Tropical Timber Market Report since 1990

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Editorial

Prices for Central/West African timber products remained largely stable amid mild weather in Europe and rising prices and tightening supply in Southeast Asia.

Prices in Malaysia and Indonesia rose across the board fuelled by demand from China and India. The Indonesian timber trade, in particular, recovered considerably as business resumed gradually, following flooding in Jakarta and a recent earthquake in Sumatra. Indonesia increased its logging quota for natural forests from 8.13 to 9.1 million m^3 in 2007. Malaysia will ask its timber suppliers in other countries for certification of origin as part of its ongoing Voluntary Partnership Agreement (VPA) negotiations with the EU.

Brazil's new online licensing transport system helped to dismantle a fraudulent transportation scheme. Meanwhile, furniture firms formed partnership to achieve economies of scale in the purchase of inputs in order to remain competitive. The impact of a recent flooding on the Bolivian forest sector was moderate. Mexico increased significantly its area of certified forests in 2006.

Domestic prices for tropical plywood continued to decline in Japan but reduced import volumes may stabilize prices soon. Some tropical log suppliers were bullish due to the announced gradual raise of export duties on Russian logs. Recent statistics show that China increased its trade surplus of wood products by 171%. A new FAO report indicated that a number of regions of the world were reversing centuries of deforestation and even increasing forest area. Analysts estimate higher timber demand in the UK, boosted by construction activity and environmental advantages. Meanwhile, congressmen were seeking support for a bill to ban US imports of wood products derived from illegal logs.

Jairo Castaño

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International Tropical Timber Organization (ITTO)
Market Information Service (MIS)

International Organizations Center - 5th Floor, Pacifico-Yokohama
1-1-1 Minato-Mirai, Nishi-ku, Yokohama 220-0012, Japan
E-mail: mis@itto.or.jp **Website:** http://www.itto.or.jp

Report from Central/West Africa

Timber market remains fairly stable

Prices for West and Central African primary timber products remained largely unchanged in early March. The market is reported as steady with shipments moving on schedule. The continued mild weather throughout Europe and normal buying for early summer requirements is helping to keep markets stable. Moreover, the recent upward trend in Asian prices, coupled with the ongoing tighter supply in that region, also gives confidence to West African producers and shippers to maintain firm price levels.

Log Prices

West Africa logs, FOB	€ per m³		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	221	190	175
Ayous/Obéché/Wawa	221	205	168
Azobe & Ekki	183	167	152
Belli	244	244	-
Bibolo/Dibétou	168	168	114
Bubinga	533	457	381
Iroko	289	274	259
Okoume (60% CI, 40% CE, 20% CS)	-	200	-
Moabi	297	297	236
Movingui	206	191	152
Niove	145	145	-
Okan	259	259	191
Padouk	305	305	267
Sapele	251	236	205
Sipo/Utile	274	259	228
Tali	190	190	152

Gabon Okoumé logs, FAS*		€ per m³	
		Asia	Europe
Grade	QS	213	219
	CI	171	171
	CE	146	150
	CS	108	111

*Based on SNBG official prices

According to some reports, China is becoming slightly overstocked with okan logs. As a consequence, buyers and agents may become tough over negotiations for near future shipments, with agents offering much lower prices for new business. However, the situation seems to be temporary and not serious nor at risk of undermining the market situation overall. Although there may be some normal price fluctuations according to the strength of demand for certain species, it appears that the market will remain firm well into the second quarter.

Sawnwood Prices

West Africa sawnwood, FOB		€ per m³
Ayous	FAS GMS	396
	Fixed sizes	427
Okoumé	FAS GMS	300
	St. & Bet. GMS Italy	310
	St. & Bet. fixed sizes	270
Sipo	FAS GMS	520
	FAS fixed sizes	519
	FAS scantlings	550
Padouk	FAS GMS	540
	FAS scantlings	560
	Strips	335
Sapele	FAS Spanish sizes	520
	FAS scantlings	550
Iroko	FAS GMS	458
	Scantlings	519
	Strips	304
Khaya	FAS GMS	396
	FAS fixed	427
Maobi	FAS GMS	560
	Scantlings	580
Movingui	FAS GMS	442

Report from Ghana

Timber union joins call for relaxed levies

The Ghana government has been asked again to relax levies and charges in the timber industry so as to save the industry from downturn and more layoffs. According to the Timber and Workers Union (TWU), the many levies and charges associated to stumpage fees, ECOWAS and export levies in the timber production were killing the industry. TWU urged the government to, as a matter of urgency, revive the industry to save more workers from being fired. About 7,000 workers in the industry are estimated to have lost their jobs in the last semester of 2006. Mr Alex Kwabena Bonney, National Chairman of the TWU, said the levies and taxes were some of the economic policies impacting negatively on the industry, relegating it to the bottom. Last year, the Ghana Timber Millers Organization (GTMO) had called on the government to review its export levies and taxes to give the industry a competitive edge (see TTM 11:18). According to some analysts, the fiscal scheme may have contributed to the 7.6% decline in Ghana timber products exports in 2006.

Mr. Bonney said that the energy crisis had deepened the problems of the industry and appealed to workers to devote more time to work till the crisis was over. He said workers in the industry should show more commitment by working on Sundays when power supply was available since it would improve production tremendously.

Late in 2006, the Minister of Finance, Mr. Kwadwo Baah-Wiredu, charged the Ministry of Lands, Forestry and Mines together with industrial representatives to form a technical committee to review the fiscal and financial framework of the Forestry Commission, in particular, and the forestry sector in general to decisively address the stakeholders' concerns (see TTM 11:23).

Log Prices

Ghana logs, domestic	US$ per m³	
	Up to 80cm	80cm+
Wawa	57-74↑	78-109↑
Odum Grade A	150-160	165-185
Ceiba	53-75	80-106
Chenchen	49-75↑	80-105↑
Khaya/Mahogany (Veneer Qual.)	65-80	85-105
Sapele Grade A	125-146↑	149-168↑
Makore (Veneer Qual.) Grade A	125-135	140-166

Sawnwood Prices

Ghana Sawnwood, FOB	€ per m³	
FAS 25-100mm x 150mm up x 2.4m up	Air-dry	Kiln-dry
Afrormosia	855	-
Asanfina	500	550
Ceiba	205	-
Dahoma	315	420
Edinam (mixed redwood)	370↑	430
Emeri	350	420↓
Khaya/African mahogany	560	645
Makore	480	570↑
Niangon	525↑	-
Odum	655↑	720
Sapele	500	580
Wawa 1C & Select	250	280

Ghana sawnwood, domestic		US$ per m^3
Wawa	25x300x4.2m	134
Emeri	25x300x4.2m	233
Ceiba	25x300x4.2m	125
Dahoma	50x150x4.2m	274
Redwood	50x75x4.2m	208
Ofram	25x225x4.2m	194

Veneer Prices

Rotary Veneer, FOB	€ per m^3	
	CORE (1-1.9mm)	FACE (<2mm)
Bombax	325	350
Kyere, Ofram, Ogea & Otie	325	360
Chenchen	260	360
Ceiba	315	315
Mahogany	425	460

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	245⬆
Chenchen, Ogea & Essa	295
Ofram	305

Sliced Veneer, FOB	€ per m^2	
	Face	Backing
Afrormosia	1.19	1.00
Asanfina	1.50	0.80⬇
Avodire	1.05	0.75
Chenchen	0.72	0.61
Mahogany	1.45	0.80
Makore	1.35⬆	0.70
Odum	1.54	0.95

Plywood Prices

Plywood, FOB	€ per m^3			
B/BB, Thickness	Redwoods		Light Woods	
	WBP	MR	WBP	MR
4mm	560	487	500	380
6mm	380	315	335	300
9mm	388	325⬇	290	280
12mm	340	290⬆	270	270
15mm	360	290	280	265
18mm	300	280	265	260

Grade AB/BB would attract a premium of 5%. BB/BB would be 5% less, C/CC 10% less and CC/CC 15% less.

Added Value Product Prices

Parquet flooring 1st	FOB € per m^2		
	10x60x300mm	10x65-75mm	14x70mm
Apa	12.00	14.47	17.00
Odum	10.50	10.18	11.00
Hyedua	13.67	18.22	17.82
Afrormosia	13.25	14.22	17.82

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

Report from Malaysia

Prices for plywood buoyant as demand remains steady

Prices for Malaysian timber products continued to climb, rising across the board in early March. Prices for plywood remained buoyant as demand from Japan was steady. Sawntimber prices were picking up steadily as orders from China and India showed no signs of relenting. Another significant market for Malaysian timber products is the United Arab Emirates (UAE). More than $200 billion worth of construction projects are already in the pipeline in the country. Analysts say that UAE is a market Malaysian manufacturers cannot afford to dismiss.

Malaysia to ask timber suppliers for proof of origin

Malaysia will ask its timber suppliers in other countries to provide certification on the origin of the wood. This would facilitate Malaysian firms selling secondary processed wood products to Europe to show the certificates to their buyers, according to the Plantation Industries and Commodities Minister, Datuk Peter Chin. The move is part of the Voluntary Partnership Agreement (VPA) negotiations which are underway between Malaysia and the EU. Negotiators are discussing the details that need to accompany timber products bound for Europe. Mr. Chin said this would ensure that Malaysia was not accidentally purchasing smuggled or illegally-logged timber. He further said that European countries should make sure that they purchased timber and timber-based products from countries that practiced sustainable forest management if Malaysia signed the VPA. He added that the EU member countries must also be ready to pay more for the timber products, as Malaysian manufacturers would incur additional costs.

Malaysian furniture exports expected to grow 7-9%

Malaysia's furniture exports are estimated to grow 7-9% in 2007, largely driven by demand for wooden furniture, according to the Malaysian Deputy Minister of Plantation Industries and Commodities, Datuk Anifah Aman, at the recently concluded Malaysian International Furniture Fair (MIFF) 2007. Currently, wooden furniture, mostly rubberwood, accounted for 80% of total furniture exports of 7.25 billion ringgit in 2006, he said. Malaysia is the ninth leading exporter of furniture in the world, with an export value of $2.28 billion in 2006.

That 2007 projection may be tempered somewhat by two key weaknesses in the US housing market: the surplus of homes in the market and unprecedented price gains. Another concern is rising mortgage defaults, especially in the sub-prime sector, that could lead lenders and regulators to choke off the credit that fed previous booms. The USA is Malaysia's leading export market for furniture, accounting for up to a third of its exports.

Chinese furniture fairs attract growing audiences

Mr. Datuk said that the date change of the High Point furniture spring show in North Carolina would not affect future MIFF exhibitions significantly. However, one major US retailer said he was skipping the shows in Singapore and Kuala Lumpur this year. Jake Jabs, president and CEO of Englewood, Colorado-based American Furniture Warehouse, has attended the ASEAN shows for several years. But this year, he is planning to instead attend three China shows in Dongguan, Shenzhen and Guangzhou in mid-March.

Log Prices

Sarawak log, FOB	US$ per m^3
Meranti SQ up	295-320⬆
Small	265-290⬆
Super small	235-250⬆
Keruing SQ up	265-280⬆
Small	225-250⬆
Super small	200-215⬆
Kapur SQ up	235-250⬆
Selangan Batu SQ up	270-290⬆

Pen. Malaysia logs, domestic (SQ ex-log yard)	US$ per m^3
DR Meranti	340-385⬆
Balau	270-295⬆
Merbau	410-430⬆
Rubberwood	215-235⬆
Keruing	265-280⬆

Peninsular Malaysian meranti logs are top grade and are used for scantlings for the EU. Their prices are higher than Sarawak's.

Sawnwood Prices

Malaysia Sawnwood, FOB	US$ per m^3
White Meranti A & up	428-451↑
Seraya Scantlings (75x125 KD)	733-762↑
Sepetir Boards	301-321↑
Sesendok 25,50mm	441-473↑
Kembang Semangkok	427-440↑

Malaysian Sawnwood, domestic		US$ per m^3
Balau (25&50mm,100mm+)		337-352↑
Merbau		567-588↑
Kempas 50mmx(75,100 & 125mm)		266-281↑
Rubberwood	25x75x660mm up	260-285↑
	50-75mm Sq.	284-309↑
	>75mm Sq.	306-335↑

Plywood Prices

Malaysia ply MR BB/CC, FOB	US$ per m^3
2.7mm	487-508↑
3mm	459-484↑
9mm & up	403-425↑

Meranti ply BB/CC, domestic	US$ per m^3
3mm	452-466↑
12-18mm	382-398↑

Other Panel Prices

Malaysia, Other Panels, FOB		US$ per m^3
Particleboard	Export 12mm & up	199-219↑
	Domestic 12mm & up	177-212↑
MDF	Export 15-19mm	279-289↑
	Domestic 12-18mm	249-269↑

Added Value Product Prices

Malaysia, Mouldings, FOB	US$ per m^3
Selagan Batu Decking	690-710↑
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	737-751↑
Grade B	630-649↑

Furniture and Parts Prices

Malaysia, Rubberwood, FOB		US$ per piece
Semi-finished dining table		
solid laminated top 2.5'x4', extension leaf		48-65↑
As above, Oak Veneer		58-73↑
Windsor Chair		40-46↑
Colonial Chair		37-44↑
Queen Anne Chair (soft seat)	without arm	39-52↑
	with arm	49-56↑
Chair Seat 27x430x500mm		20-26↑

Rubberwood Tabletop	US$ per m^3
22x760x1220mm sanded & edge profiled	
Top Grade	616-628↑
Standard	571-602↑

Report from Indonesia

Indonesian prices surge as business resumes

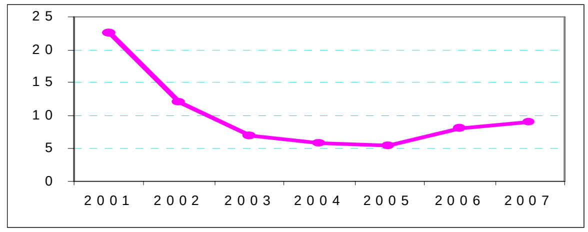
Prices for Indonesian timber products resumed their upward trend, rising across the board in early March. The Indonesian timber trade has recovered considerably as business resumed and returned gradually to normal. Demand for plywood, MDF and other panel-products were particularly strong as buyers from China, South Korea and Japan continued to express a strong interest in timber supply from Indonesia. Buyers feel that apart from low production costs, efforts made by Indonesian authorities to combat illegal logging are gradually changing the perception and image of Indonesia in importing countries.

However, the recent flooding in Jakarta and earthquake in Sumatra have caused law-enforcement efforts against illegal logging and smuggling of such logs to thin out as manpower becomes overextended in on-going search and rescue operations.

Indonesia increases harvest quota

Indonesia's Minister of Forestry announced that the harvest quota for natural timber for 2007 would be increased to 9.1 million m^3, up almost 12% from 2006. However, sources close to the Ministry of Forestry indicated that the quota for 2007 could be revised up to 12.4 million m^3. The harvest quota was reduced between 2001 and 2005 (see chart) to achieve sustained yield and reduce over-capacity in lumber and plywood mills, which, the government believes, has been achieved to a certain extent.

Allowable harvest quota in Indonesia (million m^3)



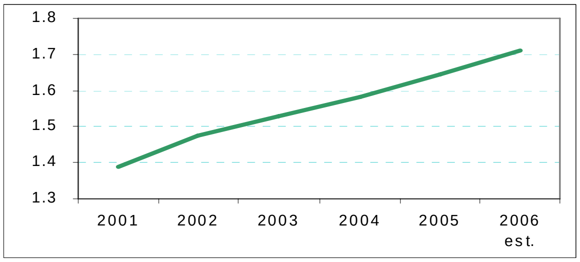
The Indonesian wood industry has shrunk in the last years with the declining availability of logs. The number and production capacity of lumber and plywood mills have plummeted over the period. The declining supply of Indonesian plywood contributed, in fact, to the sharp increase of plywood prices in 2006. According to some analysts, the logging quota in 2006 (8.13 million m^3) was not fully used by local mills due to the reduced production capacity and financial difficulties. Some analysts thus believe that the logging quota for 2007 would not necessarily lead to the revival of the Indonesian wood industry.

Indonesia expands furniture export industry

Indonesia has one of the largest furniture export industries in the world. Based on Indonesian statistics, Maskayu estimates that the Indonesian furniture sector comprises more than 3,500 companies with over two million workers. Wooden furniture dominates the furniture sector, accounting for two-thirds of the total furniture exports. The furniture industry is mainly concentrated in Java (notably Jepara, Semarang, Solo and Surabaya), where furniture accounts for about 40% of Java's total exports. Jepara is particularly known for its crafted wooden furniture. Small firms market their products through a network of furniture shops that sells locally. Exports are carried out through sub-contracting arrangements and small enterprises play an active role in export.

The Indonesian furniture industry relies heavily on timber as its raw material with an annual requirement of 4.5 million m^3. Although Indonesia is the world's second largest timber producer, the industry faces shortages of raw materials. The main timber species for wood carving are teak, mahogany and sonokeling (*Dalbergia latifolia*). Almost half of the total national rattan production is based in Cirebon.

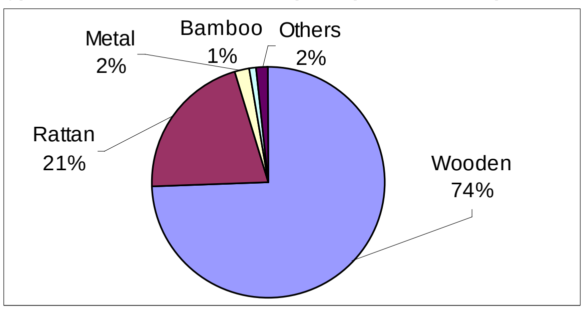
Indonesian exports of all type of furniture ($ billion)



Wooden furniture accounts for the bulk of the exports

Indonesia is after Malaysia the world's second largest tropical exporter of furniture. Indonesia's furniture exports are expanding, growing from $1.58 billion in 2004 to $1.65 billion in 2005 (Maskayu, 2007**)**. The chart above shows the upward trend of Indonesian furniture exports. According to Maskayu, exports are poised to grow 3.5% in 2006 after growing at about 4% a year during the past five years. A higher growth of 5-7 % is expected in the coming years. The chart below shows that wooden furniture accounts for three-quarters of the total furniture exports, followed by rattan (21%), metal (2%) and bamboo (1%) furniture. The major markets for Indonesian wooden furniture are the USA (24% of total exports), Japan (7%), the Netherlands and France (5% each). The USA is the main export destination for rattan furniture.

Type of Indonesian furniture exports (% of $1.58 bill.), 2004



Challenges faced by the furniture industry

Indonesia faces several challenges in expanding its furniture exports. Firstly, despite its vast forest resources, illegal timber logging and trade have affected the supply of timber to the furniture sector. This was aggravated by the government's reduction of the logging quota for natural forests to 5.7 m^3 in 2004 and 5.4 million m^3 in 2005. Secondly, China, the world's largest producer and exporter of furniture, is gaining market share in key export markets. Thirdly, increasing power and fuel costs have also raised operating costs, eroding Indonesia's competitiveness. Indonesia has sustained its competitiveness by making progress in both quality and design enhancement.

Log Prices (domestic)

Indonesia logs, domestic prices	US$ per m^3
Plywood logs	
Face Logs	225-260↑
Core logs	150-180↑
Sawlogs (Meranti)	225-260↑
Falcata logs	150-175↑
Rubberwood	190-210↑
Pine	180-215↑
Mahoni (plantation mahogany)	620-660↑

Sawnwood Prices

Indonesia, construction material, domestic		US$ per m^3
Kampar (Ex-mill)	AD 3x12-15x400cm	233-245↑
	KD	325-336↑
	AD 3x20x400cm	344-360↑
	KD	368-379↑
Keruing (Ex-mill)	AD 3x12-15x400cm	269-280↑
	AD 2x20x400cm	259-269↑
	AD 3x30x400cm	263-275↑

Plywood Prices

Indonesia ply MR BB/CC, FOB	US$ per m^3
2.7mm	478-498↑
3mm	407-475↑
6mm	380-405↑

MR Plywood (Jakarta), domestic	US$ per m^3
9mm	320-330↑
12mm	295-317↑
15mm	285-315↑

Other Panel Prices

Indonesia, Other Panels, FOB		US$ per m^3
Particleboard	Export 9-18mm	217-227↑
	Domestic 9mm	187-200↑
	12-15mm	173-188↑
	18mm	167-174↑
MDF	Export 12-18mm	298-306↑
	Domestic 12-18mm	244-260↑

Added Value Product Prices

Indonesia, Mouldings, FOB	US$ per m^3
Laminated Boards Falcata wood	377-389↑
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	690-722↑
Grade B	600-650↑

Report from Myanmar

Log Prices (natural forest)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)	
Veneer Quality	Jan	Feb
2nd Quality	4,303↑ (12 tons)	4,332↑ (10 tons)
3rd Quality	4,173↑ (13 tons)	4,150↓ (12 tons)
4th Quality	3,704↑ (86 tons)	3,778↑ (86 tons)
Sawing Quality		
Grade 1 (SG-1)	2,614↑ (305 tons)	2,594↓ (293 tons)
Grade 2 (SG-2)	1,722↑ (471 tons)	1,880↑ (482 tons)
Grade 3 (SG-3)	- (-)	- (-)
Grade 4 (SG-4)	1,411↑ (411 tons)	1,457↑ (442 tons)
Grade 5 (SG-5) Assorted	1,039↓ (326 tons)	1,193↑ (148 tons)
Grade 6 (SG-6) Domestic	926↑ (179 tons)	922↓ (303 tons)

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

Logs, FOB	Avg per Hoppus Ton (traded volume) Tender €	List price $
Pyinkado	390↓ (402 tons)	470-500
Gurjan (keruing)	203↑ (85 tons)	310-320↑

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

Report from Papua New Guinea

Log Prices (average unit values)

Saw/veneer log grade	$ Avg unit value FOB per m³ Nov	Dec
Malas	64⬇	65⬆
Calophyllum (bintangor)	82⬇	81⬇
Taun	84⬆	81⬇
Terminalia	63	64⬆
Pencil Cedar	83⬆	83
PNG Mersawa	90⬆	85⬇
Red Canarium	65⬆	64⬇
Erima	60⬇	62⬆
Dillenia	64⬆	61⬇
Burckella	65⬆	66⬆
Kwila/Merbau	107⬇	107

Plantation kamarere logs Diameter	$ Avg unt val. FOB per m³ Nov	Dec
60+cm (Vietnam market)	77	77
50-59cm (Vietnam, Japan markets)	71	-
40-49cm (Vietnam, Japan markets)	58⬇	58⬇
30-39cm (Vietnam, Japan markets)	54⬇	54⬇
20-29cm (Vietnam, Japan markets)	43⬇	43⬇

Report from Brazil

Zoning used to reduce cattle-raising deforestation

The unplanned advance of cattle-raising in the nine states of the Brazilian Legal Amazon is causing illegal deforestation and is one of the main concerns of the Ministry of the Environment (MMA). According to MMA estimates, 75% of the deforested area in region is occupied with cattle raising, with about 70 million head of cattle, one third of which in Mato Grosso. In order to reduce deforestation, the MMA has developed a new instrument, the Economic-Ecological Zoning (ZEE). The ZEE is a state-mapping program used for regional planning that defines the expansion of economic sectors, land occupation and protected areas for sustainable uses. The states of Rondonia and Acre already use such instrument. The ZEEs serves to orient public policies and allow private managers to make decisions based on potentialities and limitations of their activities. The utilisation of such instrument is expected to break the unplanned advance of cattle ranches, as it indicates the zones allocated for such activities. Moreover, with the zoning, people will be stimulated to utilise already deforested areas and access to credit lines from MMA. The legal control will be carried out by IBAMA and state environmental agencies.

Brazil dismantles fraudulent transportation scheme

Brazilian federal police arrested 18 people involved in a scheme to issue licenses to transport illegal timber in the Amazon, the Ministry of Environment said. Public servants, employees of the National Institute of Environment, and timber traders were involved in the scheme in the northern state of Para. The dismantling of the fraudulent licensing scheme was thanks to the new transport licensing system operating since September 2006. The computer-based system replaced the paperwork system, allowing frauds to be uncovered more quickly, the Ministry of Environment said.

Furniture exporters join to achieve economies of scales

The Business Centre of Cuiabá and Varzea Grande's Furniture Legal Productive Arrangement (APL), in Mato Grosso, has obtained significant input cost savings as a result of a joint partnership between regional furniture producers. The purpose of the arrangement is to allow micro and small exporting companies to achieve economies of scale in the purchase of production inputs. Firms involved in the arrangement reduced input costs by an average 21% in 2005 and 27% in 2006, reaching up to 90% in some items. The arrangement has been implemented since 2005 in order to moderate the impact of the continued devaluation of the US dollar against the Brazilian currency on Brazil's international market competitiveness.

Log Prices (domestic)

Brazilian logs, mill yard, domestic	US$ per m³
Ipê	111
Jatoba	78
Guariuba	53
Mescla (white virola)	59

Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB		US$ per m³
Jatoba Green (dressed)		562
Cambara KD		463
Asian Market (green)	Guariuba	264
	Angelim pedra	328
	Mandioqueira	232
Pine (AD)		102

Brazil sawnwood, domestic (Green)		US$ per m³
Northern Mills (ex-mill)	Ipé	515
	Jatoba	391
Southern Mills (ex-mill)	Eucalyptus (AD)	156
	Pine (KD) 1st grade	212

Veneer Prices

Veneer, FOB (Belem/Paranagua Ports)	US$ per m³
White Virola Face 2.5mm	243
Pine Veneer (C/D)	142

Rotary cut Veneer, domestic (ex-mill Northern Mill)	US$ per m³ Face	Core
White Virola	209	175

Plywood Prices

Plywood, FOB	US$ per m³
White Virola (US Market)	
5.2mm OV2 (MR)	423
15mm BB/CC (MR)	364
White Virola (Caribbean market)	
4mm BB/CC (MR)	434
12mm BB/CC (MR)	340

Pine Plywood EU market, FOB	US$ per m³
9mm C/CC (WBP)	270
15mm C/CC (WBP)	255
18mm C/CC (WBP)	250

Plywood, domestic (ex-mill Southern mill)		US$ per m³
Grade MR (B/BB)	White Virola 4mm	715
	White Virola 15mm	524

Domestic prices include taxes and may be subject to discounts.

Other Panel Prices

Belem/Paranagua Ports, FOB	US$ per m³
Blockboard Pine 18mm 5 ply (B/C)	315
Domestic Prices, Ex-mill Southern Region	
Blockboard White Virola faced 15mm	471
Particleboard 15mm	293

Added Value Products

FOB Belem/Paranagua Ports		US$ per m³
Edge Glued Pine Panel		
Korean market (1st Grade)		648
US Market		436
Decking Boards	Cambara	602
	Ipê	1298

Report from Peru

Sawnwood Prices

Peru Sawnwood, FOB	US$ per m^3
Mahogany S&B KD 16%, 1-2" random lengths (US market)	1890-1945
Spanish Cedar KD select	
North American market	965-1035
Mexican market	990-1040
Pumaquiro 25-50mm AD Mexican market	490-525

*Cheaper and small-dimension sawnwood for this market.

Peru Sawnwood, FOB (cont.)	US$ per m^3
Virola 1-2" thick, length 6'-8' KD	
Grade 1, Mexican market	270-300
Grade 2, Mexican market	220-235
Cumaru 4" thick, 6'-11' length KD	
Central American market	760-795
Asian market	720-760
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	550-580
Dominican Republic	565-575
Marupa (simarouba) 1", 6-11 length Asian market	400-430

Peru sawnwood, domestic	US$ per m^3
Mahogany	1395-1420
Virola	150-160
Spanish Cedar	530-540
Marupa (simarouba)	155-160

Veneer Prices

Veneer FOB	US$ per m^3
Lupuna 3/Btr 2.5mm	218-225
Lupuna 2/Btr 4.2mm	220-245
Lupuna 3/Btr 1.5mm	245-255

Plywood Prices

Peru plywood, FOB (Mexican Market)	US$ per m^3
Copaiba, 2 faces sanded, B/C, 15x4x8mm	365-375↓
Virola, 2 faces sanded, B/C, 5.2x4x8mm	420-425
Cedar fissilis, 2 faces sanded 4x8x5.5mm	754-762
Lupuna, treated, 2 faces sanded, 5.2x4x8mm	365-380
Lupuna plywood B/C 15x4x8mm	350-360
B/C 9x4x8mm	345-350
B/C 12x4x8mm	350-360
B/C 8x4x15mm	420-430
C/C 4x8x4mm	380-388
Lupuna plywood B/C 8x4x4mm Central Am.	385-395

Lupuna Plywood BB/CC, domestic	US$ per m^3
(Iquitos mills)	
122 x 244 x 4mm	428
122 x 244 x 6mm	398
122 x 244 x 8mm	403
122 x 244 x 12mm	398
(Pucallpa mills)	
122 x 244 x 4mm	450
122 x 244 x 6mm	439
122 x 244 x 8mm	427
122 x 244 x 12mm	419

Other Panel Prices

Peru, Domestic Particleboard	US$ per m^3
1.83m x 2.44m x 4mm	279
1.83m x 2.44m x 6mm	230
1.83m x 2.44m x 12mm	198

Added Value Product Prices

Peru, strips for parquet	US$ per m^3
Cabreuva/estraque KD12% S4S, Asian market	1445-1500
Cumaru KD, S4S Swedish market	650-700
Asian market	890-930
Cumaru decking, AD, S4S E4S, US market	930-950
Pumaquiro KD # 1, C&B, Mexican market	490-525
Quinilla KD, S4S 2x10x62cm, Asian market	590-620
2x13x75cm, Asian market	700-730

Report from Bolivia

Widespread flooding delays forest operations

Bolivia has recently been hit by extensive flooding, particularly in the regions of Beni, Pando and Santa Cruz. Activities such as cattle raising and agriculture have been the most affected, specially in Beni while forest activities have been affected to a lesser extent. Logging activities, usually held between December and March, have been delayed in Beni and Pando. Heavy rains usually paralyze forest operations in these regions during the rainy season due to poor road infrastructure. The delay in forest operations in these regions, which account for about 25% of national wood extraction, is expected to be about three weeks. In contrast, extraction activities have already resumed in some producing areas in Santa Cruz.

CFB prepares articles for Bolivia's new Constitution

The Forestry Chamber of Bolivia (CFB) is planning to propose some articles on the forestry regime for the new Bolivian Constitution which is being prepared this year. To this end, a workshop was held with the participation of forestry related institutions and companies from several regions of the country. The main conclusions of the workshop included: the forest must be recognized as a strategic resource; a chapter on forest land must be included in the new constitution; environmental services should be economically recognized as contributors to forest value; and law enforcement must be improved to ensure sustainable forest management. The articles will be prepared and submitted to the New Constitution Assembly for its consideration in early April 2007.

Sawnwood Prices

Sawnwood 1-3"x3x5"x7-19', FOB Arica Port		$ Avg un. val. per m^3
Mahogany	(US market)	1290-1765↓
Spanish Cedar	(US market)	505-900↓
Oak	(US and EU market)	600-845↑

Added Value Product Prices

Doors 13/4"x36"x96", FOB Arica Port		Avg $ per piece
US market	Mara macho/Tornillo (FSC)	100-390
	Yesquero	115-190↓
	Ochoó	100-180

Report from Guatemala

Teak accounts for the bulk of forestry exports

Guatemala exported $580,000 in teak products in 2006, accounting for 86% of total forestry exports. Two-thirds of the teak export value consisted of sawnwood.

Log and Sawnwood Prices

Teak, FOB S.Tomas de Castilla Port	$ Avg unit val. per m^3
Plantation teak (Indian market)	
Logs 16+cm	240↓
Sawnwood 8-20.5cm x 9-20.5cm x 2.2m	450↓

Report from Mexico

Mexico rapidly expands area of certified forests

Mexico increased its FSC certified forest area by 23.6% to 792,275 ha (mostly natural forests) in 2006, according to Rainforest Alliance. This places Mexico third in Latin America, after Brazil (5.1 million ha) and Bolivia (2 million ha). The expansion of certified forest area was consistent with the global trend, according to the UNECE and FAO's Forest Products Annual Market Review 2005-2006. The world's certified forest area grew 12% in 2006. Certified forests are mainly located in six of Mexico's 32 states, namely Durango (374,981 ha), Chihuahua (173,069 ha), Oaxaca (109,894 ha), Quintana Roo (113,057 ha), Guerrero (14,784 ha) and Michoacan (6,487 ha), according to Rainforest Alliance. Tropical forests account for 14% of the total certified forest area (all in Quintana Roo) while temperate forest account for the balance.

Report from Guyana

Log Prices

Logs, FOB Georgetown	SQ - $ Avg unit value per m³		
	Std	Fair	Small
Greenheart	120⬇	110-125	105-115⬇
Purpleheart	(130)	100-150⬆	140
Mora	(120)	95-115	105

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

Sawnwood Prices

Sawnwood, FOB Georgetown		$ Avg unit val. per m³	
EU and US markets		Undressed	Dressed
Greenheart	Prime	424-580⬇	426-615⬆
	Select/Standard	424-594⬆	424-488⬇
Purpleheart	Prime	640-740⬆	424-889⬆
	Select/Standard	487-552⬆	424-658⬆
Greenheart scantlings		(382-503)	-

Plywood Prices

Plywood, FOB Georgetown Port			$ Avg unit val. per m³
Baromalli	BB/CC	5.5mm	(520)
		12mm	357-410⬆
	Utility	5.5mm	n.a.
		12mm	(350)

Other Tropical News

The growing Asian parquet flooring market

The global wooden flooring market was 550 million m^2 in 2006, with the Asian region accounting for almost 60% of this market, according to Dr. Ratnasingam in an FDM Asia article. According to the International Furniture Research Group (IFRG), the annual production of wooden flooring in Asia is estimated at 280 million m^2 and growing at 5% a year. Asia has emerged as a major market for wooden flooring fuelled by the building construction boom in China. The wooden flooring sector in certain Asian countries, such as China, has evolved into an export-oriented industry.

China leads in parquet production and consumption

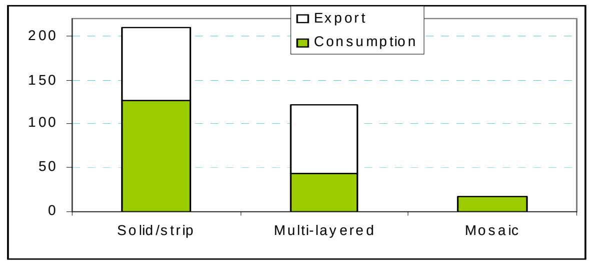
Asia's total production capacity of wooden flooring is estimated at 350 million m^2 a year, with China accounting for 77% of this capacity and Japan and India for most of the remaining capacity. Solid wood flooring accounts for almost 65% of the total production, while laminated flooring accounts for most of the remaining 35%. There are about 530 wooden flooring manufacturers throughout Asia with an annual average capacity of about 0.5 million m^2. Around 60% of the wooden flooring demand in Asia is from the office and institutional flooring sectors, while the remainder comes from the housing sector. According to the IFRG, the consumption of wooden flooring in Asia is estimated at 280 million m^2 a year, led by China (75% of the total consumption) and Japan (12.4%). Other major consumers of parquet flooring are India, South Korea, Singapore and Malaysia.

The main processes involved in parquet flooring manufacturing are wood stock kiln drying, rough milling, top-layering, composing, foundation-line, assembly/lamination, conditioning, surface milling, finishing and packing. European technology accounts for almost 76% in Asia while Asian technology, notably from China and Taiwan, accounts for only 18%, although this share is growing.

Solid parquet is the most preferred flooring

The three major types of wooden parquet flooring produced in Asia are multi-layered, solid/strip and mosaic. These account for 35%, 60% and 5% of the Asian parquet production. The chart below shows that solid and multi-layered flooring are the most commonly consumed (60% and 35%, respectively) and exported (40% and 65%). The preference for solid/strip parquet flooring can be attributed to the prevailing inclination for 'single stock' materials. Multi-layered parquet flooring is often perceived as a 'recycled wood' product.

Uses of parquet produced in Asia (million m^2), 2006



The chart also shows that 163.6 million m^2 of Asian parquet (47% of the production) was exported in 2006. Europe absorbs most of this total, with Germany accounting for nearly 25 million m^2. Multi-layered parquet flooring accounted for almost 87% of this volume.

Flooring price differences and wood preferences

In terms of sales prices, the average price for solid-wood flooring ($16 per m^2) is higher than that for multi-layered parquet flooring ($12 per m^2) and mosaic parquet ($10 per m^2). Solid strip parquet demands a better foundation for lay-up and higher quality wood stock. In contrast, multi-layered parquet has an easier lay-up (glue-less and floating lay-up). In terms of production costs, raw materials and labour are 20% and 85% cheaper in Asian than in Europe.

The most common tropical hardwoods used for parquet production in Asia include merbau, kempas and meranti. In recent years, however, imported wood species such as oak, beech, maple and pine, as well as non-wood species such as bamboo and coconut wood have increased in popularity. Rubberwood is another wood species increasingly used in Southeast Asia. In terms of colour, there is a marked preference for dark coloured parquet flooring in Asia as compared with other parts of the world. Wooden parquet flooring is commonly used in two major types of construction: houses (eg., condominiums and single-family houses) and institutional buildings (eg., hotel lobbies, gymnasiums and meeting halls). Light coloured wood stocks account for almost 75% of the flooring in home applications, while dark coloured wood are preferred for other purposes, according to IFRG. For laminated or multi-layered parquet, there is a growing trend in the use of high-density fibreboard (HDF) as the core stock. The use of wood-based panels is also on the rise in the Asian parquet flooring industry.

IMB uncovers faked websites tracking shipments

The International Maritime Bureau (IMB) has uncovered a series of internet-based scams aimed at the container shipping industry. Using fake websites, crooked cargo traders deceive buyers into believing that their cargo shipments are being shipped. IMB investigated a case where a consignment of sugar was never shipped. False bills of lading were issued indicating that the shipment had been transported. A fake website with a phoney tracking service provided information showing the movement of the cargo. IMB advised cargo traders to take extra precaution to ensure the information they were receiving was factual and accurate. According to IMB, it was no longer enough to check that a vessel had visited a load port on the date listed on a bill of lading. In-depth due diligence by a third party, such as the IMB, is one means of securing reliable information about the credibility of shipping documents, traders and cargo.

Report from Japan

Japanese prices for tropical plywood continue to decline

Sales and FOB prices of Southeast Asian plywood have been declining over the last weeks in Japan. Although demand is steady helped by a mild winter, inventories are building up as arrivals of import plywood are exceeding domestic shipments. However, imports from Malaysia and Indonesia fell in December (see below), slowing the pace seen since last August. It is expected that imports volumes will further decline due to dropping prices and lesser contracts. Meanwhile, the supply of softwood plywood remains tight and prices firm, which is narrowing the price gap with hardwood plywood.

Housing starts loses momentum

Housing starts fell to 92,219 units in January, down 0.7% from a year ago. The decline was due to a 1.2% reduction in rental units. Wood-based units accounted for 43% of the total housing starts, up from 42% in January 2006, increasing for the sixteenth consecutive month compared with one year earlier. Seasonally adjusted annual housing starts were 1.25 million in January.

Log prices remain stable amid sluggish ply market

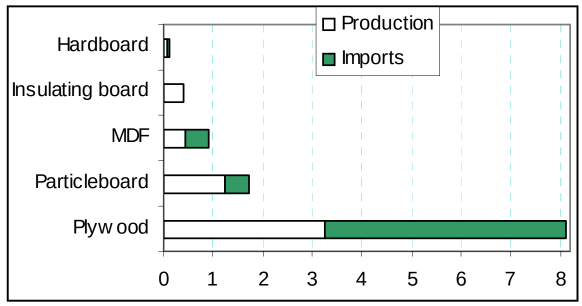
Although log importers were pushing for price hikes, prices for logs for plywood manufacturing remained stable in early March. The plywood domestic market is sluggish, making difficult for mills to pass on higher log cost to plywood prices. Meanwhile in Southeast Asia, price negotiations were interrupted by the Chinese New Year holiday. Log inventories were low due to the holiday and rainy season. Ships are lining up in ports waiting for enough log volumes. Some log suppliers are bullish with the announcement of a gradual raise of export duties on Russian logs. According to these suppliers, the move could boost the demand for tropical logs.

Supply of wooden panels surge to a 6-year high

Supply of wooden panels in Japan surged to 11.26 million m^3 in 2006, up 4% from 2005 and the highest level since 2000. The chart shows that plywood was the main panel product, accounting for 72.3% of the volume, followed by particleboard (15.2%), MDF (8.1%), insulating board (3.6%) and hardboard (1%). The chart also shows that almost 60% of the plywood supplied in Japan was imported, compared with 52% for MDF, 43% for hardboard, 27% for particleboard (half of which was OSB) and only 0.7% for insulating board. The largest import increases were seen in insulating board (up 227% from 2005), hardboard (up 96%), particleboard (up 18%, helped by a 47% hike in OSB imports) and plywood (up 6.8%). In contrast, imports of MDF declined 9% in 2006 due partly to a reduced supply from two plants (New Zealand's CHH and Australia's Laminex) affected by fire.

Greater supply and, particularly, imports of other panels such as OSB were due to the tight supply of and higher prices for structural plywood last year. Rising plywood prices have also boosted the demand for MDF and hardboard, this latter used in construction as curing board.

Supply of wooden panels in Japan, 2006 (million m^3)



Nakai Plywood builds second plant in Indonesia

Nankai Plywood is investing ¥300 million in the construction of a second plant in Indonesia for its subsidiary company, Nankai Plywood Indonesia (NPI) building materials processing company. The plant is expected to start production in May this year. NPI plans to increase the production of plantation falcate laminated board by 50% in three years. The board is mainly used as base material for the production of cabinets and closets. The board consists of overlaying thin MDF on laminated lumber which then is coated with urethane resin on the surface ('art lumber'). NPI is producing 45,000 sheets of falcate laminated board (3x6/15, 20 and 27 mm thick) a month and plans to increase production to 70,000 sheets by 2010.

Log and Sawnwood Prices in Japan

Logs for Ply Manufacture, CIF	Yen per Koku
Meranti (Hill, Sarawak)	(Koku=0.278 m^3)
Medium Mixed	8,700
Standard Mixed	8,800
Small Log (SM60%, SSM40%)	8,000
Taun, Calophyllum, others (PNG)	8,000
Mixed light hardwood, G3/4 grade (PNG)	7,700
Okoumé (Gabon)	14,000
Keruing MQ & up (Sarawak)	9,900
Kapur MQ & up (Sarawak)	9,600

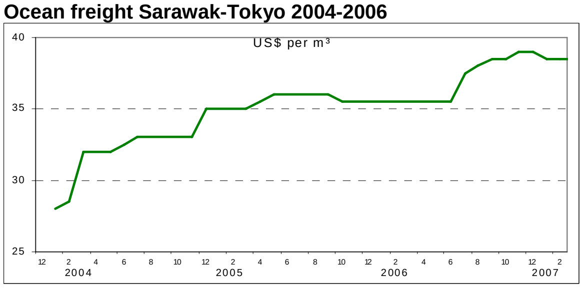
Logs for Sawmilling, CIF	Yen per Koku
Melapi (Sarawak) High Select	10,000
Agathis (Sarawak) High Select	9,800

Lumber, FOB	Yen per m^3
White Seraya (Sabah) 24x150mm, 4m, Grade 1	125,000⬆
Mixed Seraya, Sangi 24x48mm, 1.8-4m, S2S	52,000⬆

Wholesale Prices (Tokyo)

Indonesian & Malaysian Plywood	Size (mm)	Feb (¥ per sheet)	Mar
2.4mm (thin plywood, F 4star, type 2)	920 X 1830	380 ↓	380
3.7mm (med. thickness, F 4star, type1)	910 X 1820	560 ↓	580 ↑
5.2mm (med. thickness, F 4star, type 1)	910 X 1820	660 ↓	680 ↑
11.5mm for sheathing (F 4star, type 2)	910 X 1820	1200 ↓	1200
12mm for foundation (F 4star, special)	910 X 1820	1350 ↓	1350
12mm concrete-form ply (JAS)	900 X 1800	1300 ↓	1280 ↓
12m coated concrete-form ply (JAS)	900 X 1800	1400 ↓	1400
11.5mm flooring board	945 X 1840	2000 ↑	1900 ↓
3.6mm baseboard for overlays (OVL)	1230 X 2440	1010	990 ↓
OSB (North American)			
12mm foundation of roof (JAS)	910 X 1820	1000	1000
9mm foundation for 2 by 4 (JAS)	910 X 2440	1050	1050
9mm conventional foundation (JAS)	910 X 2730	1250	1250
9mm conventional foundation (JAS)	910 X 3030	1350	1350

Ocean freight Sarawak-Tokyo 2004-2006



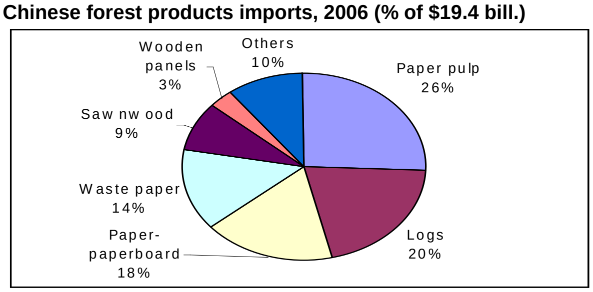
More information on Japan in www.n-mokuzai.com

Report from China

China further expands trade surplus in forest products

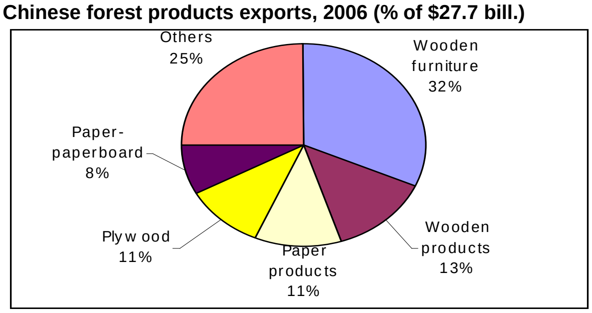
The total trade value of China's forest products rose 24% to $47.07 billion in 2006, according to Chinese customs statistics. The import value of these products rose 10% to $19.39 billion (of which $18.49 or 95.4% were wood products) while the export value rose 34% to $27.68 billion (of which $24.27 or 87.7% were wood products). China's trade surplus of these products grew 171% to $8.29 billion.

Chinese forest products imports, 2006 (% of $19.4 bill.)



Pulp includes non-wood pulp. Wooden panels include plywood, fibreboard, particleboard and veneer

Chinese forest products exports, 2006 (% of $27.7 bill.)



China increases world timber trade dominance

The charts show that China mainly imports raw materials and exports finished wood products. The import value of primary products such as paper pulp, logs, paper and paperboard, waste paper and sawnwood accounted for 90% of the total import value of wood products. China is the world's largest importer of logs, waste paper and wood pulp and the second largest importer of paper and paperboard, after the USA. China accounts for about half of the world's imports of waste paper. Meanwhile, China is the world's largest exporter of wooden furniture (49% of global exports) and plywood (30% of world's exports).

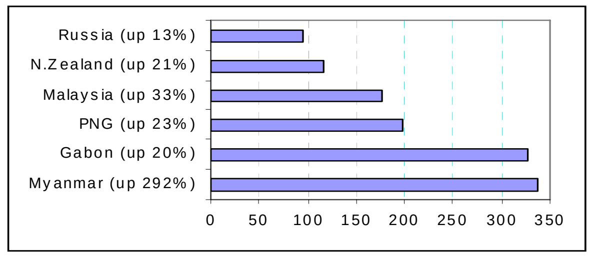
Russia remains China's largest raw material supplier

Russia remained China's largest log and sawnwood supplier, accounting for 68% (21.83 million m^3) of total log and 19% (1.174 million m^3) of sawnwood imports .

Prices for imported logs and sawnwood edge up

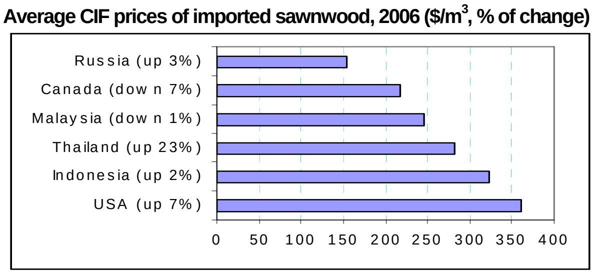
Average CIF prices for imported logs and sawnwood rose 40% to $146.6 per m^3 and 9.4% to $298.9 per m^3, respectively, in 2006. However, these prices changed according with origin (see charts).

Average CIF prices of imported logs, 2006 ($/$m^3$, % of change)



The chart above shows that average CIF prices for imported logs grew at two-digit rates, with prices for tropical logs higher and growing at a faster rate than those for temperate logs. The sharp increase in prices for Myanmar logs (eg., teak, padauk and alder birch) is probably due to the ban on border trade between China and Myanmar since March 2006. The chart below shows that average CIF prices for sawnwood rose comparatively less markedly. Prices for tropical sawnwood are higher than temperate products, except US sawnwood. Prices for Thai sawnwood grew faster while those for Canadian and Malaysian products declined in 2006.

Average CIF prices of imported sawnwood, 2006 ($/$m^3$, % of change)



China's export markets highly concentrated

China's forest products were mainly exported to the USA, Japan and EU in 2006. About 35% of the volume of Chinese wooden furniture was exported to the USA and 8.8% to Japan, while 26% of Chinese plywood was exported to the USA. Local analysts suggest diversifying export markets in order to reduce trade frictions with traditional markets and boost further export growth. Potential markets include the Middle East, Oceania and Russia.

Log import volume and prices surge in Jiangsu ports

Log imports through the ports in Jiangsu Province surged to 6.84 million m^3 ($1.28 billion) in 2006, up 21% (up 33% in value) from 2005. The average log import price rose 10% to $186.9 per m^3 in 2006, with the December average surging 20% to $226.8 per m^3. Increasing log import prices are due to the continued unbalance between log supply and demand and growing focus on downstream processing in supplier countries.

Guangzhou City Imported Timber Market

Logs	Yuan per m^3
Radiata 6m, 30cm diam.	1300
Luan	1800-2500⬆
Kapur	2060-2150⬇
Merbau 6m, 60cm diam.	4900-5600⬆
Keruing 60cm+ diam.	1900-2300⬇
Beech 6m,30cm veneer Qual.	3300-3600
Sawnwood	
Teak Boards 4m+ for flooring	21000-22000
US Maple 2" KD	8500-13000⬆
US Cherry 2"	12000-15000⬇
US Walnut 2"	12500-14500⬆
SE Asian Sawn 4m+, KD	4300-4350⬆
Plywood	Yuan per sheet
4x8x3mm	20-34⬆
4x8x18mm	149-188

Shanghai Furen Wholesale Market

Sawnwood		Yuan per m^3
Beech KD Grade AB		2400-3000
US Cherry, 25mm		11500-13000⬇
US Red Oak, 50mm		10500-11000
Sapele 50mm FAS (Congo)	AD	6300-6600
	KD	7100-7300⬆

Shandong De Zhou Timber market

Logs		Yuan per m^3
Larch	4-6m, 24-28cm diam.	1130
White Pine	4-6m, 24-28cm diam.	1100
Korean Pine	4m, 30cm diam.	2000
	6m, 30cm diam.	2000

Hebei Shijiangzhuang Wholesale Market

Logs		Yuan per m^3
Korean Pine 4m, 38cm+ diam		1600⬇
Mongolian Scots Pine	4m, 30cm diam.	1350
	6m, 30cm+ diam.	1460
Sawnwood		
Mongolian Scots Pine	4m, 5-6cm thick	1550
	4m,10cm tick	1580

Tian Jin City Huan Bo Hai timber Market

Logs	Yuan per m^3
Okoume 80cm+	3000
Sapele 80cm+	5350
Padauk 40cm+	6000
Sawnwood	
US Black Walnut 2.2-4m, 5cm thick	16000
Padauk 2.2-3.2m, 5cm thick	11000
Sapele 2.2-2.6m, 5cm thick	6800
Ash 4m, 5cm thick	4300

For more information on China's forestry see: www.forestry.ac.cn

Report from Europe

FAO reports progress in slowing forest losses

A number of regions of the world are reversing centuries of deforestation and even increasing forest area, according to FAO's State of the World's Forests report, released in March. The report, which was launched at the opening of the 18th Session of FAO's Committee on Forestry (COFO18) in Rome, underlines the positive effects of economic prosperity and careful forest management in saving forests, noting that over 100 countries have established national forest programmes. However, countries that are facing the most serious challenges in achieving sustainable forest management are those with the highest rates of poverty and civil conflict.

Global forest cover amounts to just under four billion ha, covering about 30% of the world's land area. From 1990 to 2005, the world lost 3% of its total forest area, an average decrease of some 0.2% per year, according to FAO. From 2000 to 2005, 57 countries reported an increase in forest area, and 83 reported a decrease. However, the net forest loss remains at 7.3 million ha per year or 20,000 ha per day, equivalent to an area twice the size of Paris. Ten countries account for 80% of the world's primary forests, of which Indonesia, Mexico, PNG and Brazil saw the highest losses in primary forest in the five years running from 2000 to 2005.

Asia and the Pacific reverse downward trend

In Asia and the Pacific, net forest area increased in the same period, reversing the downward trend of preceding decades. The increase was mainly in East Asia, where large investments in forest plantations in China were high enough to offset high rates of deforestation in other areas. The net loss of forest area actually accelerated in Southeast Asia between 2000 and 2005. However, rapid economic growth may help to create the conditions for sustainable forest management, the report said. Forest institutions in the region are getting stronger in a number of countries, and the trend towards more participatory decision-making continues.

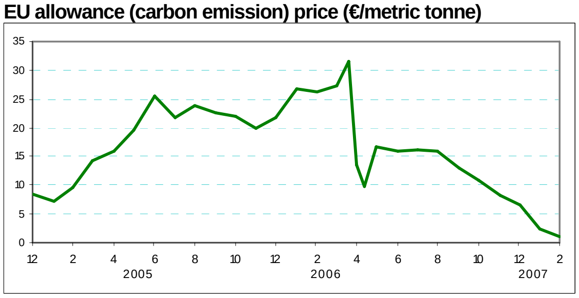
Forests are obtaining political support and commitment at the highest levels in Africa. Latin American countries have formed networks to fight fires, to increase the effectiveness of protected area management and to improve watershed management. These measures are expected to improve forest management in the two regions. Africa and Latin America and the Caribbean are currently the two regions with the highest losses. Africa, which accounts for about 16% of the total global forest area, lost over 9% of its forests between 1990 and 2005. Latin America and the Caribbean, with over 47% of the world's forests, saw an increase in the annual net loss between 2000 and 2005, from 0.46% to 0.51%. Europe and North America showed net increases in forest area over the reporting period.

Forests threatened by fire, pests and climate change

Forests are also vulnerable to other threats such as insects, diseases, invasive species and forest fires. Rapid transport, ease of travel and growing international trade have facilitated the spread of pests. The report notes that there is a growing trend towards adopting management strategies to contain forest pests, particularly in developed countries. While many countries report that fire seasons are becoming more severe, there is insufficient information to conclude whether the total area burned or number of forest fires is increasing globally. Between 80 and 99% of forest fires are caused by people, due to land clearing and arson. A major non-human cause of wildfires is lightening.

Evidence is mounting that forests will be profoundly affected by climate change, such as increasing damage to forest health caused by the greater incidence of fire, pests and diseases. At the same time, new investments in forests to mitigate climate change lag behind the optimistic expectations of many following the entry into force of the Kyoto Protocol in 2005.

EU allowance (carbon emission) price (€/metric tonne)



Price at the end of the month.

Report from the UK

UK economy and housing sector show robust signs

UK economic indicators suggest that the housing market remains firm and retail sales active. The annual house price inflation increased to 10.2% in January, up from 9.3% in December. UK house prices rose 1.5% in February according to Halifax, keeping the annual rate around 10%. The total volume of construction output rose 3.1% in the third quarter of 2006, as compared with the same period in 2005, and up 1% from the previous quarter. The annual construction output rose 1.3% in 2006. New private housing work also rose 3.4% in the fourth quarter, compared with a year earlier, but was 0.4% down on the previous quarter. The annual new private housing output rose 2% in 2006, while public new housing work surged 23%. Meanwhile, a recent Confederation of British Industry (CBI) survey showed that retail sales rose for the third consecutive month as compared with a year earlier.

House builder Persimmon has reported record profits after an 'exceptional' 2006. Home completions rose from 12,636 to 16,701 units. Bovis also reported excellent progress with profits increasing 13.7% and completions climbing 15.7% to 3,123 units. Travis Perkins, a leading supplier to the building and construction industry which includes Wickes, Keyline and City Plumbing, has reported an 8% increase in sales in 2006. The branch network also grew by 26 to 559 site branches.

Timber expected to increase share in UK construction

Market & Business Development has estimated the demand for timber and joinery to expand by 1% annually between 2007 and 2011. The demand would be driven by an increased share of timber in the construction industry due, partly, by environmental reasons.

Expectations grow around the new UK Budget

Expectations grow around the last UK Budget to be presented by the Chancellor of the Exchequer, Gordon Brown, on 21 March. There is pressure on the Chancellor to reduce taxation on companies. The CBI has called on the Chancellor to take a tighter grip on public spending to contain the UK's slide in tax competitiveness. A Mori survey revealed last year that 22% of the companies had relocated some of their activities abroad and a further 17% was considering doing so. The basic reason given was the complexity of the tax system that has built up over the last ten years. CBI also requested a reduction in Corporation Tax, which is said no longer competitive with the main economies of Europe. The budget is expected to set the scene for all companies for at least the next twelve months.

Log Prices

FOB plus commission		€ per m^3
N'Gollon (khaya)	70cm+ LM-C	227-238
Ayous (wawa)	80cm+ LM-C	227-238
Sapele	80cm+ LM-C	280-294
Iroko	80cm+ LM-C	300-320

Sawnwood Prices

FOB plus Commission	Pounds per m^3
Teak 1st Quality 1"x8"x8"	2035-2350
Tulipwood FAS 25mm	435-440
Cedro FAS 25mm	415-430
DR Meranti Sel/Btr 25mm	410-420
Keruing Std/Btr 25mm	285-300
Sapele FAS 25mm	400-415
Iroko FAS 25mm	415-430
Khaya FAS 25mm	390-400
Utile FAS 25mm	410-420
Wawa No.1 C&S 25mm	185-210

Plywood and MDF Prices

Plywood Panels 8x4", CIF	US$ per m^3
Brazilian WBP BB/CC 6mm	640
Indonesian WBP BB/B 6mm	600-630
MDF	Pounds per 10m^2
Eire, BS1142 12mm	50

Report from North America

US lawmakers seek ban on illegal timber imports

A group of Republican and Democrat congressmen want to crack down on illegal logging around the world. Led by Democrat Rep. Earl Blumenauer, the group seeks support for a bill to ban US imports of wood products derived from illegally harvested timber. Lawmakers hope to make US consumers more aware of where their new furniture or hardwood floor comes from, Mr. Blumenauer said. He added that according to the US International Trade Commission, as much as 30% of US hardwood imports were from suspicious or illegal sources, Much of the wood is sent to China, where it is processed at low cost and then exported to the USA and other countries. Mr. Blumenauer said that illegal logging costs US companies as much as $1 billion a year in lost exports and reduced prices for timber products, according to the American Forest and Paper Association.

The logging bill would extend the Lacey Act, which prohibits importation of wildlife taken in violation of conservation laws, to apply to wood and timber products. The measure would ban the import, export or sale of timber products made in violation of domestic or foreign law or international treaty.

ENGO and workers call for levies on Indonesian paper

The Sierra Club and United Steelworkers union asked the US Commerce Department (USCD) to levy import duties on paper from Indonesia, saying that wood used to make the paper is illegally logged. The environmental group and the union, in the first joint case of its kind, argued that lax enforcement of environmental laws amounts to a subsidy for the Indonesian paper companies and should be counteracted with US tariffs. According to them, enormous growth in Indonesia's pulp and paper industries, fueled in large part by government subsidies, has raised demand for timber and thus increased pressures to log illegally.

In the filing to the USCD, the groups cited a 2005 Department of Agriculture report that said more than half the timber cut in Indonesia was harvested illegally. Systematic non-enforcement of Indonesian laws regarding timber harvesting in state-owned forests permitted logging companies to obtain valuable government-owned resources without paying adequate remuneration, the complaint contended. The groups did not detail how high the tariffs should be to compensate for the allegedly illegal subsidies.

The steelworkers union represents workers at paper companies, including Ohio-based NewPage Corp. The company brought an initial trade complaint last year against $600 million a year in glossy paper imports from China, South Korea and Indonesia. The USCD is scheduled to make its initial ruling in that complaint by April 2.

US Imported Sawnwood Prices

FOB unit value prices		Avg $ per m^3	
		Nov	Dec
Balsa*	(Ecuador)	403	403
Mahogany**	(Peru)	1374	1374
	(Bolivia)	1699	1699
Mahogany*	(Peru)	1821	1821
Virola**	(Brazil)	382	382
Virola*	(Brazil)	380	380
Red Meranti	(Malaysia)	830↑	850↑
	(Indonesia)	817↑	830↑
Teak**	(Taiwan)	2125	2125
Keruing**	(Malaysia)	589	589
Keruing*	(Malaysia)	599	599

*Dimension lumber; **Rough lumber; Quality variations may greatly influence monthly average prices. Data is subject to frequent revisions.

US Imported Veneer Prices

FOB avg unit value ($ per m^2)	Nov	Dec
By species (all countries)		
Meranti	9.7↓	10.0↑
Non-meranti	1.3	1.3
By country (all tropical species)		
China	0.6	0.6
Ghana	1.1	1.1
Côte d'Ivoire	1.2	1.2
India	5.2	5.2
Thailand	2.6	2.6
Gabon	1.2	1.2
Brazil	1.9	1.9
Italy	3.4	3.4

Quality variations may greatly influence monthly averages. Data subject to frequent revisions.

US Imported Plywood Prices

FOB avg unit value ($ per m^3)	Nov	Dec
All tropical plywood		
Indonesia	322↓	470↑
Malaysia	459↑	379↓
China	378↑	325↓
Brazil	416↑	418↑
All	382↑	384↑
Mahogany		
Canada	783↑	791↑
Brazil	430	430
China	923	915↓
Meranti, white luan, sipo, limba		
China	287↑	292↑
Taiwan PoC	1339↑	1344↑
Brazil	446↑	448↑

Quality variations may greatly influence monthly averages. Data subject to frequent revisions.

Internet News

Below are web links to news items published by the press. ITTO does not necessarily endorse them!

At a time when the Gulf Cooperation Council (GCC) countries are attempting multi-dimensional changes that bear the potential to transform the region and Asia is experiencing a renaissance, there exists an opportunity for synergy to accomplish optimum mutual benefits even beyond the economic realm.
http://www.arabnews.com/?page=6&section=0&article=93515

The crisis in the subprime mortgage sector is threatening to exert more pressure on slumping Chicago Mercantile Exchange lumber futures, which analysts said will drift lower as long as the US housing market stays slow.
http://www.reuters.com/article/reutersEdge/idUSN0926083720070310

European Central Bank President Jean-Claude Trichet and his Group of 10 counterparts will probably say world economies are strong enough to withstand the slump in stock markets earlier this month.
http://www.bloomberg.com/apps/news?pid=20601085&sid=au_SE3VSvYc0&refer=news

Four decades after US warplanes plastered it with bombs, a remote corner of the old Ho Chi Minh Trail in Cambodia is making a comeback as a treasure trove of endangered wildlife.
http://www.smh.com.au/news/travel/animals-return-to-ho-chi-minh-trail/2007/03/06/1172943409817.html

H. E. Dr. Mohammed Saeed AI Kindi, UAE Minister of Environment and Water, opened the second edition of Dubai Woodshow, the Middle East’s only dedicated wood and wood machinery exhibition, at the Dubai International Exhibition Centre.
http://www.middleeastevents.com/site/pres_dtls.asp?pid=1118

Illegal logging is not an issue in the Free Trade Agreement (FTA) negotiations between Malaysia and the US, Deputy Minister of Plantation Industries and Commodities Datuk Anifah Aman said.
http://www.bernama.com.my/bernama/v3/news_business.php?id=250181

The EU has agreed to cut greenhouse gas emissions by 20% compared with 1990 levels. That goes beyond the 8% by 2012 that Europe signed up to at Kyoto. The EU agreement also imposes targets for renewable power, energy efficiency and biofuels. The agreement is an breakthrough but the methods to achive the targets are not clear.
http://www.ft.com/cms/s/2821012e-ceae-11db-b5c8-000b5df10621.html

Japan's economy expanded at the fastest pace in three years, exceeding the government's initial estimate, as surging export demand prompted companies to increase spending on factories and machinery.
http://www.bloomberg.com/apps/news?pid=20602006&sid=ab6bogn2JYCM&refer=regional_indexes

A leading environmental researcher at the University of Leicester is to head an international team to protect an area that stores up to 70 billion tonnes of carbon.
http://www.sciencedaily.com/releases/2007/03/070308121818.htm

A major Gulf investment company has focused itself on Saudi Arabia’s booming economy, in addition to its sustained interests in the Middle East and North Africa (MENA) region.
http://www.arabnews.com/?page=6&section=0&article=93523

Rio Tinto Group, the world's third- largest mining company, said China's demand for metals will likely rise, underpinning high prices for commodities this year.
http://www.bloomberg.com/apps/news?pid=20601014&sid=a.p94wBOYeuQ&refer=funds

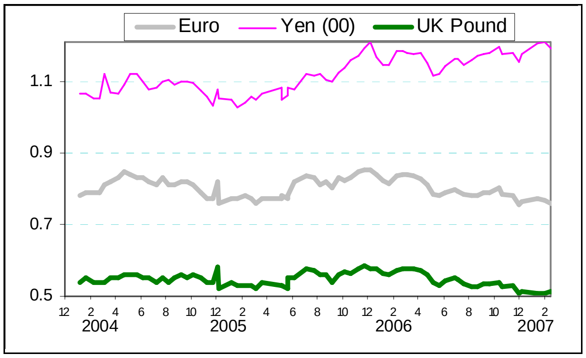
The total output value of China's forestry industry exceeded 900 billion yuan ($118 billion) in 2006, according to a report issued by the State Forestry Administration (SFA).
http://english.peopledaily.com.cn/200703/12/eng20070312_356467.html

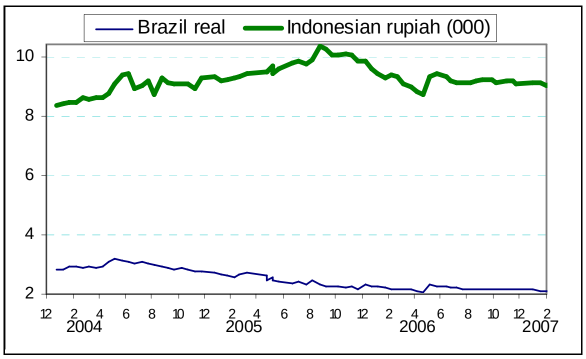
The world’s first construction project to be fully certified to FSC Project Certification Standards has been delivered by Hollybrook Homes a month earlier than planned and within budget.
http://www.newbuilder.co.uk/news/NewsFullStory.asp?ID=1861

Main US Dollar Exchange Rates

As of 15th March 2007

Brazil	Real	2.092	⬆
CFA countries	CFA Franc	495.248	⬆
China	Yuan	7.744	⬇
EU	Euro	0.755	⬆
Indonesia	Rupiah	9,226.00	⬇
Japan	Yen	117.23	⬆
Malaysia	Ringgit	3.513	⬇
Peru	New Sol	3.185	⬆
UK	Pound	0.516	⬇

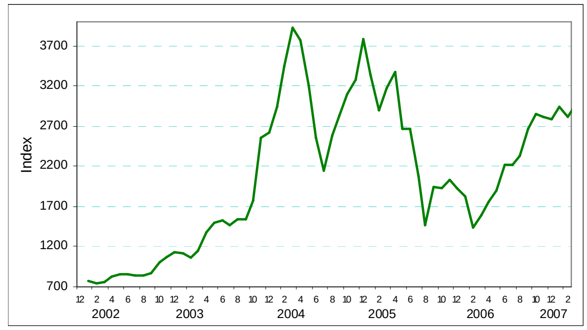




Abbreviations and Equivalences

LM	Loyale Merchant, a grade of log parcel
QS	Qualite Superieure
CI, CE, CS	Choix Industriel, Economique or Supplimentaire
FOB	Free-on-Board
CIF; CNF	Cost, insurance and freight; Cost and freight
KD; AD	Kiln Dry; Air Dry
Boule	A log sawn through and through, the boards from one log are bundled together.
BB/CC, etc.	Log/plywood grades. Letter(s) on the left indicate face veneer(s), on the right backing veneer(s). Grade decreases in order B, BB, C, CC, etc.
BF; MBF	Board Foot; 1000 Board Feet
Hoppus ton	1.8 m^3
Koku	0.278 m^3 or 120 BF
SQ; SSQ	Sawmill Quality; Select Sawmill Quality
FAS	Sawnwood Grade First and Second
GMS	General Market Specifications
MR; WBP	Moisture Resistant; Water and Boil Proof
MDF	Medium Density Fibreboard
PHND	Pin hole no defect grade
$; ⬆⬇	US dollar; Price has moved up or down

Ocean Freight Index

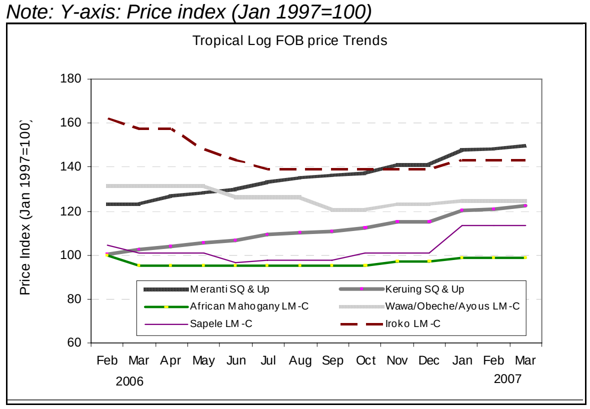


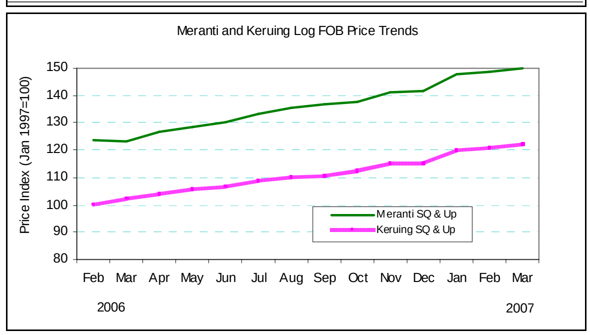
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes. It is based on a 52,454 mt bulk carrier carrying commodities such as timber.

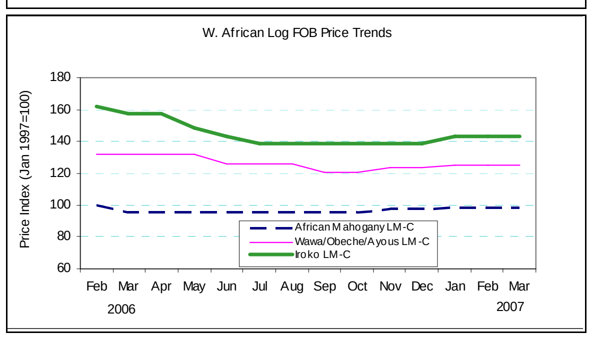
Appendix. Tropical Timber Price Trends

Tropical Log Price Trends

Note: Y-axis: Price index (Jan 1997=100)



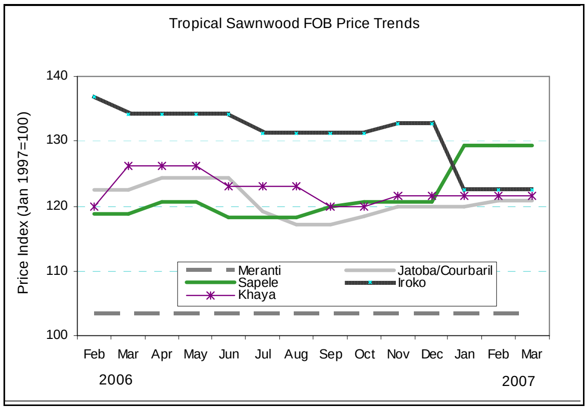


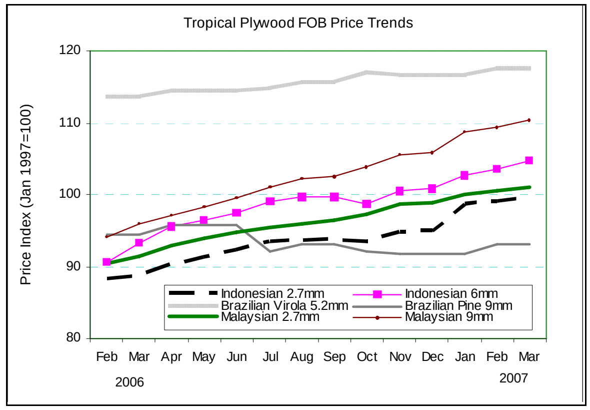


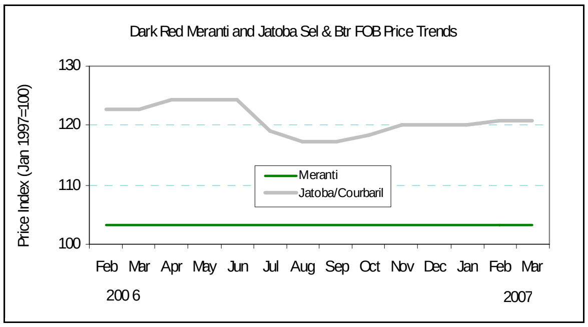
More price trends in Appendix 4, ITTO's Annual Review http://www.itto.or.jp/live/PageDisplayHandler?pageId=199

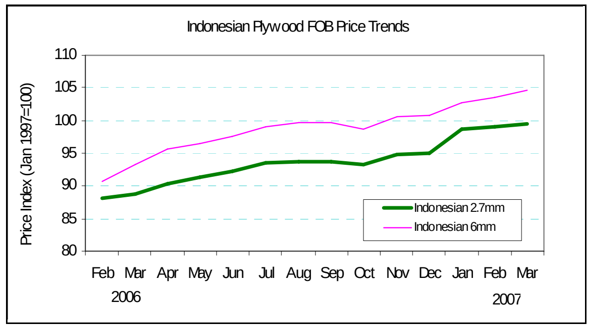
Tropical Sawnwood Price Trends

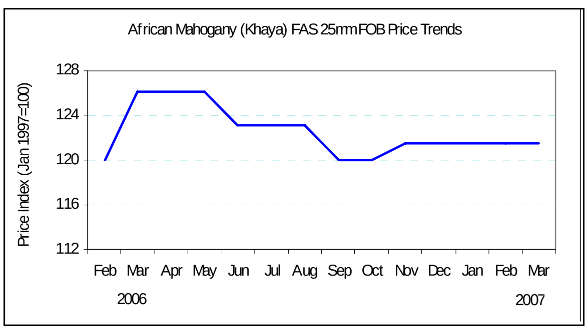
Tropical Plywood Price Trends

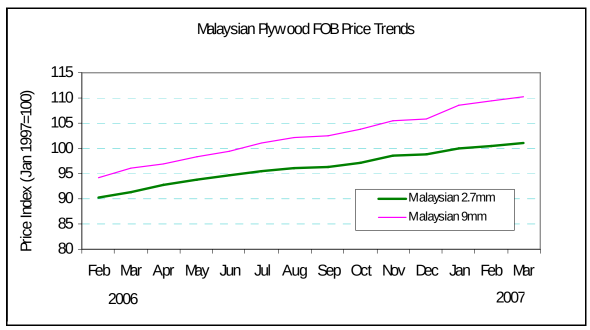


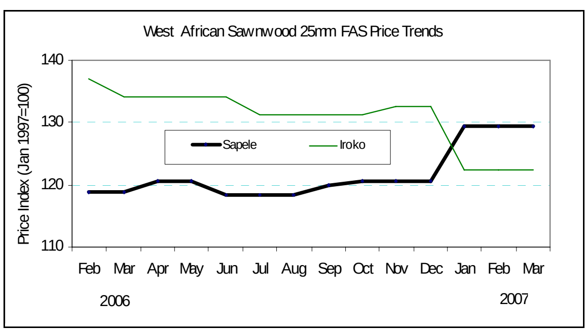


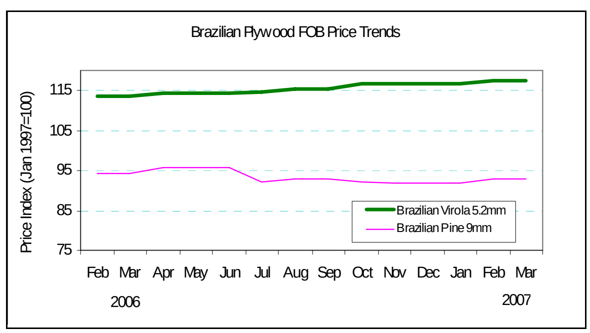












Disclaimer: *Though efforts have been made to keep prices near to accurate, these are published as a guide only. ITTO does not take responsibility for the accuracy of this information.*