

# Tropical Timber Market Report since 1990

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## Snapshot

Teak prices showed some volatility during the end of August. Japan's demand for Southsea logs continued to weaken during August, while Southsea log prices remained high. Despite this limited activity in Asia, Ghana reported a record increase in trade volume for the first half of the year. Other African markets were relatively quiet toward the end of the European summer holiday.

Trade through China's main ports for importing and exporting timber has grown so far in 2007, although weakening supply of Chinese timber has led traders to desperately look to overseas markets for logs. Prices for South American timber have been gaining a competitive edge over Chinese solid wood flooring sales, having an impact on sales of Chinese flooring.

A downturn in trade with Asia's traditional trading partners has led Malaysia and Indonesia to search for new investment opportunities overseas. Malaysian officials are to undertake a trade mission to Latin America at the end of September to secure new business opportunities, especially for furniture and wood products. Indonesia is looking to double its trade in Qatari markets.

L. Flejzor

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## Report from Central/West Africa

### Log prices hold steady through August

Log prices held steady through August, marking a rebound from weaker price trends in July. Only two or three downward adjustments in price were recorded, due to changing supply and demand. Price stability was assisted by the slight improvement in demand from China, although demand was still far from reaching previous levels. Azobe was one of the main species suffering a drop in price because of oversupply, reduced interest from the Netherlands and strong competition from alternative Brazilian species. Prices also dropped for Padouk, since fewer ships were available for loading to India.

Gabon's new log quota system is fully implemented, although there are still ongoing discussions with government on allowable volumes. It is reported that some companies were allocated volumes of around 10% of their previous export volumes. Although negotiations on the allowed quotas will continue for some time, there is a connection between the allowed quotas and companies' reforestation records. This connection appears to have assisted the longer established companies in the allocation of total export volumes.

For sawn lumber, Sipo and Sapele prices remained firm. Prices for other species are strong and the price increases achieved through June and early July have held. Although markets are currently quite dull, prices have stayed buoyant and thus there is still confidence in market prospects in the fourth quarter.

### West Africa Log Prices

West Africa logs, FOB		€ per m <sup>3</sup>		
Asian market		LM	B	BC/C
Acajou/ Khaya/N'Gollon		221	190	175
Ayous/Obéché/Wawa		221	205	168
Azobe & Ekki		152↓	152↓	91↓
Belli		244	244	-
Bibolo/Dibétou		168	168	114
Bubinga		533	457	381
Iroko		289	274	259
Okoume (60% CI, 40% CE, 20% CS)		-	150	-
Moabi		297	297	236
Movingui		205	190	152
Niove		129	129	-
Okan		198	198	152
Padouk		289↓	289↓	267
Sapele		267	252	205
Sipo/Utile		320	290	251
Tali		190	190	152

Gabon Okoumé logs, FAS*		€ per m <sup>3</sup>	
Grade	QS	Asia	Europe
	CI	213	219
	CE	171	171
	CE	146	150
	CS	108	111

\*Based on SNBG official prices

### West Africa Sawnwood Prices

West Africa sawnwood, FOB		€ per m <sup>3</sup>
Ayous	FAS GMS	396
	Fixed sizes	427
Okoumé	FAS GMS	335
	Sel. & Bet. GMS Italy	310
Sipo	Sel. & Bet. fixed sizes	-
	FAS GMS	540
Padouk	FAS fixed sizes	-
	FAS scantlings	550
Sapele	FAS GMS	600
	FAS scantlings	630
Iroko	Strips	425
	FAS Spanish sizes	550
Khaya	FAS scantlings	580
	FAS GMS	458
Maobi	Scantlings	519
	Strips	304
Movingui	FAS GMS	396
	FAS fixed	427
	FAS GMS	630
	Scantlings	645
	FAS GMS	460

## Report from Ghana

### TIDD reports record expansion in trade volume

The Timber Industry Development Division (TIDD) of the Ghana Forestry Commission indicated that Ghana's trade volume from January to June 2007 reached a total of 2.66 million m<sup>3</sup> and was worth over USD93 million. This was a 22% surge in volume and a 9.5% hike in value from the previous year's figures.

Wawa, Ceiba, Ofra, Mahogany, Asanfin, Niangon and Odum featured prominently in the exports of rotary sawnwood and sliced veneers, plywood and furniture parts. Plywood (including overland exports), lumber (KD) and lumber (AD) contributed 24.0%, 21.2% and 15.5%, respectively, to the total volume of timber exports for the half-year period. Compared to the same period in 2006, plywood was up 64.7% in volume while lumber (KD) and lumber (AD) slipped 0.80% and 24.1%, respectively.

Tertiary wood products accounted for 9.0% (EUR8.39 million) of total revenue for 2007 against 11.7% (EUR9.95 million) in January to June 2006, dropping by 15.7%. Secondary wood products, however, were 12.9% higher in value over 2006, reaching EUR84.61 million.

Overland plywood exports accounted for 80.7% (51,527 m<sup>3</sup>) of the overall total export volume for the period. The leading exporters of plywood included Naja David Veneer & Plywood (37.6%), John Bitar Company Ltd (13.2%), Ghana Plywood (11.1%) and Asuo Bomosadu Timbers (10.5%), with ten other companies accounting for the remaining 27.6%. Nigeria was the main plywood importer from Ghana, registering about 69.5% (35,813 m<sup>3</sup>) of total volume. This was closely followed by Niger with 14.9%.

While lumber (KD) recorded a marginal percentage drop of 0.8% in export volume for 2007 (56,020 m<sup>3</sup>) compared to 2006 (56,470 m<sup>3</sup>), lumber (AD) slumped 24.1% in volume to 41,260 m<sup>3</sup> in 2007 from 54,400 m<sup>3</sup> in 2006. Curl veneer exports recorded increases of 26.4% and 41.6% in volume and value, respectively, for 2007. Exports of rotary and sliced veneer receded 6.6% and 2.1% in volume, respectively, for 2007.

**Table 1: Timber Export Statistics, January to June 2006-07**

Product	January – June 2006		January – June 2007		% Change	
	Vol (m³) ('000)	Val (Euro) (million)	Vol (m³) ('000)	Val (Euro) (million)	Vol (m³)	Val (Euro)
<b>Sawn Timber:</b>						
Lumber (AD) <sup>1</sup>	54.40	17.67	41.26	12.58	(24.1)	(28.9)
Lumber (KD)	56.47	22.32	56.02	22.51	(0.8)	0.8
<b>Veneer:</b>						
Sliced Veneer <sup>2</sup>	18.17	14.49	17.79	14.94	(2.1)	3.1
Rotary Veneer	18.52	4.30	17.29	4.04	(6.6)	(6.0)
Curl Veneer	0.11	0.98	0.13	1.38	18.2	40.8
Plywood <sup>3</sup>	38.76	11.83	63.85	17.48	64.7	47.8
Furniture Parts	0.61	1.29	0.18	0.36	(70.4)	(72.0)
Moldings	15.94	6.19	14.99	6.46	(6.0)	4.4
Boules (AD+KD)	3.41	1.68	3.94	1.97	15.6	17.2
Parquet/Flooring	2.43	2.26	1.39	1.31	(42.8)	(42.0)
Other wood products	8.79	1.91	49.07	9.97	458.5	423.6
<b>TOTAL</b>	<b>217.59</b>	<b>84.91</b>	<b>265.91</b>	<b>93.01</b>	<b>22.2</b>	<b>9.5</b>

NB: 1 – Lumber (AD) includes lumber overland

2 – Sliced Veneer includes layons

3 – Plywood includes overland

### Parliament debates Timber Utilization Contracts

The Ghanaian Parliament discussed the adoption of a motion on Timber Utilization Contracts (TUCs) allocated under the Competitive Bidding Process in 2004. Mr. Joseph Henry Mensah, Member of Parliament for Sunyani East, called on parliamentarians to revisit the financing of the timber business in Ghana, saying non-timber financiers were taking away key business opportunities. The Parliamentary Committee Report on the TUCs was prepared by the Committee of Lands and Forestry in response to a request by the House, to enable closer scrutiny of a resolution that would grant TUCs to four timber companies.

The Parliamentary Committee recommended that the Forestry Commission should agree on a schedule of payments for the outstanding 60 percent of Timber Rights Fees, which should be submitted to the Committee for Monitoring. It also urged the Forestry Commission to ensure that the timber companies fulfil the requirements set out in a Social Responsibility Agreement to provide potable water, school infrastructure, access roads, clinics, electricity, a library and an endowment fund.

The Timber and Woodworkers Union (TWU) of the Ghana Trade Union Congress urged Parliament to enact laws making it mandatory for all companies in the timber industry to undertake afforestation projects to enhance the country's policy of sustainable forest management. TWU, a wood-based union, commended the government for its initiative on plantation development programmes and called for transparency in the disbursement of the Plantation Development Fund to encourage greater contributions.

### Ghana sets sight on single digit inflation

Ghanaian news agencies reported the results of the Deputy Government Statistician's press conference in which he announced inflation had fallen to 10.1% in July. The new annual percentage rate dropped 0.6 percentage points from 10.7% in June. The Deputy Government Statistician said there was a strong indication that single-digit inflation could be reached within this year, unless there was a radical change in government policy or other exogenous

factors. In the 2007 budget, the government projected that annual inflation would be 8.8%.

### Ghana Log Prices

Ghana logs, domestic	US\$ per m³	
	Up to 80cm	80cm+
Wawa	70-90	95-120
Odum Grade A	150-160	165-185
Ceiba	60-80	85-110
Chenchen	55-80	85-105
Khaya/Mahogany (Veneer Qual.)	70-90	95-120
Sapele Grade A	130-150	155-175
Makore (Veneer Qual.) Grade A	125-135	140-166

### Ghana Sawnwood Prices

Ghana Sawnwood, FOB	€ per m³	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up		
Afrormosia	855	-
Asanfina	500	560
Ceiba	205	260
Dahoma	330	380
Edinam (mixed redwood)	380	450
Emeri	380	435
African mahogany (Ivorensis)	580	660
Makore	510	570
Niangon	550	-
Odum	750	780
Sapele	500	610
Wawa 1C & Select	250	280

Ghana sawnwood, domestic		US\$ per m³
Wawa	25x300x4.2m	170↑
Emeri	25x300x4.2m	255↑
Ceiba	25x300x4.2m	145↑
Dahoma	50x150x4.2m	274
Redwood	50x75x4.2m	210
Ofram	25x225x4.2m	230↑

### Ghana Veneer Prices

Rotary Veneer, FOB	€ per m³	
	CORE (1-1.9mm)	FACE (<2mm)
Bombax	325	350
Kyere, Ofra, Ogea & Otie	325	360
Chenchen	260	360
Ceiba	280	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 m³
Ceiba		245
Chenchen, Ogea & Essa		295
Ofram		305

Sliced Veneer, FOB	€ per m²	
	Face	Backing
Afrormosia	1.80	1.00
Asanfina	1.80	0.88
Avodire	1.05	0.75
Chenchen	0.72	0.61
Mahogany	1.45	0.85
Makore	1.70	0.80
Odum	1.54	1.10

### Ghana Plywood Prices

Plywood, FOB B/BB, Thickness	€ per m³			
	Redwoods		Light Woods	
	WBP	MR	WBP	MR
4mm	560	487	500	360
6mm	380	315	335	385
9mm	388	305	290	280
12mm	340	290	270	280
15mm	360	290	280	260
18mm	300	290	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.

## Ghana Added Value Product Prices

Parquet flooring 1st	FOB € per m <sup>2</sup>		
	10x60x300mm	10x65-75mm	14x70mm
Apa	12.00	14.47	17.00
Odum	7.90	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

### Malaysia mulls use of RFID to prevent timber theft

*The Star Online* reported that Malaysia is considering the use of Radio Frequency Identification (RFID) chips to prevent timber theft. The Parliamentary Secretary of the Ministry of Natural Resources and Environment said in a recent meeting that the technology would enable authorities to track species data and the location of harvested trees. The Secretary said the proposal to use the RFID would soon be presented to the Malaysian Cabinet.

### Malaysia backs Japan's approach to climate change

Malaysian Prime Minister Datuk Seri Abdullah Ahmad Badawi and Japanese Prime Minister Shinzo Abe discussed the need to cut global greenhouse gas emissions by half from its current level by 2050, reported *The Star Online*. Abdullah backed the Japanese approach to stabilize atmospheric concentrations of greenhouse gases as proposed in the "Cool Earth 50" initiative announced in May 2007. Abdullah and Abe shared the view that it was important to promote sustainable forest management in Malaysia to help mitigate greenhouse gas emissions and conserve biodiversity.

### Malaysian posts lower production and exports growth

Malaysia posted weaker than expected results for exports and industrial production growth in June, reflecting almost flat gross domestic product (GDP) growth for the second quarter. According to official data, Malaysia's industrial production for June grew at a slower pace of 0.5% from a year earlier after exports fell 0.4% during the same month.

### Malaysia dispatches trade mission to Latin America

According to *Bernama*, the Malaysia Deputy International Trade and Industry Minister, Ng Lip Yong, will lead a trade and investment mission to Argentina, Uruguay and Brazil from 23 September to 5 October. The Malaysia External Trade Development Corporation (Matrade), reported that the mission would explore business opportunities in Latin American markets. Wood products and furniture are among the export opportunities for Malaysian companies in the region.

### South Africa is Malaysia's biggest African trade partner

Malaysian International Trade and Industry Deputy Minister Ahmad Husni Hanadzlah said at a recent South Africa Business Opportunities meeting that South Africa was Malaysia's largest trading partner in Africa. Malaysia's total trade with South Africa reached USD447.4 million between January and May 2007, an increase of 14.9% from USD368.1 million in the same period last year. Malaysia had a strong presence in South Africa, with 38 companies investing USD71.4 million in companies, including construction and property development, wood-related industries and palm oil.

## Malaysia Log Prices

Sarawak log, FOB	US\$ per m <sup>3</sup>
Meranti SQ up	304-327
Small	276-300
Super small	257-273
Keruing SQ up	271-286
Small	236-266
Super small	221-232
Kapur SQ up	248-263
Selangor Batu SQ up	276-302

Pen. Malaysia logs, domestic (SQ) US\$ per m <sup>3</sup>	
DR Meranti	355-400
Balau	284-316
Merbau	422-442
Rubberwood	235-253
Keruing	280-294

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

## Malaysia Sawnwood Prices

Malaysia Sawnwood, FOB	US\$ per m <sup>3</sup>
White Meranti A & up	440-465
Seraya Scantlings (75x125 KD)	730-768↓
Sepetir Boards	323-338↑
Sesendok 25,50mm	450-481
Kembang Semangkok	433-451

Malaysian Sawnwood, domestic	US\$ per m <sup>3</sup>
Balau (25&50mm,100mm+)	346-365
Merbau	570-590
Kempas 50mmx(75,100 & 125mm)	281-302
Rubberwood 25x75x660mm up	275-304
50-75mm Sq.	293-323
>75mm Sq.	318-347

## Malaysia Plywood Prices

Malaysia ply MR BB/CC, FOB	US\$ per m <sup>3</sup>
2.7mm	490-515↓
3mm	466-491
9mm & up	420-441

Meranti ply BB/CC, domestic	US\$ per m <sup>3</sup>
3mm	463-473
12-18mm	395-413

## Other Malaysia Panel Prices

Malaysia, Other Panels, FOB	US\$ per m <sup>3</sup>
Particleboard Export 12mm & up	223-240
Domestic 12mm & up	207-226
MDF Export 15-19mm	290-316
Domestic 12-18mm	262-288

## Malaysia Added Value Product Prices

Malaysia, Mouldings, FOB	US\$ per m <sup>3</sup>
Selagan Batu Decking	700-718↓
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	738-757↓
Grade B	643-658↓

## Malaysia Furniture and Parts Prices

Malaysia, Rubberwood, FOB	US\$ per piece
Semi-finished dining table	
solid laminated top 2.5'x4', extension leaf	54-71
As above, Oak Veneer	63-77
Windsor Chair	51-55
Colonial Chair	45-53
Queen Anne Chair (soft seat) without arm	45-60
with arm	50-60
Chair Seat 27x430x500mm	30-35
Rubberwood Tabletop	US\$ per m <sup>3</sup>
22x760x1220mm sanded & edge profiled	
Top Grade	625-635↓
Standard	588-608↓

## Report from Indonesia

### Indonesia aims at doubling trade with Qatar

*Antara News* reported that a senior Indonesian government official said that Indonesia, which enjoyed a trade surplus with Qatar, would aim to double its trade with the oil-rich state. He added that the Indonesian trade balance in 2007 would exceed the total value in 2006 and almost double as



several export commodities entered the Qatari market, including building materials and cement. Based on Indonesian trade statistics, Indonesia's trade surplus with Qatar reached USD57.4 million in 2006, with exports totaling USD69.8 million and imports at USD11.6 million. Indonesian exports included furniture, plywood, block board and paper.

#### Indonesia casts doubt over industrial growth targets

As reported by *Antara News*, Indonesian Industry Minister Fahmi Idris said the government was expected to revise downward its industrial growth targets. Although the target of the country's industrial growth was set at 7.9% for 2007, first quarter results reached only 5.83% from growth in new industries. The figures were expected to be revised since industries had been facing energy and raw material supply problems.

The Minister noted that the pulp industry, the fifth largest foreign exchange earner to the country, was facing problems following a dispute over implementation of government regulations on illegal logging activities. Production at PT Indah Kait Riau and PT Riau Andalan Pulp and Paper had been severely disrupted over the last eight months, after police sealed plantations supplying the raw material for companies. As a result, the Minister doubted whether the target set at 12.47% for the pulp and paper industry could be met. It was estimated that one million workers could be affected by the two Riau province paper companies' problems.

#### Indonesia Log Prices (domestic)

Indonesia logs, domestic prices	US\$ per m <sup>3</sup>
Plywood logs	
Face Logs	238-277
Core logs	170-202
Sawlogs (Meranti)	233-273
Falcata logs	170-188
Rubberwood	208-230
Pine	203-228
Mahoni (plantation mahogany)	620-669

#### Indonesia Sawwood Prices

Indonesia, construction material, domestic	US\$ per m <sup>3</sup>
Kampar (Ex-mill) AD 3x12-15x400cm	244-253
KD	330-343
AD 3x20x400cm	352-370
KD	375-385
Keruing (Ex-mill) AD 3x12-15x400cm	280-290
AD 2x20x400cm	270-280
AD 3x30x400cm	274-286

#### Indonesia Plywood Prices

Indonesia ply MR BB/CC, FOB	US\$ per m <sup>3</sup>
2.7mm	486-513↓
3mm	423-483↓
6mm	395-418↓

MR Plywood (Jakarta), domestic	US\$ per m <sup>3</sup>
9mm	329-343
12mm	304-326
15mm	298-332

#### Other Indonesia Panel Prices

Indonesia, Other Panels, FOB	US\$ per m <sup>3</sup>
Particleboard Export 9-18mm	234-245
Domestic 9mm	193-210
12-15mm	182-197
18mm	175-182
MDF Export 12-18mm	313-325
Domestic 12-18mm	251-273

#### Indonesia Added Value Product Prices

Indonesia, Mouldings, FOB	US\$ per m <sup>3</sup>
Laminated Boards Falcata wood	384-404
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	693-725↓
Grade B	610-656↓

### Report from Myanmar

#### Volatility characterizes teak prices in August

At the end of August, teak prices were volatile. Prices for higher grades were down, while the reverse was true for lower grades. The fluctuation in prices for teak and hardwoods was largely due to changes in supply and demand.

#### Myanmar Log Prices (natural forests)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)		
Veneer Quality	Jul	Aug	6 mo. Avg
2nd Quality	5,066 (19 tons)	5,166 (19 tons)	4,774
3rd Quality	4,833 (19 tons)	4,904 (23 tons)	4,520
4th Quality	4,635 (52 tons)	4,367 (67 tons)	4,223
Sawing Quality			
Grade 1 (SG-1)	3,047 (245 tons)	2,882 (324 tons)	4,816
Grade 2 (SG-2)	2,445 (470 tons)	2,442 (411 tons)	2,208
Grade 3 (SG-3)	1805 (151 tons)	1,901 (151 tons)	1,636
Grade 4 (SG-4)	2,237 (405 tons)	2,129 (382 tons)	1,880
Grade 5 (SG-5)	1,515 (608 tons)	1,655 (546 tons)	1,410
Assorted			
Grade 6 (SG-6)	1,223 (398 tons)	1,374 (470 tons)	1,115
Domestic			
Grade 7 (ER-1)	951 (70 tons)	1,086 (153 tons)	831
Indonesia Plywood Prices	955 (80 tons)a	1,119 (10 tons)	830
Grade 8 (ER-2)			

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.

There were few pyinkado logs sold in August and the market for fresh logs was improving.

Logs, FOB	€ Avg per Hoppus Ton (traded volume)
Pyinkado	258
Gurjan (keruing)	-

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

### Report from Brazil

#### Consumer Price Index drops in July

According to the Brazilian Institute of Geography and Statistics (IBGE), the Consumer Price Index (IPCA) in July was 0.24% less than the previous month. In July 2007, the average exchange rate was USD1=BRL 1.88, compared with July 2006, when it reached USD1=BRL 2.19. The prime interest rate (SELIC) would remain at 11.5% as determined by the Monetary Policy Committee in August, with the next meeting to be held in early September.

#### Improved fines collection could help stop illegal logging

According to the Man and Environment Institute of the Amazon (IMAZON), the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA) would need to increase the collection of fines by 28 times to fully stop illegal logging. These estimates, presented in

*Folha Online*, revealed that fines would need to be increased from their current 2.5% collection rate to 70% in order to reach the stated collection target. IBAMA would need to improve law enforcement and judicial capacity in order to increase its efficiency, since the agency did not have the ability to collect most of the fines charged. Between August 2004 and August 2006, the total number of fines issued reached 19,762. If the total amount of these fines were collected, it would bring BRL 4.97 billion to government funds.

Estimates show that collecting 70% of the fines would trigger a fall in illegal logging in the Amazon. The logic is that the environmental actors would deem legal logging activities as more economically viable if there is a high economic risk association with illegal activities. Increasing control efforts by IBAMA would be an expensive, alternative way to sufficiently stop any unlawful logging. According to IBAMA, the institute spent a total of BRL 42 million in 2006 to control illegal logging in the Amazon. By comparison, about BRL 1.05 billion, or approximately the total amount of IBAMA's budget, would be needed to control illegal activities in Brazilian Amazonia.

#### **SEMA criticized over slow approval of management plans**

The Secretary of Environment (SEMA) of the West-Central state of Mato Grosso has been criticized by most of the entrepreneurs in the state for not releasing forest management plans and environmental licenses in a timely manner, reported *Só Notícias*. The bureaucratic behavior of the government risked stagnating the state's economic activity.

According to the Wood Industry Union of Northern Mato Grosso (SINDUSMAD), although SEMA had a staff of 120 employees, no licenses or management projects had been approved. SINDUSMAD had requested a task-force to approve forest management plans and needed to act expeditiously before the rainy season to avoid paralyzing the sector. To solve the crisis, SEMA made adjustments in the staff responsible for the forest management approval process. The Secretary has stated that SEMA needed to be re-structured and has begun to re-allocate personnel from the countryside to the state capital.

#### **Brazil suffers wood exports slide in July**

Exports of general wood products (except pulp and paper), decreased 4.3% by value in July 2007 compared to the same period in 2006. Total exports in July 2007 were valued at USD 331.3 million. Pine sawnwood exports decreased 8.1% to USD19.5 million from USD21.2 million in same period in 2006. On the other hand, there was a 3.2% increase in volume from 96,720 m<sup>3</sup> in July 2006 to 99,807 m<sup>3</sup> in July 2007.

Exports of tropical sawnwood also followed this trend, decreasing by 2.6% in total value and 3.4% in volume during the period. Exports in July 2006 reached 177,951 m<sup>3</sup> (equivalent to USD 65.3 million) compared to 171,936 m<sup>3</sup> (USD 63.6 million) in July 2007. The exported volume of pine plywood reached 116,777 m<sup>3</sup> in July 2007, decreasing 23.4% in comparison to July 2006 when 152,445 m<sup>3</sup> was exported. Pine plywood dropped 1.6% in value from USD 37.9 million (July 2006) to USD 37.3

million (July 2007). Tropical plywood exports also decreased in volume from 41,637 m<sup>3</sup> to 37,286 m<sup>3</sup> over the same period, falling 10.5%. Exports fell about 1.0% from USD 19.9 million (in July 2006) to USD 19.7 million (July 2007). Brazilian exports of wood furniture decreased 10.2% in July 2007 compared to July 2006, falling in value from USD 74.5 million (July 2006) to USD 66.9 million (July 2007).

#### **ABIMCI expects surge in wood product exports**

The *Gazeta Mercantil* reported that the Brazilian Association of Mechanically Wood-Processed Industry (ABIMCI) expected increases in exports of wood products of around 15% in 2007. The estimate was a result of the convergence of higher international prices for wood products.

The domestic wood market was expected to expand by around 30% with Brazilian companies investing around USD 5 billion for the 2005-2014 period. However, weak exchange rates resulted in some projects being postponed. It was forecast that over half of such investments will be targeted to forest plantations with the remaining projects directed toward technological improvements and production of high value-added products.

The expected 2007 housing starts in the US were revised from 1.8 to 1.5 million units. Part of the pine plywood segment, of which 80% were dedicated to exports, would likely be redirected to the domestic market. The wood door segment that sold half of its production into the domestic market also showed signs of increasing sales. Production was expected to climb from 5.5 million units in 2006 to 6.5 million in 2007.

#### **Brazil Log Prices (domestic)**

Brazilian logs, mill yard, domestic	US\$ per m <sup>3</sup>
Ipê	127
Jatoba	89
Guariuba	61
Mescla (white virola)	67

#### **Brazil Sawnwood Prices**

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per m <sup>3</sup>
Jatoba Green (dressed)	(no price avail.)
Cambara KD	464
Asian Market (green)	Guariuba 265
	Angelim pedra 580▲
	Mandioqueira 234
Pine (AD)	193▲
Brazil sawnwood, domestic (Green)	US\$ per m <sup>3</sup>
Northern Mills (ex-mill)	Ipê 590▲
	Jatoba 446
Southern Mills (ex-mill)	Eucalyptus (AD) 178
	Pine (KD) 1st grade 241

#### **Brazil Veneer Prices**

Veneer, FOB (Belem/Paranagua Ports)	US\$ per m <sup>3</sup>
White Virola Face 2.5mm	290▲
Pine Veneer (C/D)	210▲
Rotary cut Veneer, domestic (ex-mill Northern Mill)	US\$ per m <sup>3</sup>
White Virola	Face 240▲ Core 201

## Brazil Plywood Prices

Plywood, FOB	US\$ per m <sup>3</sup>
White Virola (US Market)	
5.2mm OV2 (MR)	445↑
15mm BB/CC (MR)	365↑
White Virola (Caribbean market)	
4mm BB/CC (MR)	440
12mm BB/CC (MR)	385↑
Pine Plywood EU market, FOB	US\$ per m <sup>3</sup>
9mm C/CC (WBP)	308↑
15mm C/CC (WBP)	272↑
18mm C/CC (WBP)	272↑
Plywood, domestic (ex-mill Southern mill)	US\$ per m <sup>3</sup>
Grade MR (B/BB) White Virola 4mm	822↑
White Virola 15mm	601↑

Domestic prices include taxes and may be subject to discounts.

## Other Brazil Panel Prices

Belem/Paranagua Ports, FOB	US\$ per m <sup>3</sup>
Blockboard Pine 18mm 5 ply (B/C)	315
Domestic Prices, Ex-mill Southern Region	
Blockboard White Virola faced 15mm	538
Particleboard 15mm	336

## Brazil Added Value Products

FOB Belem/Paranagua Ports	US\$ per m <sup>3</sup>
Edge Glued Pine Panel	
Korean market (1st Grade)	651
US Market	509↑
Decking Boards	
Cambara	602
Ipê	1728↑

## Report from Peru

### INRENA and ADEX to fulfil commitments under the US-Peru FTA

The National Institute of Natural Resource (INRENA) and the Peru Exporters Association (ADEX) are coordinating efforts to implement actions that will enable Peru to fulfil its commitments under the forest-related addendum to the US-Peru Free Trade Agreement (FTA). INRENA have confirmed they are considering having third parties in commercial activities. ADEX has suggested that forest entrepreneurs will significantly contribute toward reaching USD3.5 million in lumber exports.

### Lumber exporters fear possible US sales reductions

President of the Lumber Exporting Committee of ADEX, Mrs. Misha Torres, expressed concern that sales to the US could considerably drop due to the conditions established in Peru-US FTA addenda. She said most of the local stocks of lumber, valued at over USD20 million, were stuck at docks due to delays in processing paperwork associated with exportation. She also noted that even though an 18-month period was given to adjust Peruvian regulations to meet US demands, this period has actually been reduced by half. According to Torres, the total lumber exports increased to USD216 million in 2006, of which 40% corresponded to US sales.

### Peruvian forest conservation efforts praised

The American journal *Science* congratulated Peru for its forest conservation efforts, noting that Peruvian policies were key to preventing forest degradation and destruction. The study was carried out using the Carnegie Landsat Analysis System (CLAS). More information on the study can be found in TTM 12:15.

## Peru Sawntwood Prices

Peru Sawntwood, FOB Callao Port	US\$ per m <sup>3</sup>
Mahogany S&B KD 16%, 1-2" random lengths (US market)	1870-1915↓
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 sawntwood for this market.

Peru Sawntwood, FOB Callao Port (cont.)	US\$ per m <sup>3</sup>
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	550-585
Dominican Republic	565-575
Marupa (simarouba) 1", 6-11 length Asian market	395-415

Peru Sawntwood, FOB Iquitos	US\$ per m <sup>3</sup>
Spanish Cedar AD Select Mexican market	945-990
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	275-315
Grade 2, Mexican market	225-235
Grade 3, Mexican market	145-165
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	240-245

Peru sawntwood, domestic	US\$ per m <sup>3</sup>
Mahogany	1300-1345
Virola	122-125↓
Spanish Cedar	490-500
Marupa (simarouba)	142-148

## Peru Veneer Prices

Veneer FOB	US\$ per m <sup>3</sup>
Lupuna 3/Btr 2.5mm	220-228↑
Lupuna 2/Btr 4.2mm	220-250↑
Lupuna 3/Btr 1.5mm	245-255

## Peru Plywood Prices

Peru plywood, FOB (Mexican Market)	US\$ per m <sup>3</sup>
Copaiba, 2 faces sanded, B/C, 15x4x8mm	368-385
Virola, 2 faces sanded, B/C, 5.2x4x8mm	420-427
Cedar fissilis, 2 faces sanded 4x8x5.5mm	755-765
Lupuna, treated, 2 faces sanded, 5.2x4x8mm	365-380
Lupuna plywood B/C 15x4x8mm	350-358
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 (Iquitos mills)	US\$ per m <sup>3</sup>
122 x 244 x 4mm	426
122 x 244 x 6mm	397
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 Peru Panel Prices

Peru, Domestic Particleboard	US\$ per m <sup>3</sup>
1.83m x 2.44m x 4mm	277
1.83m x 2.44m x 6mm	230
1.83m x 2.44m x 12mm	198

## Peru Added Value Product Prices

Peru, strips for parquet	US\$ per m <sup>3</sup>
Cabreuva/estoraque 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	490-530
Quinilla KD, S4S 2x10x62cm, Asian market	590-620
2x13x75cm, Asian market	700-730

## Report from Mexico

### Mexico shines in community forestry

Mexico's experience in addressing community forest enterprises (EFC) during the last 25 years shows its strength at the global level, largely due to Mexico's strong institutional and legal framework. Mexico has legislation guaranteeing communities the right to use their own forest resources. The country also mobilizes support and resources for forest communities through government programmes.

Mexican achievements in community forestry were recently highlighted at the ITTO Conference on Community Forest Enterprises, held in Rio Branco, Brazil. Specifically, the Community Forest Development (PROCYMAF) programme was designed to work for communities and operated in the main forest states of the country where there were a great number of communities. Many important components of PROCYMAF had been incorporated into ProTree, the main programme of the federal forest administration in Mexico.

## Report from Bolivia

### Bolivia Sawnwood Prices

Sawnwood 1-3"x3x5"x7-19', FOB Arica Port	\$ Avg un. val. per m <sup>3</sup>
Mahogany (US market)	1600-1800↑
Spanish Cedar (US market)	500-830↑
Oak (US and EU market)	645-800↑

### Bolivia Added Value Product Prices

Doors 13/4"x36"x96", FOB Arica Port	Avg \$ per piece
US market	100-398↑
Yesquero	110-146↓
Ochoó	100-180

## Report from Guyana

### Guyana Log Prices

Logs, FOB Georgetown	SQ - \$ Avg unit value per m <sup>3</sup>		
	Std	Fair	Small
Greenheart	110-140↓	110-120↓	105
Purpleheart	165-200↑	115-190↑	-
Mora	110↑	85-110↑	110

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

### Guyana Sawnwood Prices

Sawnwood, FOB Georgetown	\$ Avg unit val. per m <sup>3</sup>	
EU and US markets	Undressed	Dressed
Greenheart	750↑	509↑
	Select/Standard	-
Purpleheart	500-636↓	508-551↓
	Select/Standard	-
Greenheart scantlings	-	-

### Guyana Plywood Prices

Plywood, FOB Georgetown Port	\$ Avg unit val. per m <sup>3</sup>
Baromalli BB/CC 5.5mm	-
12mm	-
Utility 5.5mm	-
12mm	345↓

## Report from Japan

### Unsteady market for imported Southsea logs and plywood

With increasing export prices of South Sea logs, plywood mills in Japan are vying for further price reductions of logs. Malaysian plywood mills have reduced log purchases, since there has been weakening demand from Japanese buyers. If prices are not reduced sufficiently, log

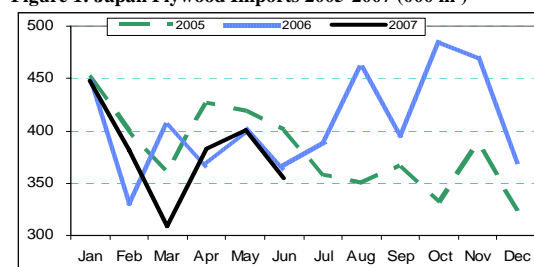
imports may not continue to be profitable for Japanese businesses.

The plywood market had been holding steady while prices for imported plywood have been falling. This was a result of the recent holiday period in Japan, where buyers were looking to meet immediate needs only. Although some wholesalers claimed that lowering prices would not attract more buyers into the imported plywood market, some had re-entered the market on account of the weak yen and interest in making new purchases.

### Japan reduces plywood imports in June

Plywood imports fell in June by 2.7% from May 2007. In April and May, plywood imports showed nominal increases and were recorded at 3.83 million m<sup>3</sup> and 4.0 million m<sup>3</sup>, respectively. Total plywood imports were 3.55 million m<sup>3</sup> for June.

Figure 1: Japan Plywood Imports 2005-2007 (000 m<sup>3</sup>)



### Rising Japanese log exports hold promise for further expansion

The Japanese Ministry of Agriculture, Forestry and Fisheries have reported that the volume of Japanese log exports in the year 2006 were 13.4 times that in 2002 versus 2006 and nearly five times the value. The Ministry noted that 2002 was a key year for the expansion of log exports, as Miyazaki prefecture significantly developed its capacity to export cedar logs and lumber, which were also shipped to China for the first time. With the rising popularity of cedar lumber, steadier supplies of cedar logs and lumber were seen from 2005-2006. Since capacity had been developed in Japan during 2002-2006, some believe that further expansion of log exports holds promise.

### RAN targets Japanese companies over eucalyptus chips

*Japan Lumber Report* said that Japanese paper manufacturers had been targeted by a recent Rainforest Action Network (RAN) report, since they received a large supply of improperly harvested eucalyptus wood chips from Australia for their paper making businesses. In its report, RAN accused the Tasmanian Forest Corporation and Gunns Unlimited, a major forest products company, of giving insufficient attention to environmental concerns when harvesting Tasmanian eucalyptus forest. Despite the efforts of the Australian government to address these concerns during a recent seminar, RAN and other NGOs continued to object to the current forest harvesting practices.

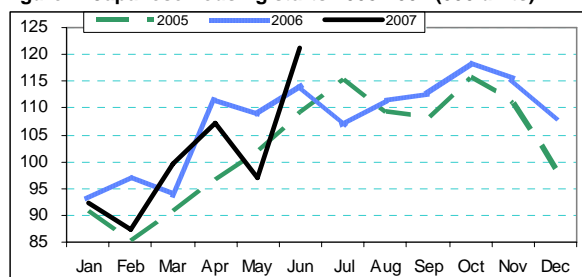
### Japanese housing starts post recovery in June

Total housing starts increased 6.0% from May 2007, after experiencing declines in April and May. Wood-based units accounted for 40% of the total housing starts, just slightly



down from 45% in the previous month.

**Figure 2: Japanese housing starts 2005-2007 (000 units)**



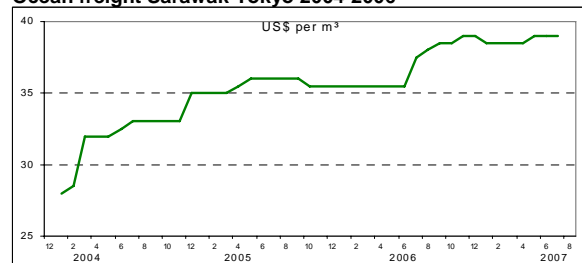
#### Log and Sawwood Prices in Japan

Logs for Ply Manufacture, CIF		Yen per Koku
Meranti (Hill, Sarawak)		(Koku=0.278 m <sup>3</sup> )
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		11,000
Agathis (Sarawak) High Select		10,800
Lumber, FOB		Yen per m <sup>3</sup>
White Seraya (Sabah) 24x150mm, 4m, Grade 1		150,000
Mixed Seraya, Sangi 24x48mm, 1.8-4m, S2S		57,000

#### Wholesale Prices (Tokyo)

Indonesian & Malaysian Plywood		Size (mm)	Jul (¥ per sheet)	Aug (¥ per sheet)
2.4mm (thin plywood, F 4star, type 2)		920 X 1830	380	370 ↓
3.7mm (med. Thickness, F 4star, type1)		910 X 1820	590	580 ↓
5.2mm (med. Thickness, F 4star, type 1)		910 X 1820	700	690 ↓
11.5mm for sheathing (F 4star, type 2)		910 X 1820	1100 ↓	1040 ↓
12mm for foundation (F 4star, special)		910 X 1820	1190 ↓	1090 ↓
12mm concrete-form ply (JAS)		900 X 1800	1100 ↓	1040 ↓
12m coated concrete-form ply (JAS)		900 X 1800	1380 ↓	1320 ↓
11.5mm flooring board		945 X 1840	1700 ↓	1600 ↓
3.6mm baseboard for overlays (OVL)		1230 X 2440	960	950 ↓
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](http://www.n-mokuzai.com)

#### Report from China

##### Price hike brings downturn in solid wood flooring sales

Chinese solid wood flooring manufacturers have increased their prices in response to an increase in raw material costs, causing complaints from retailers and consumers. South American sawn timber prices increased 30% during the year, and price rises are expected to continue in the near term. Retailers and consumers are complaining about price hikes, since business in China is slowing.

##### Coastal areas host most of China's furniture production base

*China Wood Monthly* reports that the concentration of furniture production areas along the coasts has been growing. These areas have been increasing their market shares, growing to 92.6% of total exports in 2005. Guangdong, a fast increasing coastal producer area, Fujian and Zhejiang make up 78.55% of the country's total furniture output.

##### State Council sets up China's national forestry industry association

On August 20, the China State Council established the China Forestry Industry Association. The national association is a non-profit social group managed by the State Forestry Administration and will play an active role in standardizing industry management, improving industry planning, promoting orderly competition and serving the forestry industry. Additionally, the association will also endeavor to improve recognition and competitive strength of China's wood products market and move its forest industry in line with international practices. The establishment of the association marks an important milestone in the development of China's forestry industry.

The total output value of China's forestry industry topped RMB1 trillion and the total international trade value of China's forestry industry was RMB47 billion in 2006, nearly three and two times higher than in 2000, respectively. The total output value of China's forestry industry is expected to be about RMB1.5 trillion in 2007.

##### Shandong Port boosts plywood exports dramatically

During the first half of 2007, Qingdao Customs reported that plywood exports through Shandong Port rose to 1.47 million m<sup>3</sup>, valued at US\$460 million, up 41% in volume and 78% in value from the same period in 2006. The average price for exported plywood was US\$310.4 per cubic meter, up 27%.

The causes of the price rise were record high prices for exported plywood through the port, which exceeded US\$300 per m<sup>3</sup> for six consecutive months and broke US\$317 per m<sup>3</sup> in June. The main export markets of the US, EU and ASEAN countries accounted for 69% of plywood exports through the port. Statistically, exports from enterprises grew across the board during the first half of 2007. Private enterprises rose 40% to 969,000 m<sup>3</sup>, state-owned enterprises rose 42% to 359,000 m<sup>3</sup>, foreign traders grew 49% to 111,000 m<sup>3</sup>, and collective enterprises increased 29% to 32,000 m<sup>3</sup>.

##### Imports through Heihe Port surge across the board

Log imports through Heihe Port were 2,043 batches, 63,500 m<sup>3</sup> and worth US\$3.54 million during the first half of 2007. The imports resulted in increases by 28.7% in batch, 33.4% in volume and 42.9% in value from the same period in 2006. The main timber species imported were birch and larch. Although Russia had implemented its higher log export tariff, log imports through Heihe Port had not yet been impacted.

### Zhangjiagang Port posts rapid growth in 2007

Increases of log imports through Zhangjiagang Port have been reported across the board. From January to June, log imports through the port were 1,336 batches, 1.88 million m<sup>3</sup> and worth US\$482 million, up 40.8% in batch, 43.3% in volume and 58.6% in value from the same period in 2006. Zhangjiagang is the largest distributing center importing ocean shipping logs into China. Timber imports through the port have been increasing year by year since the port was formally opened to import logs at the end of 1982. 18.7 million m<sup>3</sup> of logs had been imported from 2000 to 2006.

Among the types of logs imported, African timber from Gabon and Equatorial Guinea and Oceania timber from Papua New Guinea and Solomon Islands featured prominently in the imports. Log imports from Southeast Asia, mostly from Malaysia and Myanmar, continued to decline. According to statistics, the imports for the first half of 2007 from Gabon, Equatorial Guinea and Papua New Guinea were 636,100 m<sup>3</sup>, 211,700 m<sup>3</sup>, and 501,400 m<sup>3</sup>, up 62%, 84% and 36% respectively from the same period in 2006. However, log imports through the port from Malaysia amounted to 85,100 m<sup>3</sup>, down 55.4% from the same period in 2006. In addition, in the first half of 2007, 51,300 m<sup>3</sup> of timber shipped in containers from 29 countries were imported through the port, up 72% in volume from the same period in 2006.

### Timber shortages hurt China's wood markets

*China Wood Monthly* drew attention to China's native timber shortage. Notably, in the second half of the year, the market had slowed and prices increased. This had been caused by the heavy rains and flooding in areas such as Fujian, Zhejiang, Jiangxi, Anhui, Shandong, Hunan, Hubei, Chongqing and Guangxi. The poor weather conditions made logging difficult, swept away logs and processed wood, ruined roads and stalled other parts of the transportation system.

With the shortage of timber supply, some traders have become desperate to buy logs at high prices. Prices for the coming months will also largely be determined by the persistence of the rains and floods. Yet, after the rainy season, experts are optimistic that the production of timber will return to normal.

### Guangzhou City Imported Timber Market

Logs	Yuan per m <sup>3</sup>
Radiata 6m, 30cm diam.	1300
Luan	2200-2300
Kapur	1900-2350
Merbau 6m, 60cm diam.	5100-5400↓
Keruing 60cm+ diam.	1900-2300
Beech 6m, 30cm veneer Qual.	3300-3600
<b>Sawnwood</b>	
Teak Boards 4m+ for flooring	10000-13000
US Maple 2" KD	8800-12800
US Cherry 2"	12000-15000
US Walnut 2"	12500-15300
SE Asian Sawn 4m+, KD	4300-4350
<b>Plywood</b>	Yuan per sheet
4x8x3mm	20-34
4x8x18mm	149-188

### Shanghai Furen Wholesale Market

Sawnwood	Yuan per m <sup>3</sup>
Beech KD Grade AB	2500-3200
US Cherry, 25mm	15200-15800
US Red Oak, 50mm	10500-11000
Sapele 50mm FAS (Congo) AD	6500-6800
KD	7200-7300

### Shandong De Zhou Timber market

Logs	Yuan per m <sup>3</sup>
Larch	1220
White Pine 4-6m, 24-28cm diam.	1200-1220↑
Korean Pine 4m, 30cm diam.	1500↓
6m, 30cm diam.	1550↓

### Hebei Shijiazhuang Wholesale Market

Logs	Yuan per m <sup>3</sup>
Korean Pine 4m, 38cm+ diam	1650
Mongolian Scots Pine 4m, 30cm diam.	1400↑
6m, 30cm+ diam.	1420↑
<b>Sawnwood</b>	
Mongolian Scots Pine 4m, 5-6cm thick	1600↑
4m, 10cm thick	1600↑

### Tian Jin City Huan Bo Hai timber Market

Logs	Yuan per m <sup>3</sup>
Okoume 80cm+	3000
Sapele 80cm+	5350
Padauk 40cm+	6000
<b>Sawnwood</b>	
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](http://www.forestry.ac.cn)

## Report from Europe and Scandinavia

### VPA negotiations yield mixed progress

*EU Forest Watch* reported progress in the EU Forest Law Enforcement Governance and Trade (FLEGT) Voluntary Partnership Agreement (VPA) negotiations, saying that baseline principles had yet to be established with timber producing countries. Specific elements being negotiated with Indonesia, Malaysia and Ghana included a definition of legality, a legality assurance system and an independent monitoring function. Although Ghana and Indonesia had established multi-stakeholder negotiating teams, Malaysia had yet to further engage stakeholders. Nevertheless, Indonesia, Ghana and Malaysia had made some progress in meeting the negotiating terms of the VPAs.

### Agents anticipate abolition of Chinese exports subsidies

The latest issue of *EUWID* reported on European agents' anticipation that China would abolish its export subsidies for plywood and wood-based panel products. Importers expected that the current 5% subsidies would be abolished at the start of September, although others had reported 23 September as the date on which the subsidies would be abolished. While the news would be sudden, importers noted that Chinese plywood prices had unexpectedly changed when the Chinese government curtailed export subsidies on 1 July.

The rumors about the abolition of subsidies have already led to increases in prices of Chinese plywood. The price has increased over the last few months, since the 1 July change in export subsidies and the higher production and material costs, raising prices by more than US\$1,000/40 foot container alone. Due to rising prices, European

importers have been searching for cheaper alternatives from other countries, but the search has proved difficult.

In addition to the abolishment of subsidies, some speculated that the price increases for plywood might have an impact on the EU anti-dumping investigation against Chinese plywood. The price rise and the lack of government subsidies, some claimed, might take away the merit of Fédération Européenne de l'Industrie du Contreplaqué (FEIC) application to extend anti-dumping duties to Chinese plywood. However, the Chinese Embassy denied the connection between the actions, and the EU Commission declined to comment.

#### Importers blame SE Asian surplus for pressure on scantling prices

Sales prices for window scantlings remained under pressure, reported *EUWID*, which was affected by the surplus of South-East Asian meranti scantlings. German traders had also reduced sales prices because of low demand for and adequacy of existing stocks of meranti. As a result, production capacity in some areas of Southeast Asia had been weakened. Another reason why importers were cutting back stocks was that they had received inferior quality scantlings or wood products instead of the regular higher quality material they expected.

#### Yellow balau being exported in high quantities

*TTJ* reported that German importers have high stocks of yellow balau (bangkirai) in Germany. This is due in part to: high levels of stocks ordered at the end of the garden season in 2006; the range of species available from South American countries in the last few months; and the limited outflow of bangkirai stocks, in part due to lower quality of stocks. As a result, fewer contracts are being concluded in Southeast Asia and it is uncertain whether the market will pick up again in September.

Some importers note that the problems with high stocks and low outflow of products are due to supply chain problems in Indonesia and other countries in South-east Asia. Some sawmills in Indonesia have faced closure of their operations or are cutting back on stock due to low European demand. Regardless, Indonesian suppliers face the need to increase prices, often times transferring the higher costs of the product onto the importers, including by increasing shipping contracts. Yet, the Indonesian suppliers have had limited success in these attempts.

### Report from the UK

#### Higher profits make Persimmon upbeat on housing market

Persimmon, the UK's largest house builder, revealed pre-tax profits for the first half of 2007 at GBP281.1 million and sales worth GBP 1.51 billion, reported *BBC News*. The profits rose 9.8%, and sales for the second half of the year had already helped Persimmon reach 85% of its full-year sales target. The company also said it expected the housing market to remain robust despite recent increases in interest rates and welcomed the government's plans to expand the country's housing stock.

#### UK joinery sector remains strong with high demands

The *TTJ* reported that the joinery sector, one of the main areas of tropical hardwood use, is still filling orders until the end of the year, with timber windows in good demand. The Confederation of British Industries said manufacturers were showing strong demand, but demand for building materials fell 11% in August. It was expected that this drop was due to summer holidays and little demand for DIY.

#### Manufacturers express concern over availability and prices of timber species

Market concerns have been voiced by some manufacturers about the availability of timber species such as Keruing, Sapele, Framire and Utile in the specifications required. Manufacturers are also concerned about fluctuating prices for such species and at the attempt by some African shippers to renegotiate prices for previously agreed contracts.

#### UK Log Prices

FOB plus commission		€ per m <sup>3</sup>
N'Gollon (khaya)	70cm+ LM-C	227-238
Ayous (wawa)	80cm+ LM-C	227-238
Sapele	80cm+ LM-C	270-275
Iroko	80cm+ LM-C	297-310

#### UK Sawnwood Prices

FOB plus Commission		Pounds per m <sup>3</sup>
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		285-305↓
Sapele FAS 25mm		410-420↑
Iroko FAS 25mm		430-450
Khaya FAS 25mm		420-430
Utile FAS 25mm		410-420
Wawa No.1 C&S 25mm		220-230↑

#### UK Plywood and MDF Prices

Plywood Panels 8x4", CIF		US\$ per m <sup>3</sup>
Brazilian WBP BB/CC 6mm		640
Indonesian WBP BB/B 6mm		600-630
MDF		Pounds per 10m <sup>2</sup>
Eire, BS1142 12mm		52

### Report from North America

#### Trends point to slower growth in Canadian office furniture market

This last article of a four part series covers trends in the Canadian office furniture market. Corporate earnings are a significant driving force for office furniture consumption. Canadian business profits (pre-tax) rose by a healthy 11.9% in 2005. Unfortunately, the growth rate did not remain at this high level last year and dropped to 5.0%. The deterioration was and still is partially due to the spillover effect of the worsening American business environment. Furthermore, the strength of the Canadian Dollar also dampened corporate profitability. With Canada's heavy export reliance, any currency shifts are immediately reflected in the bottom line of corporations. Experts believe that pre-tax profit growth in Canada will remain at the same level this year and next.

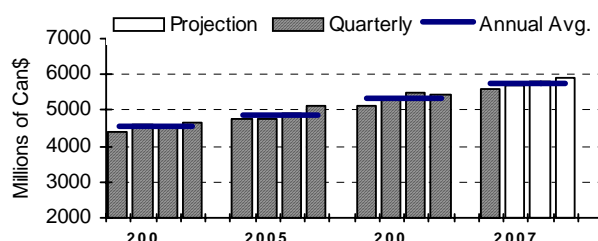
Business investments are strongly influenced by corporate profits, albeit with a considerable time lag. Investments in machinery and equipment rose by 7.4% last year. In line with sagging business earnings, the strong investment

climate will not be repeated in 2007. Experts predict a growth rate for investments of only 2.0% this year.

Governmental expenditures have been growing at a rate of 3.9% in 2006. Experts predict slower growth rates in the years to come, but in view of Canada's continued budget surplus, it is likely that government investments may remain above the 3% growth mark.

The employment market has been a relatively strong segment in the Canadian economy during the past two years. It grew by 2.0% in 2006. This is equivalent to over 200,000 new jobs. However, employment growth is likely to recede to an annual rate of about 1.5% this year and next. Similar to the US, there is sufficient vacant office space available in Canada to accommodate any expansion of office jobs. A possible exception may be Calgary and Toronto where vacancy rates have become quite firm. Commercial construction in Canada has been advancing by 12.9% last year and experts predict an annual growth rate of 7.4% in value during 2007.

**Quarterly Growth in the Canadian Office Furniture Market 2004-2006 and Forecast for 2007**



Source: AKTRIN, Statistics Canada, Strategic Projections Inc.  
(\*Quarterly data seasonally adjusted at annual rates in millions of Can\$ at retail prices)

Average annual office furniture sales in Canada (at retail prices and including recycled furniture) showed steady growth throughout this decade. Growth last year was in the 9.6% range – up from 7.2% the year before – raising the market value for the first time above the C\$ 5 billion mark. Due to the continued satisfactory performance of Canada's service sector, we predict office furniture consumption to slow down only marginally in 2007 and 2008, that is to about 7.8% in each year. This would bring the market to \$ 5.8 billion this year and to \$ 6.2 billion next year.

#### US Imported Sawnwood Prices

FOB unit value prices		Avg \$ per m <sup>3</sup>	
		May	June
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)	995↓	1027↑
	(Indonesia)	1007↑	1025↑
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 <sup>2</sup> )	Apr	May
<u>By species (all countries)</u>		
Meranti	7.4↓	6.2↓
Non-meranti	1.3	1.3
<u>By country (all tropical species)</u>		
China	0.6	0.6
Ghana	1.1	1.1
Côte d'Ivoire	1.2	1.2
India	25.3	25.3
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 <sup>2</sup> )	Apr	May
<u>All tropical plywood</u>		
Indonesia	470	470
Malaysia	379	379
China	325	325
Brazil	418	418
All	384	384
<u>Mahogany</u>		
Canada	791	791
Brazil	430	430
China	915	915
<u>Meranti, white luan, sipo, limba</u>		
China	292	292
Taiwan PoC	1344	1344
Brazil	448	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. These items do not necessarily reflect the views and policies of ITTO.*

About 8,000 people gathered in a silent protest in Athens over the government's response to Greece's recent forest fires, which killed 63 and left thousands homeless. Many protesters wore black and held signs reading "No to the destruction of nature."

<http://news.bbc.co.uk/2/hi/europe/6969720.stm>

Brazil's government has promised to investigate allegations that its policy of settling landless communities in the Amazon is encouraging deforestation.

<http://news.bbc.co.uk/2/hi/americas/6957936.stm>

Brunei Darussalam has a strong forest management policy and law enforcement, and its people place great concern and value on the importance of protecting the resources of the forest, according to a report released by the Brunei Forestry Department, Ministry of Industry and Primary Resources (MIPR).

<http://www.brudirect.com/DailyInfo/News/Archive/Aug07/210807/nite13.htm>

A Chinese delegation will soon visit Tripura, India, to ascertain ways to help create forest-based industries and employment for tribal cultivators in the northeastern state.

[http://economictimes.indiatimes.com/Policy/China\\_to\\_help\\_Tripura\\_create\\_forest-based\\_industries/articleshow/2291943.cms](http://economictimes.indiatimes.com/Policy/China_to_help_Tripura_create_forest-based_industries/articleshow/2291943.cms)



Chinese scientists are encouraging farmers to use controlled release compound fertilizers to curb nutrients runoff and protect the environment in the wake of major algae bloom outbreaks believed mainly to be caused by run-off from heavy fertilizer use.

[http://news.xinhuanet.com/english/2007-08/25/content\\_6602782.htm](http://news.xinhuanet.com/english/2007-08/25/content_6602782.htm)

The European Union and Cameroon have agreed to investigate illegal logging, which often benefits from official connivance and costs the central African country an estimated \$100 million a year, a government minister said.

<http://www.alertnet.org/thenews/newsdesk/L23742403.htm>

Four of Asia's biggest banks, including state-run giant Bank of China, revealed greater-than-expected exposure to the U.S. subprime mortgage crisis, sending their shares skidding. The news prompted fears that Asian lenders, although domestically focused and risk-averse after the Asia financial crisis of a decade ago, were not as immune as investors had hoped from the subprime meltdown.

[http://money.cnn.com/2007/08/24/news/international/china\\_stocks.reut/index.htm?postversion=2007082417](http://money.cnn.com/2007/08/24/news/international/china_stocks.reut/index.htm?postversion=2007082417)

Japan and the Association of Southeast Asian Nations may agree in November to form a free-trade area, following four years of talks. Japan's Trade and Industry Minister Akira Amari and his ASEAN counterparts are meeting in Manila this weekend as part of ASEAN's annual talks between trade ministers.

<http://www.bloomberg.com/apps/news?pid=20601068&sid=adNSuom37pDw&refer=economy>

Mexico's central bank kept its overnight lending rate unchanged today after inflation eased, and signaled its mounting concern that U.S. economic growth is slowing.

<http://www.bloomberg.com/apps/news?pid=20601086&sid=aoXrfK5BLZGs&refer=news>

Millions of Egyptians could be forced permanently from their homes and the country's ability to feed itself could be devastated. That's what likely awaits this already impoverished and overpopulated nation by the end of the century, if predictions about climate change hold true. The World Bank describes Egypt as particularly vulnerable to the effects of global warming, saying it faces potentially "catastrophic" consequences.

<http://www.dailystaregypt.com/article.aspx?ArticleID=8959>

The paper industry in the Middle East and North Africa (Mena) region is currently to the tune of \$3 billion and is growing, industry players said. Paper Arabia 2007, the first-of-its-kind expo on the industry opened on September 1 at the Dubai International Exhibition and Convention Centre.

<http://archive.gulfnews.com/articles/07/08/24/10148732.htm>

New Zealand Forestry Minister Jim Anderton said that illegal logging is costing New Zealand wood producers millions of dollars. Anderton introduced the results of a

new report issued by the Crown Research Institute Scion for the Ministry of Agriculture and Forestry, saying that New Zealand would be pressing forward with policies to combat illegal logging.

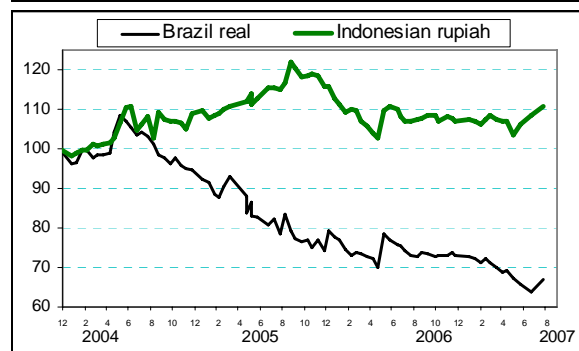
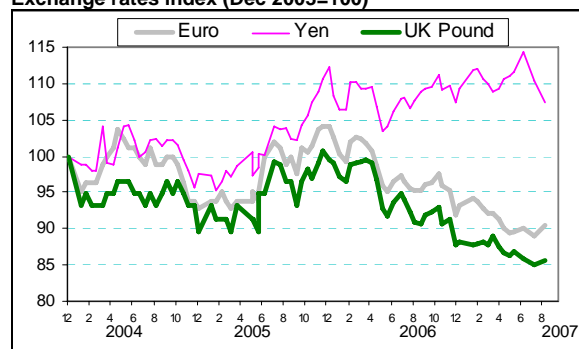
<http://www.beehive.govt.nz/ViewDocument.aspx?DocumentID=30379>

## Main US Dollar Exchange Rates

As of 31st Aug 2007

Brazil	Real	1.973	↑
CFA countries	CFA Franc	486.720	↓
China	Yuan	7.544	↓
EU	Euro	0.734	↓
Indonesia	Rupiah	9,416.00	↑
Japan	Yen	115.83	↓
Malaysia	Ringgit	3.5039	↑
Peru	New Sol	3.1656	↓
UK	Pound	0.4971	↓

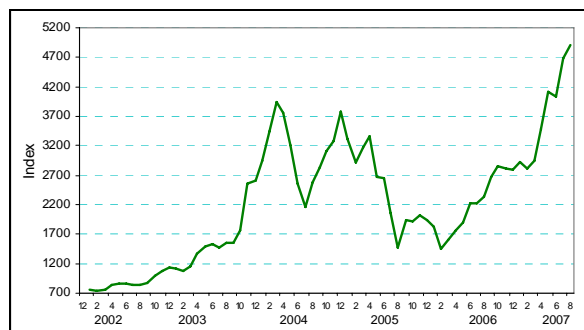
## Exchange rates index (Dec 2003=100)



## Abbreviations and Equivalences

LM	Loyale Merchant, a grade of log parcel
QS	Qualite Superieure
CI, CE, CS	Choix Industriel, Economique or Supplimentaire
FOB	Free-on-Board
CIF; CNF	Cost, insurance and freight; Cost and freight
KD; AD	Kiln Dry; Air Dry
Boule	A log sawn through and through, the boards from one log are bundled together.
BB/CC, etc.	Log/plywood grades. Letter(s) on the left indicate face veneer(s), on the right backing veneer(s). Grade decreases in order B, BB, C, CC, etc.
BF; MBF	Board Foot; 1000 Board Feet
Hoppus ton	1.8 m <sup>3</sup>
Koku	0.278 m <sup>3</sup> 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

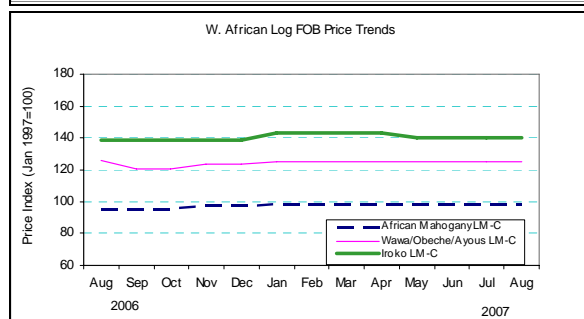
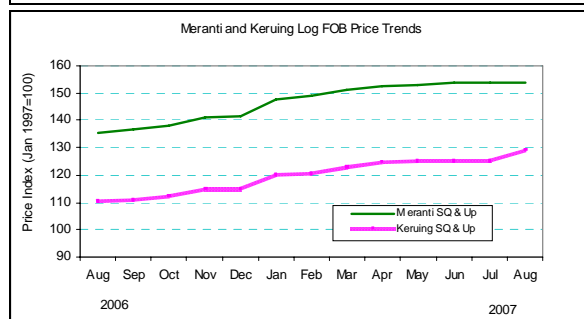
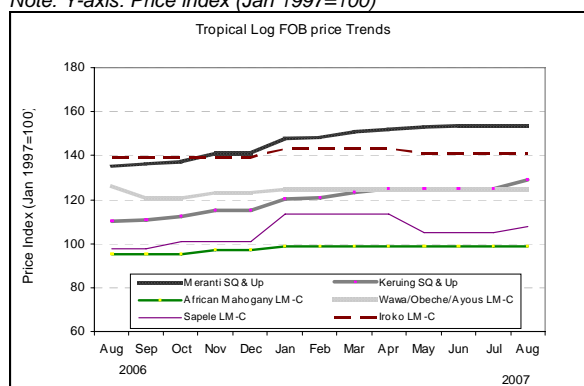


The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes. It is based on a 52,454 mt bulk carrier carrying commodities such as timber.

## Appendix. Tropical Timber Price Trends

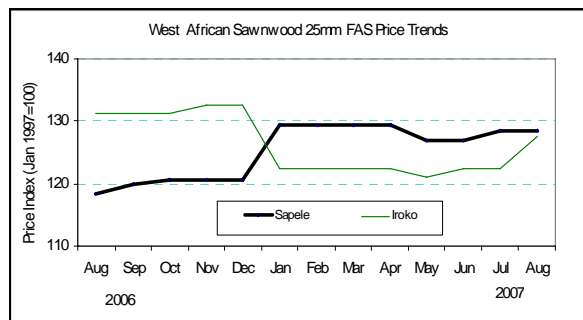
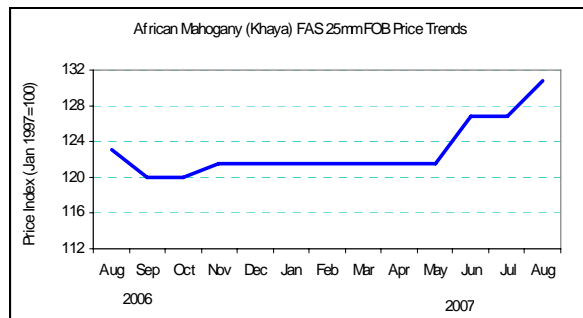
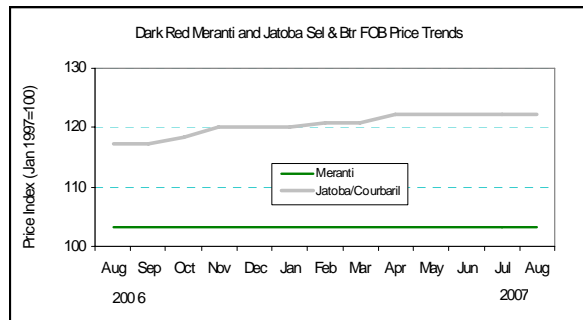
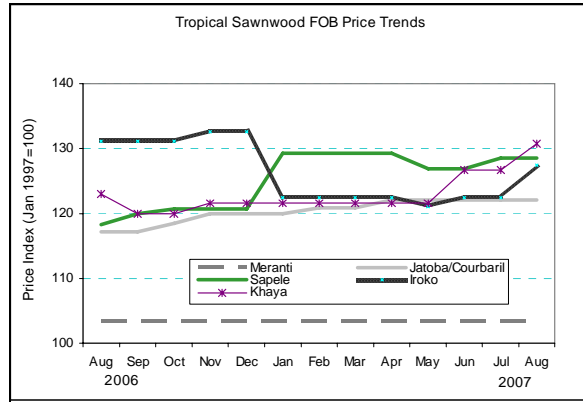
### Tropical Log Price Trends

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

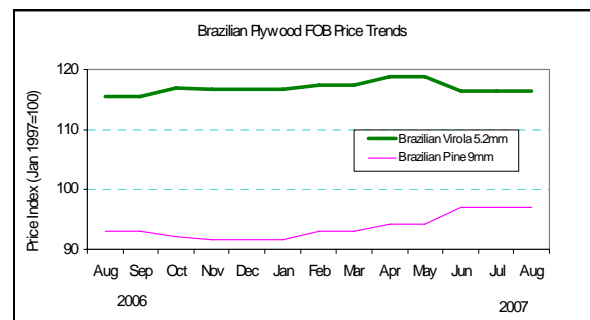
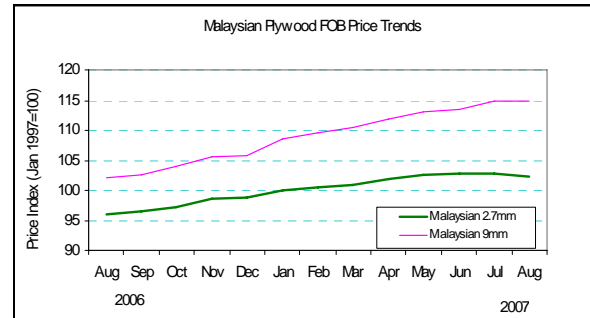
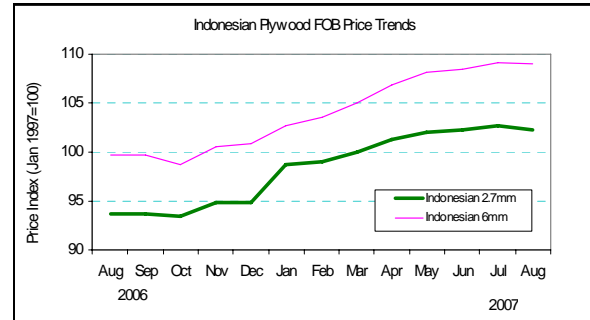
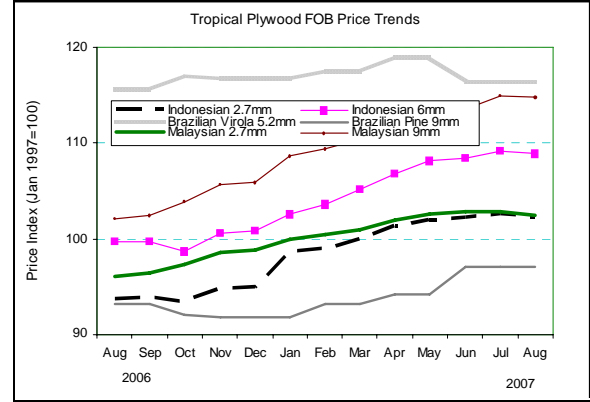


More price trends in Appendix 4, ITTO's Annual Review  
<http://www.itto.or.jp/live/PageDisplayHandler?pageId=199>

## 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.