs of labour and raw material in China.

This rise is being offset in the European market by continuing decline in container freight rates from China. Rates for a 40ft container on the China-Europe route have fallen from around US\$2000 in May this year to close to US\$1000 today.

### **Serious quality issues emerge in UK plywood market**

According to the TTJ, quality issues are now emerging as a very serious concern in the UK plywood market. One UK plywood industry expert alleges that around 80% of all Chinese plywood currently in the UK is "MR with dyed red glue to look like WBP", with a large proportion being "under-thickness" but marked as full thickness.

Furthermore, says the TTJ, a significant percentage of Chinese plywood supplied to the UK is CE marked and yet a number of suppliers "appear not having their plywood performance-tested on a regular basis to confirm the structural performance". If these allegations are true, the long-term repercussions for the reputation of Chinese hardwood plywood in the UK could be very severe.

### **Slow sales of SE Asian plywood in Europe**

Sales of Malaysian plywood in the European market have remained slow in recent weeks. In the UK, Malaysia has generally been losing share to Chinese products during 2011. Prices for Malaysian BB/CC WBP plywood, composed of tropical hardwood throughout are currently in the region of Indo96 +30%.

Significantly cheaper prices are available, although as with Chinese plywood, compromises have been made on quality. With price expectations now so low in Europe, more Malaysian manufacturers have followed the Chinese route of offering combi-plywood composed of a tropical hardwood face and a poplar core.

Prices for the best quality Indonesian BB/CC WBP plywood on offer in Europe have declined slightly from levels achieved a couple of months ago, but are still significantly higher than those for Malaysian plywood, exceeding Indo96 +40%.

Very little Brazilian hardwood plywood is now imported into Europe. Brazilian suppliers are generally unable to compete with Malaysian plywood at the higher end and against Chinese plywood at the low quality end of the market.

Meanwhile European imports of plywood manufactured from eucalyptus plantations in South America, while still quite small, are rising following recent investments by Weyerhaeuser in Uruguay.

### **EU and Vietnam move towards agreement on illegal wood trade**

A report from Vietnamnet.vn suggests that Vietnam and the EU have entered the final negotiation stage towards a bilateral agreement to minimize the risk of illegal wood trade between the two trading partners.

The so-called FLEGT Voluntary Partnership Agreement (VPA) may be implemented prior to March 3, 2013, the date when the EU Timber Regulation (EUTR) is due to take effect.

Under the EUTR, all European importers will be obliged to implement due diligence systems to minimize the risk of any wood being derived from an illegal source.

They will also be liable to prosecution if found in possession of wood extracted or traded in contravention of the laws of any country.

However according to EUTR, any timber or timber product licensed under the terms of a VPA – such as that likely to be agreed with Vietnam – will be automatically recognized as legal in the EU market. European importers will be under no obligation to seek further safeguards (such as certification) to demonstrate the legal origin of VPA Licensed timber.

Vietnam and the EU successfully completed the second negotiation round of the VPA agreement in early December. The agreement is particularly significant for the Vietnamese furniture manufacturing sector which is a major supplier to the EU. In 2010, EU imports of wood furniture from Vietnam had a total value €539 million. Vietnam is currently the second largest external supplier of wood furniture to the EU after China.

According to vietnamnet.vn, some Vietnamese furniture manufacturers remain unconvinced about the benefits of a FLEGT VPA, believing that the additional costs of VPA Licensing will undermine competitiveness. However, others are gradually coming round to the idea that the FLEGT VPA process may be less of a trade barrier and more of an opportunity to gain greater share of the European market.

**Netherlands Imported Sawwood Prices**

	US\$ per m <sup>3</sup>
FOB (Rotterdam)	
Sapele KD	862↓
Iroko KD	1137↓
Sipo KD	1059↓
DRM Bukit KD	904
DRM Seraya KD	911
DRM Meranti KD Seraya MTCC cert.	932
Merbau KD	1201
Sapupira (non FSC) KD	989
Sapupira (FSC) KD	1624
Anti-slip decking AD C&F Rotterdam	
Selangan batu	1716

**UK Imported Log Prices**

	€ per m <sup>3</sup>
FOB plus commission	
N'Gollon (khaya) 70cm+ LM-C	370-380
Ayous (wawa) 80cm+ LM-C	250-270
Sapele 80cm+ LM-C	330-380
Iroko 80cm+ LM-C	400-480
African Walnut 80cm+ LM-C	360-390

**UK Imported Sawwood Prices**

	GB Pounds per m <sup>3</sup>
FOB plus Commission	
Framire FAS 25mm	450-470↓
Sipo FAS 25mm	635-665↓
Sapele FAS 25mm	530-540↓
Iroko FAS 25mm	670-700↓
Wawa FAS25mm	270-280
CIF plus Commission	
Tulipwood FAS 25mm	240-260↑
Meranti Tembaga Sel/Btr (KD 2"boards)	560-580↑
Balau/Bangkirai Decking	1075-110↑
White Oak	450-470↑

**UK Imported Plywood and MDF Prices**

	US\$ per m <sup>3</sup>
Plywood Panels 8x4", CIF	
Brazilian WBP BB/CC 6mm	price not available
Malaysian WBP BB/CC 6mm	600-620↓
MALAYSIA MTCS/PEFC trop hard face, pine core* 18mm	520-540↓
China (hardwood face, eucalyptus core) 18mm	380-395
China (tropical hardwood face, poplar core) 18mm	365-375

\* MTCS/PEFC certified plywood is now becoming more widely available than equivalent FSC certified product from Malaysia

**Report from North America**

**New Canada-US border deal**

The US president and the Canadian prime minister recently announced a new border agreement (“Beyond the Border Action Plan”) that observers say will lead to faster movement of goods between the two countries by aligning regulations and speeding up document processing at border crossings.

The agreement also means that Canada and the US will share information about travellers entering and exiting the two countries.

Canada and the US will implement an integrated cargo security strategy that will clear cargo at its first port of entry, whether it is in Canada or the US, to reduce expense and time for businesses.

The goal is to identify security and contraband concerns with offshore shipments at the ports of entry instead of the Canada-US border. The new system will be tested in pilots at major US ports and at the ports in Montreal and Prince Rupert in Canada.

To expedite border and accounting procedures, the US’ Importer Self-Assessment and Canada’s Customs Self Assessment programmes will be aligned as much as possible. Pilot projects will commence for specific industry sectors (not wood products) in 2012 to expedite clearance processes.

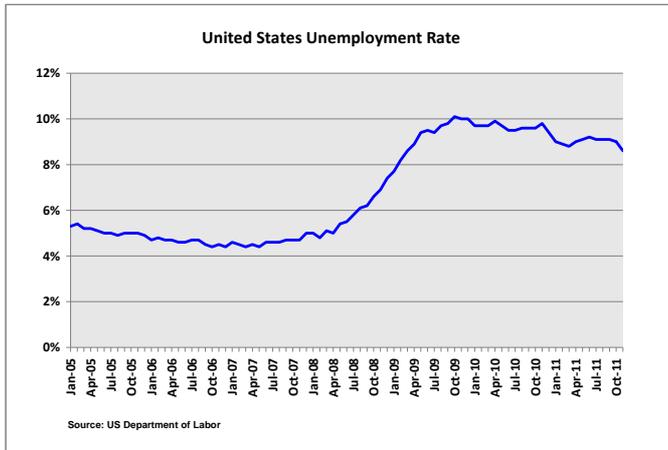
**Boost to US economy expected from three new trade deals**

Recent positive economic data suggests that the US economy is improving. Unemployment fell by 0.4 percentage points to 8.6% in November, the lowest level since March 2009. GDP increased at an annual rate of 2.0% in the third quarter of 2011 following a 1.3% increase in the second quarter.

A further boost to the economy is expected from three new trade deals that the US Congress approved in October with Columbia, Panama and South Korea. If the euro zone falls into recession, however, it will be difficult for the US to maintain the current pace of growth.

The US trade deficit fell 1.6% to US\$43.5 billion in October, according to the US Department of Commerce. US imports fell by 1% while exports dropped by 0.8%. October imports from China (US\$37.8 billion) were the

highest on record. Increased consumer spending on the Thanksgiving weekend in November and the weeks before Christmas is likely to push imports up again.



**Strong Canada GDP growth despite decline in exports**

In Canada, GDP increased at an annual rate of 3.5% in the third quarter of 2011, following a 0.5% increase in the second quarter, according to Statistics Canada. The fastest growing economic sectors in the third quarter were housing investment and crude oil extraction. Unemployment rose slightly to 7.4% in November after a considerable drop in October.

Canada’s trade balance went from a surplus of C\$1 billion in September to a deficit of C\$885 million in October. Canada’s trade surplus with the US narrowed as imports from the US increased to C\$24.5 billion, the highest value since October 2008.

**Wood products continue to lead in manufacturing growth**

The wood products sector again posted the highest growth rate of all US manufacturing industries according to the Institute of Supply Management’s Manufacturing ISM Report On Business.

The overall manufacturing sector expanded for the 28<sup>th</sup> consecutive month in November. Companies are cautiously optimistic, despite the financial problems in Europe, because of lower raw material prices and encouraging new order levels.

The wood products industry also led the manufacturing sector in terms of growth in new orders and production in November, based on surveys by the Institute of Supply Management. The furniture and related products sector reported paying higher prices for raw materials and supplies in November.

**Furniture retail sales down, building material sales up**

Retail sales improved slightly in October according to the latest US Census Bureau figures. Retail trade sales were up 0.6% from September, but the increase was mainly driven by sales of electronics.

Sales at furniture and home furnishing stores declined by 0.7% from September but they remain 3.4% above

October 2010. Building material sales (including gardening supplies) is up 1.5% from September and 3.4% from October last year.

**Strong increase in new furniture orders**

A surprisingly strong increase in new orders for residential furniture was recorded in September by the Smith Leonard survey of US manufacturers and distributors. The value of new orders was up 12% in September compared to the same month last year and increased by 13% from August 2011. Some of the growth, however, may still be due to price increases in raw materials and not an increase in volume. Furniture shipments were up 6% compared to September 2010.

**Residential furniture market outlook to 2013**

Residential wood furniture sales are expected to increase in the second half of 2012 because of modest improvements in the US housing market and the overall economy.

The *Residential Furniture Economic Forecast* reported in the trade journal *Hardwood Review Weekly* also forecasts continuing furniture price increases in the US market because of global cost increases and a rise in inflation in China. The price increases affect demand for wood furniture in particular because of the relatively high cost of most wood dining room, bedroom and entertainment units to consumers.

For 2013, the report expects the highest sales of furniture in recent years. Overall home furnishing sales are forecast to increase by 6% in 2013. The recent recession reduced new household formation, and almost 30 million young adults in the US are living with their parents now.

With lower unemployment the number of new households will increase significantly, boosting demand for furniture. The *Hardwood Review Weekly* is optimistic that the furniture industry’s sawnwood purchasing is past its lowest point and will improve in the near future.

**US Imported Timber prices**

	Oct-11 US\$ per cu.m	Nov-11 US\$ per cu.m
Ipe (Brazil) Decking Premium Grade AD, 1x6, FOB Belem	2725	2725
Ipe (Brazil) Decking Premium Grade AD, 5/4x6, FOB Belem	2650	2875
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	-	-
Khaya (Ghana) FAS KD, FOB Takoradi	950	975
Sapele (Cameroon) FAS AD, FOB Douala	765	775
Sapele (Cameroon) 4/4 to 8/4 FAS KD, FOB Douala	910	925

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

## 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 Australian government should create a national plan for plantations and renew existing regional forest agreements to ensure the timber industry's future, a federal parliamentary inquiry has found. This approach should include whether Australia should aim for wood supply "self-sufficiency", an issue of importance for Australia's construction industry. Statistics showed that in 2010, Australia had a trade deficit in wood products of \$1.9 billion - \$4.2 billion of imports and \$2.3 billion of exports. Imports of construction-related products - sawn wood and panels - totalled \$680 million whereas exports of the same products were \$212 million.

<http://www.smh.com.au/business/timber-plan-could-aid-building-industry-20111204-1odd5.html>

Bamboo, a plant not often associated with Africa, may be the key to combating soil degradation and massive deforestation on the continent as an alternative source of energy. A partnership among African nations and communities, the International Network for Bamboo and Rattan (INBAR) and China are working to substitute bamboo charcoal and firewood for forest wood on which 80 percent of the rural population in sub-Saharan Africa depends for its fuel needs. Initial successes with bamboo charcoal in Ethiopia and Ghana, which have put bamboo biomass at the centre of renewable energy policies, are spurring interest in countries across the continent and prompting calls for greater investment in bamboo-based charcoal production as a 'green

<http://www.africasciencenews.org/en/index.php/entertainment/52-environment/239-new-bamboo-charcoal-technologies-promise-to-jump-start-africas-bioenergy-sector->

Cross-laminated timber is a panel made of wood that are stacked crosswise and glued or nailed together. The panels can be used for long spans, such as roofs, floors and walls. Cross-laminated timber (CLT) is a highly pre-fabricated building material. In fact, CLTs can be fastened together using interlocking profiles (i.e. dovetail connections) instead of glue or fasteners. Therefore, using CLT reduces construction time - one story of a building can be assembled in a week or less for an average sized floor plan. Similarly, using CLT reduces labor and construction site waste because of its pre-fabrication. <http://www.green-buildings.com/content/782112-prefab-buildings-can-cross-laminated-timber-be-used-lead>

Privately-owned housing starts in the US in October were at a seasonally adjusted annual rate of 628,000, 0.3 percent below the revised September estimate of 630,000, according to the latest data from U.S. Census Bureau and the Department of Housing and Urban Development. Single-family housing starts in October were at a rate of 430,000, 3.9 percent above the revised September figure of 414,000. The October rate for units in buildings with five units or more was 183,000.

"The government's numbers for October housing production are very much in keeping with what home builders have been telling us in our recent surveys," said Bob Nielsen, chairman of the National Association of Home Builders (NAHB) and a home builder from Reno, Nevada.

<http://www.buildingonline.com/news/viewnews.pl?id=11176&subcategory=7>

Forests take up a huge amount of the continent, but are one of Africa's most misunderstood and undervalued natural resources. At a discussion on deforestation at the climate change conference, or COP 17, in Durban, delegates learned that forests account for 23 percent of Africa's land area. The largest are the forest ecosystems of the Congo Basin and Upper Guinea. However, their latent power to aid development is largely ignored, said Abdoulaye Dagamaissa, from the African Development Bank (AfDB)

<http://allafrica.com/stories/201112052102.html>

Harnessing the power of the sun, wind and ocean currents using state-of-the-art instruments is seen the world over as key to achieving domestic energy security and combating carbon dioxide emissions that contribute to global warming. But in amongst all this technological wizardry remains one energy source that humans have relied upon since time immemorial; an energy source that is now being seen as a key component in renewable energy production for future generations: the humble tree. Governments around the world are paying power stations to burn wood to generate electricity.

<http://www.bbc.co.uk/news/business-15756074>

The South Korean government plans to lower capital gains taxes on home transactions for multiple homeowners and ease regulations on apartment redevelopment in affluent southern Seoul as it strives to prevent a sluggish real estate market from dragging down the economy. Officials rolled out a package of measures to rejuvenate housing transactions which also include more support for cash-strapped construction firms and low-income earners. The government will submit related bills to the National Assembly soon aiming to implement the measures next year. Parliamentary and presidential elections are slated for April and December.

<http://www.koreaherald.com/business/Detail.jsp?newsMLID=20111207000741>

Over 2,500 tribal people and forest dwellers from all over India will reach Delhi on December 15 to take part in rally organized to protest tardy implementation of the Forest Rights Act (FRA) 2006 and harassment by forest officials and mafia. Tribals and forest workers from other parts of the country will also take part in the rally, which is being projected as one of the biggest mobilizations of forest dwellers across the country. The day that marks the fifth anniversary of the passing of the Forest Rights Act in the Indian Parliament.

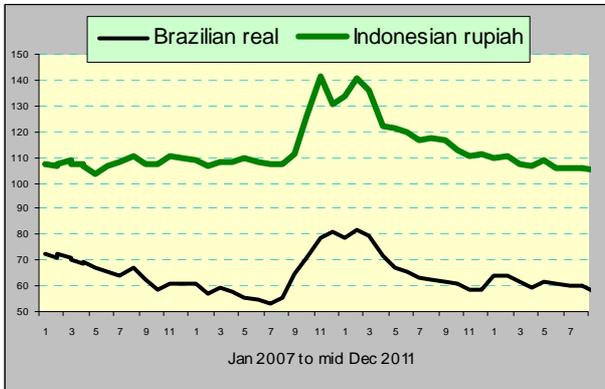
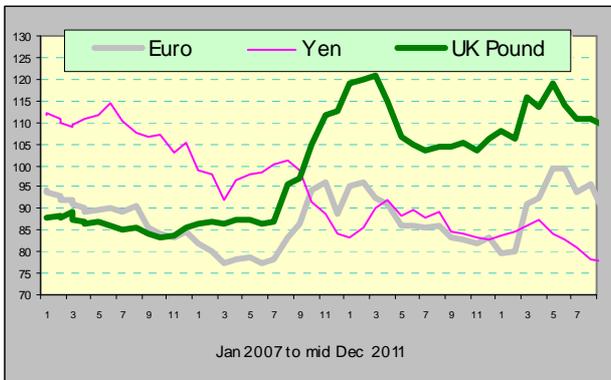
[http://articles.timesofindia.indiatimes.com/2011-12-03/india/30471234\\_1\\_forest-dwellers-forest-rights-act-forest-workers](http://articles.timesofindia.indiatimes.com/2011-12-03/india/30471234_1_forest-dwellers-forest-rights-act-forest-workers)

## Main US Dollar Exchange Rates

As of 10<sup>th</sup> December 2011

Brazil	Real	1.8175
CFA countries	CFA Franc	491.33
China	Yuan	6.3560
EU	Euro	0.7471
India	Rupee	51.7250
Indonesia	Rupiah	9095
Japan	Yen	77.63
Malaysia	Ringgit	3.1480
Peru	New Sol	2.6960
UK	Pound	0.6382
South Korea	Won	1145.30

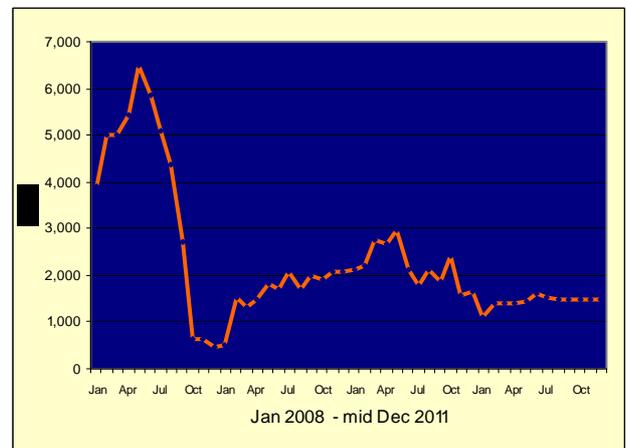
Exchange rates index (Dec 2003=100)



## Abbreviations and Equivalences

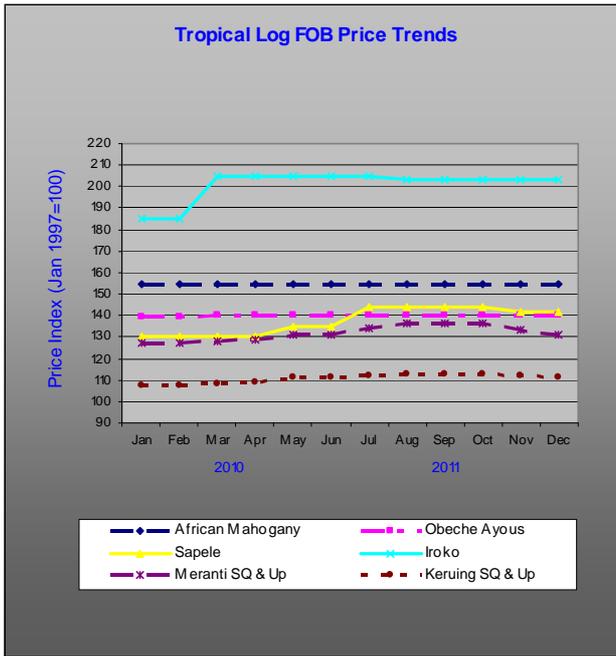
Arrows	Price has moved up or down
BB/CC etc	quality of face and back veneer
BF, MBF	Board foot, 1000 board foot
Boule	bundled boards from a single log
CI, CE, CS	Supplimentaire
CIF, CNF	Cost insurance and freight
Clean Sawn	square edged boule
FAS	First and second grade of sawnwood
FOB	Free-on board Sawnwood for structural use in house building
Genban	
GMS	General Market Specification
GSP	Guiding Selling Price
Hoppus ton	1.8 cubic metre
KD, AD	Kiln dried, air dried
Koku	0.28 cubic metre or 120 BF
LM	Loyale Merchant, a grade of log parcel
MR, WBP	Moisture resistant, Water and boil proof
OSB	Oriented Stand Board
PHND	Pin hole no defect
QS	Qualite Superieure
SQ,SSQ	Sawmill Quality, Select Sawmill Quality
TEU	20 foot container equivalent

## Ocean Freight Index

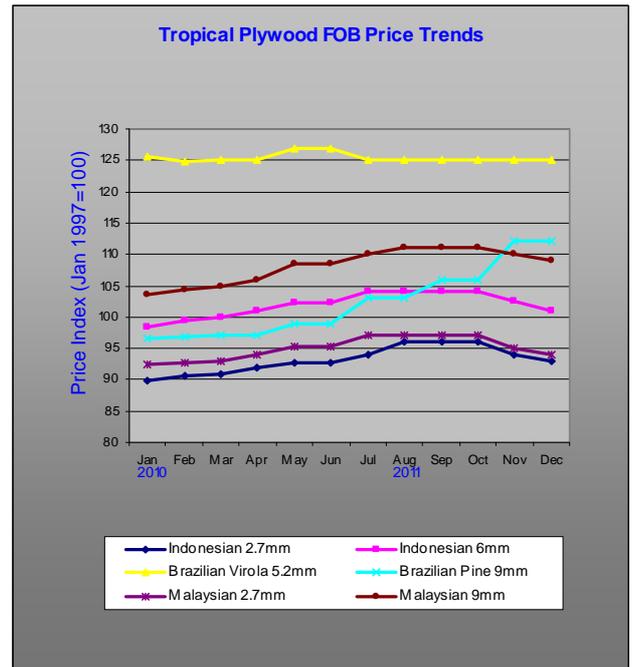


The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes. It is based on a 52,454 mt bulk carrier carrying commodities such as timber.

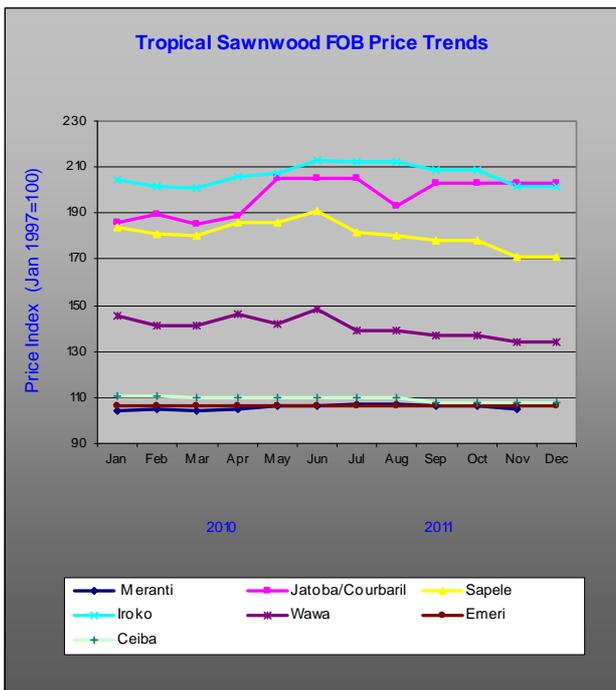
## Tropical Log Price Trends



## Tropical Plywood Price Trends



## Tropical Sawnwood Price Trends



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

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