

Tropical Timber Market Report since 1990

Volume 12 Number 19, 1-15 October 2007



The ITTO *Tropical Timber Market (TTM)* Report, an output of the ITTO Market Information Service (MIS), is published in English every two weeks with the aim of improving transparency in the international tropical timber market. Its contents do not necessarily reflect the views or policies of ITTO. News may be reprinted without charge provided that the ITTO *TTM* Report is credited. A copy of the publication should be sent to the editor.

Snapshot

Japan's housing starts and plywood imports plummeted this month, with plywood imports falling to nine year lows and housing starts dropping 43%. The outlook for housing starts in the US and Canada was slow for the first half of 2008, which will impact the hardwood markets of both countries.

Preparations for new forest initiatives were also undertaken in Indonesia, Brazil, Malaysia and China. Indonesia announced plans to plant 79 million trees at the end of November; Malaysia established a Forest Plantation Loan and urban greening schemes to plant trees in the country; Brazil announced new plans to halt deforestation and intensified actions to stop illegal wood use; China also published guidelines for Chinese industries interested in investing in the forest and wood products sector overseas and made plans to increase its use of renewable resources.

Prices in W. Africa held steady while many prices for species in Malaysia and Indonesia rose. On the other hand, prices for plywood in Japan continued to drop.

L. Flejzor

Contents

Central/West Africa	2
Ghana	2
Malaysia	3
Indonesia	4
Myanmar	5
India	5
Brazil	5
Peru	7
Mexico	8
Panama	8
Bolivia	8
Guyana	8
Japan	8
China	9
Europe/Scandinavia	11
UK	11
North America	11
Internet News	14
Currencies and Abbreviations	15
Ocean Freight Index	16
Appendix: Tropical Timber Price Trends	16

Headlines

Freight rates impact W. African non-premium species	2
Tema Port to expand capacity and upgrade facilities	2
Malaysian Forest Plantation Loan will ensure planting of timber trees	3
Indonesians to plant 79 million trees in one day	4
SIPPO changes guidelines for Indonesian timber companies	4
India holds regional teak wood products workshop	5
Brazilian public-private partners work to make soy sustainable	5
IBAMA cracks down on illegal wood	6
Wood exports from Brazil's Mato Grosso state rise 32%	6
Falling US dollar hurts competitiveness of Peru wood products	7
Mexico's Forest Expo 2007 helps boost business worth MXN75 million	8
Bolivia's export growth sees higher percentage of value-added products	8
Indigenous group in Guyana saves massive swath of rainforest	9
Japan plywood imports slump to 9 year lows	9
Japan's housing starts lowest since 1965	9
China to promote its overseas forest products industry	10
Canada's primary and secondary wood industries expected to fall	11

Report from Central/West Africa

Freight rates impact W. African non-premium species

Prices for logs and lumber were unchanged as of mid-October. Poor logging weather has kept production only at moderate levels, hampering log transport internally and also affecting road transport of lumber from the Central African Republic. The restricted supply has helped hold prices steady.

It is reported that producers in Congo Brazzaville have resumed exports of Okoume logs, as the government has suspended or not fully implemented the quota system that had temporarily curtailed exports. It is possible that Gabon will modify or postpone temporarily their quota system, as it appears the introduction of the quota system had not yet been completed.

Freight charges to Asia have risen quite strongly with the rate for Okoume logs now USD25 /m³ higher in the past 6 weeks and freight for redwood logs up by USD45 /m³ in the same period. Some shippers in Gabon are starting to ship logs in containers as this is said to result in lower overall costs for transport, loading and freight. The higher freights have seriously affected the non-premium species as freight costs are now above the initial price paid for the logs. Buyers have now virtually halted purchases of a wide range of lesser used species and are now concentrating on Okoume and premium timbers to be shipped in smaller vessels.

NGO report points to World Bank's deficiencies in Congolese forests

Forestnews reported on a new NGO report that discusses the World Bank's Inspection Panel assessment of two World Bank funded projects in the Congo's rainforests. The report notes that the two projects could have potentially exploited Congo's rain forests. The study notes that Bank staff told Congolese officials that logging revenues from the forests would be higher than they are in reality. In addition to pointing to a number of deficiencies of the projects, the Rainforest Foundation's report said that the Inspection Panel's assessment was a victory for the Congo's indigenous people whose 'rights and livelihoods would be seriously harmed by inappropriate development'.

West Africa Log Prices

West Africa logs, FOB	€ per m ³		
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	198	198	-
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 ³	
Grade	QS	Asia	Europe
	CI	213	219
	CE	171	171
	CS	146	150
		108	111

*Based on SNBG official prices

West Africa Sawntwood Prices

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

Report from Ghana

Tema Port to expand capacity and upgrade facilities

The Ghana Ports and Harbors Authority (GPHA) is to construct a modern container terminal at the Tema Port. This is in line with the authority's plan to improve and expand facilities, at both the Tema and Takoradi ports. The Tema port recently acquired three ship-to-shore cranes and four gantry cranes to enable the port cope with the significant increase in container traffic. GPHA also intends to take measures to reduce the cost of doing business at the ports.

Meanwhile, the Takoradi Port is poised to handle the expected volume of growing business as a result of the oil discovery at the Cape Three Points in the Ahanta West District of the Western Region. Expansion projects have already been undertaken at the slipway and dry dock located within the port to handle larger vessels.

Mrs. Agnes Dennis-Moses, the Public Relations Manager of Takoradi Port, said with the discovery of oil, business would boom at the port in future, since companies in the oil business, particularly those who establish oil refineries in the region, would ship their equipment through Takoradi Port.

Marketing techniques discussed at Ghanaian workshop

A three-day workshop on marketing fundamentals for exporters, financial institutions, and small and medium scale enterprises was recently held in Sunyani. The workshop, which was organized by the Ghana Export Promotion Council (GEPC), International Finance Corporation (IFC), and Private Enterprise Partnership for Africa, aimed to provide the basic information on practical export marketing techniques and upgrading marketing operating skills of exporters. Approximately 10,000

exporters are currently exporting about 3,000 registered products from Ghana.

At the workshop, participants also called for the diversification of the country's export of cocoa, timber and gold to other commodities. They identified currency of payment, imposition of high tariffs and trade barriers as major challenges facing Ghana's trade in the international market and called for a national policy that would sustain exports to neighboring African countries.

Mr Aryan Kizito, Brong-Ahafo Regional Director of the Ministry of Trade, Industry and President's Special Initiatives, noted that the region was endowed with abundant horticultural, agricultural and other resources that could be tapped to help accelerate the pace of development. 'The only problem facing us is how to exploit the potential to create wealth', he said.

Ghana Log Prices

Ghana logs, domestic	US\$ per m ³	
	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 m ³	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	855	-
Asanfina	500	560
Ceiba	205	260
Dahoma	330	400
Edinam (mixed redwood)	380	450
Emeri	360	435
African mahogany (Ivorenensis)	580	660
Makore	510	570
Niangon	550	-
Odum	650	750
Sapele	500	575▲
Wawa 1C & Select	250	280

Ghana sawnwood, domestic	US\$ per m ³	
Wawa 25x300x4.2m	170	
Emeri 25x300x4.2m	255	
Ceiba 25x300x4.2m	145	
Dahoma 50x150x4.2m	306▲	
Redwood 50x75x4.2m	210	
Ofram 25x225x4.2m	255▲	

Ghana 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	235	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	1.80	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	€ per m ³			
B/BB, Thickness	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	260↓
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 ²		
	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

Forest Plantation Loan established to plant timber trees

The Straits Times reported on a new Forest Plantation Loan facility worth RM1 billion, which will be used to establish timber plantations and not palm oil. The Malaysian Ministry of Plantation Industries and Communities said the Loan is designed to ensure that participants are committed to ensure there is enough raw material supply for plywood, veneer and furniture making industries. Participants initially provide a 20% down payment for the cost of the forest plantation before being eligible for a loan, which would cover the remaining 80% of the venture. The plantations are expected to be planted mostly with high value commercial species such as Kelempayan, Batai, Binuang, Rubberwood, Khaya and Acacia Mangium.

Sabah's urban areas getting greener

The Sabah Daily Express said that a statewide programme designed to plant trees in Sabah's urban areas will be initiated on 26 October in Sandakan. The Sabah Timber Industries Association (STIA) will be implementing the programme, in conjunction with the Forestry Department of Sabah, Universiti Malaysia Sabah and the Daily Express. The programme will be start of measures to encourage people to plant commercial or ornamental trees.

President of the STIA, Datuk James Hwong, noted that the public were not aware of how industry has been working in cooperation with the Forestry Department in the replanting scheme, in sustainable forest management and low impact logging. He said that 'there will come a day when nobody in the world will want to buy timber extracted from the natural forest but only from plantations'. He also indicated that Sabah should learn lessons from European countries where natural forests have nearly vanished.

Malaysia Log Prices

Sarawak log, FOB	US\$ per m ³
Meranti SQ up	306-329
Small	278-303↑
Super small	262-276↑
Keruing SQ up	273-288
Small	239-268↑
Super small	228-237↑
Kapur SQ up	254-266↑
Selangan Batu SQ up	277-303
Pen. Malaysia logs, domestic (SQ) US\$ per m ³	
DR Meranti	357-404↑
Balau	290-323↑
Merbau	424-445↑
Rubberwood	238-256↑
Keruing	283-297↑

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 ³
White Meranti A & up	440-465
Seraya Scantlings (75x125 KD)	728-765
Sepetir Boards	325-340↑
Sesendok 25,50mm	450-481
Kembang Semangkok	433-451
Malaysian Sawnwood, domestic	US\$ per m ³
Balau (25&50mm, 100mm+)	346-365
Merbau	568-588
Kempas 50mmx(75,100 & 125mm)	284-307↑
Rubberwood 25x75x660mm up	278-308↑
50-75mm Sq.	301-326↑
>75mm Sq.	320-349

Malaysia Plywood Prices

Malaysia ply MR BB/CC, FOB	US\$ per m ³
2.7mm	490-515
3mm	466-491
9mm & up	420-441
Meranti ply BB/CC, domestic	US\$ per m ³
3mm	463-473
12-18mm	395-413

Other Malaysia Panel Prices

Malaysia, Other Panels, FOB	US\$ per m ³
<i>Particleboard</i> Export 12mm & up	227-244↑
Domestic 12mm & up	211-231↑
<i>MDF</i> Export 15-19mm	294-320↑
Domestic 12-18mm	269-292↑

Malaysia Added Value Product Prices

Malaysia, Mouldings, FOB	US\$ per m ³
Selagan Batu Decking	697-715
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	736-755
Grade B	641-656

Malaysia Furniture and Parts Prices

Malaysia, Rubberwood, FOB	US\$ per piece
Semi-finished dining table	
solid laminated top 2.5'x4', extension leaf	57-72↑
As above, Oak Veneer	67-78↑
Windsor Chair	55-58↑
Colonial Chair	45-55↑
Queen Anne Chair (soft seat) without arm	48-61↑
with arm	53-61↑
Chair Seat 27x430x500mm	34-38↑
Rubberwood Tabletop	US\$ per m ³
22x760x1220mm sanded & edge profiled	
Top Grade	625-635
Standard	588-608

Report from Indonesia

Indonesians plant 79 million trees in one day

The AFP reported Indonesia's plans to plant 79 million trees in a single day in 71,000 villages and 8,000 other administrative areas on 28 November. The event is part of the UN Environment Programme's initiative to plant one billion trees in 2007 and ahead of the upcoming UN Framework Convention on Climate Change, which

Indonesia will host from 3-14 December. The project was also initiated in light of its illegal logging problems, which the country has struggled to reduce to about 600 to 700 cases, down from 3,600 in 2005.

SIPPO changes guidelines for Indonesian timber companies

The Swiss Import Promotion Programme (SIPPO) has announced that it will introduce a more stringent selection criteria for Indonesian timber companies. Local companies that wish to be included in SIPPO will now have to submit evidence that they have completed or will soon acquire Forest Stewardship Council or Lembaga Ekolabel Indonesia certification, which must be confirmed by an independent auditor. To arrive at this conclusion, SIPPO conducted a mission to Indonesia in June with the assistance of WWF in Switzerland and Indonesia and the National Agency for Export Development. At the end of the mission, five companies were selected to cooperate closely with SIPPO.

Indonesia Log Prices (domestic)

Indonesia logs, domestic prices	US\$ per m ³
Plywood logs	
Face Logs	240-280↑
Core logs	176-209↑
Sawlogs (Meranti)	235-275↑
Falcata logs	177-193↑
Rubberwood	211-233↑
Pine	205-230↑
Mahoni (plantation mahogany)	617-667↓

Indonesia Sawnwood Prices

Indonesia, construction material, domestic	US\$ per m ³
Kampar (Ex-mill) AD 3x12-15x400cm	246-255↑
KD	330-343
AD 3x20x400cm	352-370
KD	375-385
Keruing (Ex-mill) AD 3x12-15x400cm	281-291↑
AD 2x20x400cm	271-281↑
AD 3x30x400cm	275-287↑

Indonesia Plywood Prices

Indonesia ply MR BB/CC, FOB	US\$ per m ³
2.7mm	486-513
3mm	423-483
6mm	400-420↑
MR Plywood (Jakarta), domestic	US\$ per m ³
9mm	329-343
12mm	308-326↑
15mm	301-335↑

Other Indonesia Panel Prices

Indonesia, Other Panels, FOB	US\$ per m ³
<i>Particleboard</i> Export 9-18mm	235-246
Domestic 9mm	195-213
12-15mm	184-199
18mm	179-185
<i>MDF</i> Export 12-18mm	313-325
Domestic 12-18mm	251-273

Indonesia Added Value Product Prices

Indonesia, Mouldings, FOB	US\$ per m ³
Laminated Boards Falcata wood	384-404
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	691-723
Grade B	608-654

Report from Myanmar

Myanmar Log Prices (natural forests)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)		
	Aug	Sep	6 mo. Avg
Veneer Quality			
2nd Quality	5,166 (12 tons)	5,175 (21 tons)	4,885
3rd Quality	4,904 (23 tons)	4,707 (19 tons)	4,583
4th Quality	4,367 (67 tons)	4,259 (63 tons)	4,298
Sawing Quality			
Grade 1 (SG-1)	2,882 (324 tons)	2,828 (328 tons)	2,824
Grade 2 (SG-2)	2,442 (411 tons)	2,504 (405 tons)	2,299
Grade 3 (SG-3)	1,901 (151 tons)	2,013 (3 tons)	1,737
Grade 4 (SG-4)	2,129 (382 tons)	2,282 (382 tons)	1,973
Grade 5 (SG-5)	1,655 (546 tons)	1,839 (546 tons)	1,506
Assorted			
Grade 6 (SG-6)	1,374 (470 tons)	1,519 (517 tons)	1,204
Domestic			
Grade 7 (ER-1)	1,086 (153 tons)	1,064 (22 tons)	894
Indonesia Plywood	1,119 (10 tons)	996 (3 tons)	926
Grade 8 (ER-2)			

Hoppus ton=1.8m³; 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)
Pyinkado	311 (375 tons)
Gurjan (keruing)	203 (77 tons)

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

Report from India

India holds regional workshop on teak wood products

A regional workshop on the processing, marketing and trade of quality wood products from teak plantations (ITTO project PD 416/06 (I)) was held in Kerala, India, from 25-28 September 2007. The main outcome of the workshop was to draft an ITTO project proposal, which will be further elaborated among the countries of the region to develop best processing practices for quality wood products of planted teak and build capacity among target beneficiaries.

Comments on the draft proposal included that the project should focus on value added processing according to market demand, obtain early involvement from relevant stakeholders, especially industry, and investigate the administrative arrangements necessary for effective coordination of the project. Another important recommendation that arose from the workshop was the need to improve the genetic material for teak plantations as well as to look into the possibility of exchanging such genetic material between the countries involved in the project. Finally, participants also discussed current price trends on teak. Chart 1 below offers recent prices gathered from participants at the workshop.

Chart 1: Price guidance on teak wood from various planted forests

Country	Price Guidance	
Indonesia	<u>Best quality logs at log yard price</u>	<u>Lower quality logs at log yard price</u>
	<20 cm diameter = 1.5 million Rupiahs/m ³	About 300,000-500,000 Rupiahs less
	20-30 cm diameter = 2.0 million Rupiahs/m ³	About 300,000-500,000 Rupiahs less
	>30cm diameter = 3.5 million Rupiahs/m ³	About 300,000-500,000 Rupiahs less
Costa Rica	<u>Non-certified logs at log yard</u>	<u>Certified logs at log yard</u>
	35-40cm girth=US\$155/m ³	Price up 20%
	41-50cm girth=US\$175/m ³	Price up 20%
	51-70cm girth=US\$190/m ³	Price up 20%
	71-80cm girth=US\$229/m ³	Price up 20%
	81-90cm girth=US\$250.5/m ³	Price up 20%
	91-100cm girth=US\$277/m ³	Price up 20%
Myanmar	<u>Best quality sawn timber ex-shop</u>	<u>Second best quality sawn timber ex-shop</u>
	3,000 Rupees/cubic foot	2,500 Rupees/cubic foot
Central India	<u>Natural forests, at forest district office</u>	<u>Planted teak, at forest district office</u>
	(a) pole=4,500 Rupees/m ³	(a) pole=2,600 Rupees/m ³
	(b) log=26,000 Rupees/m ³	(b) log=20,000 Rupees/m ³
Brazil	<u>Log at log yard</u>	
	<12cm diameter = US\$10/m ³	

Source: Gathered from participants at ITTO workshop for PD 416/06 (I); Note: US\$1=9,400 Rupiahs; US\$1=40 Rupees

Report from Brazil

Brazil NGOs launch proposal to end Amazon deforestation

As reported on *Forestnewswatch.com*, nine NGOs have proposed that Brazil draft a national agreement to end deforestation in the Amazon. The launch of the proposal, which was attended by the Minister of Environment Marina Silva, included calls for Brazil to adopt a national agreement to tie public policies with market strategies to reduce deforestation. The NGOs estimate that approximately EUR390 million is needed to promote the reduction of deforestation and maintain existing forests.

Arauco broadens company's stake in Brazil

TTJ Online reported on Arauco's deal with Stora Enso to buy its companies assets in Arapoti. Arauco will pay US\$208 million for new assets, including for control of the Stora Enso Arapoti sawmill and 80% of the company's 30,000 hectare forest holdings. Stora Enso hoped it would be the start of other joint projects in Latin America.

Private-public partners work to make soy sustainable

Cargill, a US multinational, and the environmental organization The Nature Conservancy have teamed up to assist with reforestation on denuded land as part of a new 'Responsible Soy Project'. Under the project, farmers in Santarem and Belterra in northern Amazon can sell soy to Cargill if they plant trees on the land, a stipulation set by McDonald's, which buys significant amounts of chicken feed made from Brazilian soy. The actions would be undertaken in compliance with Brazil's Forest Code.

The *Christian Science Monitor* reported on the developments, noting conservationists' belief that the model could be used as a potential model for sustainable

development in all of the world's rainforests. The idea would be that this type of programme helps curb deforestation by stopping the cutting of forests in new areas, and could be a useful illustration for comparative commodities such as ethanol and palm oil. The soy project was taken by Cargill in response to a two-year Greenpeace report which stated that Cargill was the biggest offender in encouraging farmers to deforest areas and plant soy.

IBAMA intensifies actions against illegal wood

Manejo Florestal and *A Tribuna* reported on the Brazilian Institute of the Environment and Natural Resources' (IBAMA) new actions to reduce illegal logging in the Brazilian Amazon. IBAMA, the federal and civil police have already closed four sawmills in the state of Rondonia that have been using illegal logs. IBAMA targeted a cluster city in Alto Paraíso, after noticing that the small town with local sawmills had woodyards that were completely full and logs had been abandoned in areas of the municipality. Out of the ten sawmills inspected in the town, four were closed, as the owners could not justify the origin of their wood supply.

In a related case, five municipalities in Para were inspected by IBAMA and the Environmental Police Battalion (BPA) in September 2007. The two groups have been working together to combat the transportation and storage of illegal logs as well as charcoal production in areas previously closed by IBAMA. Many of the charcoal ovens were destroyed by authorities and over BRL3 million in fines were collected. Authorities found that valuable species such as Ipe, Jatoba, Guajara were being used as fuelwood in these ovens. Environmental groups are also calling for IBAMA to investigate cases of illegal log transport in the state of Acre.

New measures to stop deforestation agreed

Manejo Florestal said that the Commission on Environment and Sustainable Development of the House of Representatives approved the National Pact for Valuing the Forest and Ending Deforestation in the Brazilian Amazon in early October 2007. The goal of the Pact is to reduce deforestation and recover land areas already damaged. It has three focuses: 1) economically valuing the forests; 2) recovering deforested areas; and 3) controlling illegal deforestation. To finance this plan, public and external funds from local companies and investors have been considered. The plan is expected to be complete in seven years and will encompass biodiversity conservation and preservation of the indigenous and traditions. The Plan will also require an annual investment of BRL350 million in the state of Mato Grosso alone. This is the estimated cost to subsidize compensation of rural landowners in avoided deforestation schemes

Wood products exports grow 32% in Mato Grosso

The Ministry of Foreign Trade (MDIC) announced that the value of exports of wood products in Mato Grosso had increased 32.6% in 2007 compared to the first eight months of 2006, reported *Só Notícias*. The exports are concentrated on tropical sawnwood and plywood. While the news was released, some timber companies received the news with caution. The Union of the Timber Industries of the Northern part of the State (Sindusmad) said that the sector passed through a slow period in 2006, when

environmental management responsibilities of the Brazilian Institute of Environment (IBAMA) were shifted to the State Secretary of the Environment (SEMA). As a result, management plans were slow to be approved and raw materials could not be extracted. Companies relied on the wood in stock, since new raw materials were not available.

Alta Floresta wood products gain in international market

Since January 2007, manufactured wood products from the Alta Floresta cluster of Mato Grosso have been responsible for nearly 100% of the exported wood products statewide, said *Só Notícias*. The products, worth USD13.7 million in trade, consist mainly of doors, wood frames and panels for wood flooring. Sales rose 53% over the same period in 2006, when USD2.1 million was exported. In August, the city exported USD2.2 million worth of products alone, the highest monthly volume of the year.

Most of the products from Alta Floresta sold to the US are responsible for 49% of sales, totalling USD6 million. The products are also designed for markets in Spain, Canada, Japan, Lebanon and China. The cluster has also registered growth of imports by value.

Brazil Log Prices (domestic)

Brazilian logs, mill yard, domestic	US\$ per m ³
Ipê	124
Jatoba	87
Guariuba	59
Mescla (white virola)	66

Brazil Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per m ³
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 ³
Northern Mills (ex-mill)	Ipê 577
	Jatoba 437
Southern Mills (ex-mill)	Eucalyptus (AD) 175
	Pine (KD) 1st grade 237

Brazil Veneer Prices

Veneer, FOB (Belem/Paranagua Ports)	US\$ per m ³
White Virola Face 2.5mm	290
Pine Veneer (C/D)	210

Rotary cut Veneer, domestic (ex-mill Northern Mill)	US\$ per m ³
White Virola	Face 236▲ Core 197

Brazil Plywood Prices

Plywood, FOB	US\$ per m ³
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 ³
9mm C/CC (WBP)	308
15mm C/CC (WBP)	272
18mm C/CC (WBP)	272

Plywood, domestic (ex-mill Southern mill)	US\$ per m ³
Grade MR (B/BB)	White Virola 4mm 806
	White Virola 15mm 590

Domestic prices include taxes and may be subject to discounts.

Other Brazil Panel Prices

Belem/Paranagua Ports, FOB	US\$ per m ³
Blockboard Pine 18mm 5 ply (B/C)	315
<i>Domestic Prices, Ex-mill Southern Region</i>	
Blockboard White Virola faced 15mm	527
Particleboard 15mm	330

Brazil Added Value Products

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

Report from Peru

Compliance with FTA poses challenges

The Economist recently covered events in Peru targeting illegal logging activities in Peru's Amazon. The news reports captured a less than rosy picture of Peru's logging activities, where legal boundaries defined for mahogany extraction seemed of limited utility outside of Lima. Previous analysis of land cover by the Carnegie Institution (see TTM 12:15) showed the positive effects of Peru's changes introduced by Peru's government since 2001, but the article noted the difficulties Peru may have in complying with the new US-Peru FTA (see TTM 12:18). While *The Economist* article speculates on Peru's sources of finance to reduce illegal trade in mahogany and comply with the FTA, ITTO will offer such financial assistance to Peru. A recent project (PD215/03 Rev.3 (I)) on mahogany measurement and tracking has recently been completed (see reference in TTM 12:17). A report of the project will be included in the next issue of ITTO's *Tropical Forest Update*. ITTO will also be undertaking the first part of its initial activities to curb illegal trade of endangered mahogany from Peru as part of its new work programme with CITES.

Peru furniture mainly artisan

According to a consulting firm Maximize, the Peruvian wood furniture sector is characterized by a family based industry with a predominantly artisan style. The sector is characterized by scarce technological advances in designs and product finishing and standardization is usually low. The report also highlights Peru's furniture sector obtains 90% of its supply from small and micro enterprises, with production problems in product finishing and quality. Finally, the survey notes that medium and large enterprises with higher product technology make wood furniture available for the local market, with specialized stores, malls or direct order mail acting as suppliers.

Falling US dollar affects Peru's competitiveness

The Peru exporters association (ADEX) reported that eight export sectors, especially the textile, the chemical and fishing sectors had been the most affected by the falling US dollar against the Peru Nuevo Sol. This has been impacting Peru's market competitiveness, driving down demand for Peru's products against other cheaper products. The president of ADEX has also complained about the Central Reserve Bank because it has not intervened strongly enough to prevent volatility in the price of the US dollar. Scotiabank reported that the Sol has appreciated 3.5% this year, the fifth highest among Latin American countries.

Lumber Sector Awards to be held

On 2 November, the Third Lumber Convention will be held and will discuss problems and alternatives to develop Peru's lumber sector. In conjunction with the Convention, awards will be given in categories for best forest products exporter, higher added value forest products exporter, plywood exporter, and technology innovators.

Peru Sawnwood Prices

Peru Sawnwood, FOB Callao Port	US\$ per m ³
Mahogany S&B KD 16%, 1-2" random lengths (US market)	1865-1899↓
Spanish Cedar KD select	
North American market	958-1010↓
Mexican market	975-1016↓
Pumaquiro 25-50mm AD	Mexican market 490-525

*Cheaper and small-dimension sawnwood for this market.

Peru Sawnwood, FOB Callao Port (cont.)	US\$ per m ³
Virola 1-2" thick, length 6'-8' KD	
Grade 1, Mexican market	279-318
Grade 2, Mexican market	230-248
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 Sawnwood, FOB Iquitos	US\$ per m ³
Spanish Cedar AD Select Mexican market	945-990
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	275-328
Grade 2, Mexican market	235-251
Grade 3, Mexican market	148-167
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	240-245

Peru sawnwood, domestic	US\$ per m ³
Mahogany	1300-1345
Virola	120-122
Spanish Cedar	485-495
Marupa (simarouba)	135-138↓

Peru Veneer Prices

Veneer FOB	US\$ per m ³
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 ³
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 ³
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 ³
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 ³
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

Forest Expo 2007 helps boost business worth MXN75 million

The fifth 21st Century Forest Expo Mexico, held from the 27 to the 29 of September, closed with transactions near 75 million pesos. The President of Mexico, Felipe Calderon Hinojosa, opened the meeting, announcing the opening of a bank to grant financing to the forest sector, which would be worth more than 2 billion Mexican pesos. He also called for all federal government offices to buy certified furniture and recycled paper from sustainable forest plantations.

Report from Panama

Panama Log Prices

Logs, FOB Manzanillo/Balboa	cm measured girth	FOB \$ Avg unit value per m ³
Teak		
	40-49	163
	50-59	195
	60-79	223
	80-99	275
	110-130	335
	131+	365

Report from Bolivia

Value-added products boost exports growth

There are a higher percentage of value-added products in Bolivia's 2007 total exports. Despite this, the wood products exports growth rate by value is similar to that of last year, 21% in January – July of 2007 compared to 22% in the same period of 2006. Value-added products represented 66% of a total of US\$63.7 million exported compared to 59% last year. In terms of volume, there was also an increase, from 42% participation in 2006 to 46% in 2007. This shows that the rise of added value products exports, rather than a price effect or an increase in wood primary goods such as sawn lumber, has contributed to this year's trend. The US is the main value-added Bolivian wood products importer. In terms of volume, exports to the following countries grew: Peru (fiberboard), Argentina (fiberboard, furniture and parquet), the UK (furniture), Italy (moulding and flooring), the Netherlands (furniture, doors and parquet) and Spain (pallets, decking and doors).

Forest fires encroach on productive land

Intense fire activity occurred in Bolivia during the last week of September to the first week of October. Fires were concentrated mainly in Santa Cruz, where the fire was mainly caused by agricultural activities to brush or crop residue clearing. Although 25 productive forest land areas were affected and 369 separate fires active, rain activity has somewhat controlled the situation.

Bolivia Sawnwood Prices

Sawnwood 1-3"x3x5"x7-19", FOB Arica Port	\$ Avg un. val. per m ³
Mahogany (US market)	1550-1800↓
Spanish Cedar (US market)	510-890↓
Oak (US and EU market)	625-685↓

Bolivia Added Value Product Prices

Doors 13/4"x36"x96", FOB Arica Port	Avg \$ per piece
US market Mara macho/Tornillo (FSC)	100-395↑
Yesquero	155-465↑
Ochoó	120-495↑

Report from Guyana

Indigenous group saves massive swath of rainforest

Mongabay.com reported on Conservation International's work with the Wai Wai community in Guyana, an indigenous group that has established a reserve in Guyana's rainforests. After receiving a title of 625,000 hectares of land in 2004, the Wai Wai have decided to implement a 'conservation economy', in an effort to maintain the forest and prevent the exit of younger indigenous members of the community. Conservation International will explore potential applications of payment for ecosystem services and expand traditional craft businesses.

Guyana Log Prices

Logs, FOB Georgetown	SQ - \$ Avg unit value per m ³	Std	Fair	Small
Greenheart	110-130↓	100↓	100↓	100↓
Purpleheart	165-190↑	125-145↑	105	
Mora	-	100-105	-	-

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

Guyana Sawnwood Prices

Sawnwood, FOB Georgetown	\$ Avg unit val. per m ³	Undressed	Dressed
EU and US markets			
Greenheart Prime	none	445-945↑	
Select/Standard	550-678↑	402-645↑	
Purpleheart Prime	-	678-1050↑	
Select/Standard	-	488-750↑	
Greenheart scantlings	-	-	-

Guyana Plywood Prices

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

Report from Japan

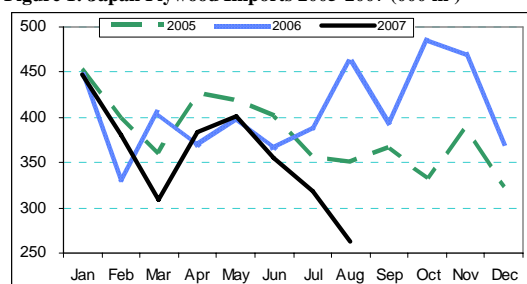
Southsea log situation slumps

Impacted by Japan's plummeting housing starts, prices for Southsea logs are falling or weakly holding. Consumption for logs is decreasing in Japan, and as a result, no new inquiries are being made for logs in producing countries. Price negotiations are deadlocked, as Japanese importers try to alleviate the impacts of the weakening yen, while producers try to cover costs. Similar trends are occurring for plywood.

Plywood imports tumble to nine year low

Plywood imports in August dropped under 300,000 m³ (263,365 m³), the lowest level in nine years. This represents a 42.7% fall from July levels. Domestic softwood plywood production also fell to its lowest level in 2007. Malaysian imports were down 44.7% from July and Indonesian imports were 59.7% less. China's steady supply of imports continued in August.

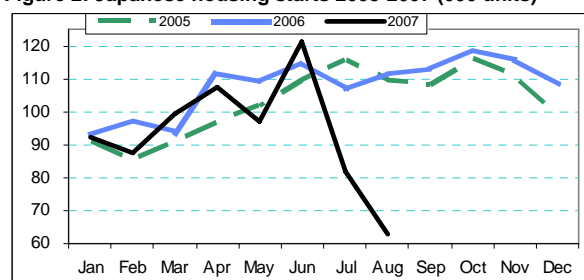
Figure 1: Japan Plywood Imports 2005-2007 (000 m³)



Japan housing starts lowest since 1965

Following drops in housing starts in July, housing starts in August fell 43.4% from the August 2006 levels, the lowest since 1965. Wood-based units were 34.4% down, and units built for rental and sale decreased significantly. The drop is attributed to the tighter laws implemented under the Building Standards Act, which require a closer examination of building applications.

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



Sumitomo Forestry increases use of domestic species

Sumitomo Forestry has increased its use of domestic species in 2006. The use of domestic cypress in production of structural laminated lumber increased 61% on the previous year, dried lumber from various domestic species rose 67% and the use of domestic cedar and larch 'cross panels' gained 8.4%. Sumitomo aims to raise the percentage of domestic species in its housing materials from its current level of 51% to 70%.

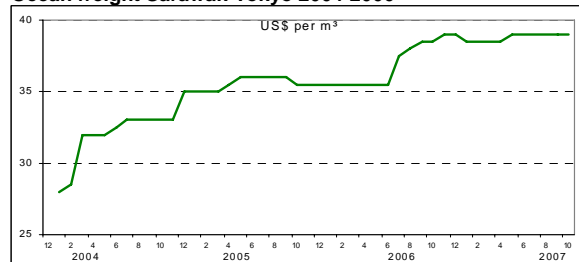
Log and Sawnwood Prices in Japan

Logs for Ply Manufacture, CIF	
Meranti (Hill, Sarawak)	Yen per Koku (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	
Melapi (Sarawak) High Select	Yen per Koku
Agathis (Sarawak) High Select	11,000
	10,800
Lumber, FOB	
White Seraya (Sabah) 24x150mm, 4m, Grade 1	Yen per m ³
Mixed Seraya, Sangi 24x48mm, 1.8-4m, S2S	150,000
	56,000↓

Wholesale Prices (Tokyo)

Indonesian & Malaysian Plywood	Size (mm)	Sep	Oct
2.4mm (thin plywood, F 4star, type 2)	920 X 1830	370	370
3.7mm (med. Thickness, F 4star, type1)	910 X 1820	580	580
5.2mm (med. Thickness, F 4star, type 1)	910 X 1820	690	690
11.5mm for sheathing (F 4star, type 2)	910 X 1820	960 ↓	950 ↓
12mm for foundation (F 4star, special)	910 X 1820	980 ↓	980
12mm concrete-form ply (JAS)	900 X 1800	960 ↓	950 ↓
12m coated concrete-form ply (JAS)	900 X 1800	1280 ↓	1250 ↓
11.5mm flooring board	945 X 1840	1500 ↓	1500 ↓
3.6mm baseboard for overlays (OVL)	1230 X 2440	950	930 ↓
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 to promote its overseas forest products industry

To further promote the development of China's economy and trade, the Chinese government has announced a development strategy to allow eligible enterprises to actively seek foreign investment. In light of this new strategy, a series of government documents has been released such as a guidebook on China's industrial investment overseas and measures on special capital for foreign economic and technological cooperation. The documents were issued jointly by the Ministry of Commerce, the Ministry of Finance, the Ministry of Foreign Affairs, the People's Bank of China and the General Administration of China's Customs Agency.

The guidebook on China's overseas industrial investment suggested Chinese companies look to Thailand, Laos, Myanmar, Vietnam, Malaysia, Canada, Uganda, Ukraine and Guyana for opportunities in the paper making and products sector. Among the countries singled out as a source of investment for wood processing were Myanmar, New Zealand, Papua New Guinea, Vanuatu, Sierra Leone, the Congo, Gabon, the Democratic Republic of Congo and Guyana. The guidebook also suggested that Mongolia, Mali, South Africa, Sweden, Nepal, Yemen, Guinea, Angola, Spain, Kuwait, Cameroon and Ghana were countries thought to be good prospects for investors in building materials.

China's bamboo chopsticks exports expected to boom

China's export of bamboo chopsticks is expected to be prosperous. Three primary reasons contribute to this expectation. First, China has rich bamboo resources and ranks first in stocking volume and output in the world. Bamboo has shorter growth cycles and is a recyclable resource. Developing bamboo production will help meet national goals to save resources and create a more environmentally friendly society. Second, China has poor timber resources and has issued a series of policies to

restrict the development and export of disposable products. In light of this, China has issued a requirement to reduce the domestic usage of wooden chopsticks in a new management standard for catering enterprises, effective 1 December 2007. Third, the production and export of bamboo chopsticks enterprises have the potential to make improved profits than those for wooden chopsticks.

Fast growing multi-layered poplar plywood developing rapidly

Fast growing multi-layered poplar has helped China's plywood production grow rapidly since the 1990s. The major production regions for poplar have been south of the Yellow River and north of the Yangtze River. In the east of China, Pizhou and Suqian City in Jiangsu Province and Linyi and Heze City in Shandong Province were the major production regions. In the eastern regions, about 10,000 different kinds and sizes of plywood enterprises have been established with 100 employees. The annual output of multi-layered plywood has exceeded 20 million m³, making up 70% of the national total plywood output. Five million m³ of poplar multi-layered plywood was exported in 2006, accounting for 60% of the national total.

Farmers' initiatives to plant poplar are greatly motivated by the increasing price of poplar in recent years. The price for larger diameter poplar was only RMB300 per m³ in 2004, but rose to RMB1,000 per m³ in 2007, making it nearly a three fold increase in price. At present, many farmers in the above regions now widely plant poplar in the front or back of their houses, at the side of a road or a farmland shelter, and the poplar regenerates every six to eight years.

Given its price and fast growing rate, poplar has been the best way to eliminate poverty for many local farmers. A whole fast growing poplar industry supply chain has been formed in local areas, driving not only the local economy, but also mitigating the pressure from domestic timber demand. As a result, local governments suggest that the country support the fast growing poplar industry when it develops its macro policies.

Exhibition highlights importance of China's bamboo and rattan industry

On 22 September 2007, the 'China International Bamboo and Rattan Expo and Online Exhibition 2007' was held to celebrate, inter alia, the ten year anniversary of the International Network on Bamboo and Rattan (INBAR). Madame Jiang Zehui attended the exposition in her capacity of co-chair of the board for INBR and said that bamboo and rattan are two kinds the most valuable non-wood forest products in the international trade and play an important role in eliminating forest logging, strengthening environment protection, mitigating poverty and encouraging sustainable development of the rural economy.

At present, more than one billion people in the world live on bamboo and rattan. China is rich with bamboo and rattan resources. There are 37 families or 500 species of bamboo plants making up 4.84 million hectares of bamboo in China. China leads in global bamboo cultivation, processing and utilization. China's bamboo industry

covers construction, sawnwood, house furnishing, biochemistry, medical care, spinning, food, paper making, tourism, environmental construction, and urban greening. The current value of China's bamboo products has reached USD1.1 billion, with the export value of 30 bamboo production regions making up 50% of the national total.

Rattan resources are rich in China, with 25 species of rattan naturally occurring in China. Mechanization and semi-mechanization have been realized in the rattan industry and 150,000 employees work in the rattan industry. The total value of China's foreign trade for rattan products amounts to USD200 million and continues to grow at a 10% annual rate.

Guangzhou City Imported Timber Market

Logs	Yuan per m ³
Radiata 6m, 30cm diam.	1300
Luan	2200-2400▲
Kapur	1900-2350
Merbau 6m, 60cm diam.	5000-5300▼
Keruing 60cm+ diam.	1900-2300
Beech 6m, 30cm veneer Qual.	3300-3600
Sawnwood	
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
Plywood	Yuan per sheet
4x8x3mm	20-34
4x8x18mm	149-188

Shanghai Furen Wholesale Market

Sawnwood	Yuan per m ³
Beech KD Grade AB	2500-3200
US Cherry, 25mm	11000-13000▼
US Red Oak, 50mm	9800-10500▼
Sapele 50mm FAS (Congo) AD	7200-7600▲
KD	7800-9000▲

Shandong De Zhou Timber market

Logs	Yuan per m ³
Larch 6m, 24-28cm diam.	1250▲
White Pine 6m, 24-28cm diam.	1280▲
Korean Pine 4m, 30cm diam.	1500
6m, 30cm diam.	1550

Hebei Shijiazhuang Wholesale Market

Logs	Yuan per m ³
Korean Pine 4m, 38cm+ diam	-
Mongolian Scots Pine 4m, 30cm diam.	1360▼
6m, 30cm+ diam.	1380
Sawnwood	
Mongolian Scots Pine 4m, 5-6cm thick	1500▼
4m, 10cm thick	1600▲

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 and Scandinavia

Rougier profit soars

The *TTJ* recently reported that the French hardwood specialist Rougier had a 131% growth in the first half of 2007, with net profits up EUR7.9 million from 2006. Rougier indicated that its fourth quarter growth would be strengthened when its new sawmill in Mevang, Gabon comes online in the fourth quarter. The company suggested that the second half would be promising despite increased energy, land and sea logistics costs.

Report from the UK

UK consumer confidence rises in September

Nationwide Building Society reported that consumer confidence rose 5 index points to 99 after hitting its lowest level in four months this August. More evidence of a slowdown in house prices has come from the UK's biggest mortgage lender, Halifax. Halifax's latest monthly survey shows prices fell by 0.6% in September leaving the annual rate of inflation at 10.7%.

Chinese plywood tax incentives expected to end in October

As a follow up to earlier expectations about cuts in Chinese export tax incentives (see TTM 12:16), *TTJ Online* expected Chinese export tax incentives would be cut to zero by early October. As a result, more plywood was expected to be shipped before the end of October. It also noted that in connection with the EU anti-dumping duty cases being floated, UK demand for plywood had recently waned. Outside of Chinese imports, Malaysian imports are growing although Indonesian imports dropped to an historical low during the first six months of 2007.

TTF calls members to sign on to RPP

During a recent trade dinner, the president of the Timber Trade Federation (TTF), Neil Donaldson, called on trade associations to sign on to the TTF's Responsible Purchasing Policy (RPP). He said that such a move would help unite the timber industry. Donaldson also called attention to the addition of 23 new members in the TTF and that TTF's recent move had helped put it at the heart of the construction market.

Phaunos Timber Fund to invest in Indonesia

Guernsey-based Phaunos Timber Fund has announced it will invest EUR4 million in Indonesian sustainable forestry. *TTJ Online* indicated that the investment fund will invest a minimum EUR2 million in a closed-system of tropical forestry management, with an opportunity to scale up investment over time. The finance will be managed by FourWinds Capital Management, said Chief Executive Officer Kimberly Tara, and shows Phaunos' commitment to investments that generate social and environmental returns.

UK Log Prices

		€ per m ³
FOB plus commission		
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

	Pounds per m ³
FOB plus Commission	
Teak 1st Quality 1"x8"x8"	2035-2350
Tulipwood FAS 25mm	440-455
Cedro FAS 25mm	420-430
DR Meranti Sel/Btr 25mm	410-420
Keruing Std/Btr 25mm	295-315
Sapele FAS 25mm	430-450
Iroko FAS 25mm	430-450
Khaya FAS 25mm	420-430
Utile FAS 25mm	410-420
Wawa No.1 C&S 25mm	230-240

UK Plywood and MDF Prices

	US\$ per m ³
Plywood Panels 8x4", CIF	640
Brazilian WBP BB/CC 6mm	600-630
Indonesian WBP BB/B 6mm	
	Pounds per 10m ²
MDF	54
Eire, BS1142 12mm	

Report from North America

IWPA testifies on plywood competition at ITC

A panel of International Wood Products Association (IWPA) executives testified before the International Trade Commission (ITC) on the significance of the international wood products trade to the U.S. A press release from the IWPA said that six ITC commissioners and staff queried the IWPA executives on the competitiveness of the plywood industry, in light of recent investigation on U.S. flooring and hardwood plywood industries. In his statement to the ITC, Brent McClendon, IWPA Executive Vice President, noted that demand for international wood products helps support U.S. manufacturing, distribution, retailing and the U.S. consumer.

IWPA is also due to testify on illegal logging issues at an upcoming House Subcommittee on Fisheries, Oceans, and Wildlife on 16 October. McClendon will respond to legislation introduced by Senator Ron Wyden, a Democratic Senator from Oregon, which would amend the U.S. Lacey Act to 'prohibit the import, sale, or trade in illegally harvested wood and wood products' (see www.forestnewswatch.com for further details). A recent IWPA press release on the issue explained that IWPA applauded Wyden and other senators' attention to the issue of illegal logging, but the Lacey Act incorrectly singles out 'small family businesses to enforce foreign laws' and labeled it 'anti-small business and an anti-competitive swipe at a community engaged in fair trade'.

US fall in demand for hardwood products to continue in 2008

The *Hardwood Review Express* presented an analysis of the impacts of the housing crisis on hardwood lumber products. The analysis explained that the housing crisis appeared 'to be getting worse', with further deterioration in homebuilding and buying expected. It noted markets for hardwood products would depend on the recovery of home building and export markets. The publication recommended that North American hardwoods could be more resilient by competing in existing overseas markets to help sustain business in the face of the housing crisis. It suggested that the housing crisis could continue for the next six months to a year.

Canada's primary and secondary wood industries expected to slow

Residential construction is by far the most important leading indicator foreshadowing the business fortunes for virtually all primary and secondary wood industries, from logging to saw-milling and from furniture to window and door manufacturing. It is therefore appropriate to take a closer look at the past trends and the likely future path of the housing market, using Canada as our sample region. Experts believe that the broad underlying trends and conclusions for the US would not be substantially different.

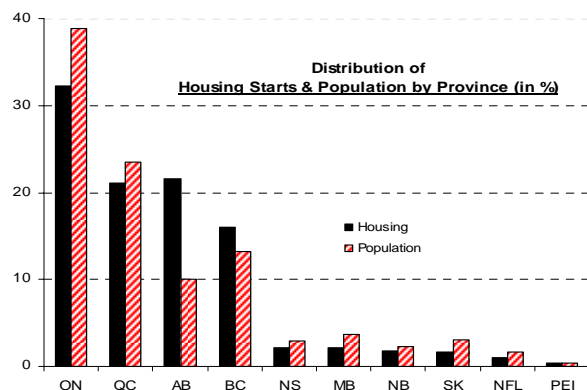
In 2000, annual starts of residential housing stood at 138,325 units in Canada from where they experienced an almost uninterrupted growth spurt until the first quarter of 2006, culminating at 244,100 units. However, average annual figures already peaked in 2004.

The heavy overbuilding caused a surplus supply of houses and lead to a complete reversal of the industry's trends. Following the first quarter of 2006 annual housing starts dropped noticeably, falling to an estimated low of 215,000 as of 2007. Similar to the declining housing market in the US, the hemorrhage in Canada has not yet come to an end. Experts anticipate further declines next year, possibly to a level below 190,000 units, before rebounding a bit in 2009.

On the positive side, the longer term outlook for the Canadian housing market looks good. The demographic fundamentals in Canada require an annual addition of approximately 225,000 new housing units. Also, mortgage rates have not shifted upward significantly and less than in the US.

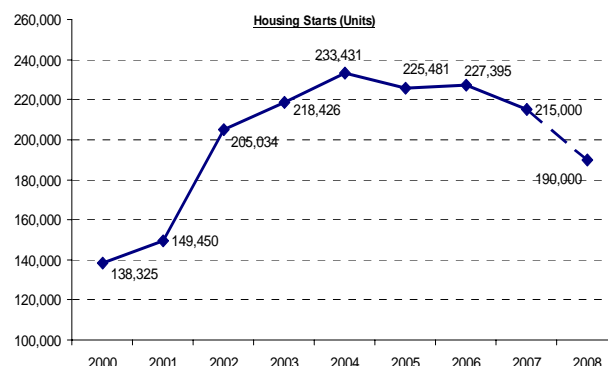
In contradiction to the decline of new housing units of 5.5% in 2007 and a further anticipated decline of about 11.6% in 2008, the resale market for existing houses is doing much better. It experienced still positive growth this year, and the predicted decline next year will be only in the 2% range. The re-sale market has a lesser impact on the wood industries. Nevertheless, the change of ownership of existing houses also triggers a demand for wood products, especially furniture. Furthermore, the sale of older houses frequently triggers subsequent major renovation and/or flooring projects.

The provincial distribution of housing starts in Canada is an approximate reflection of the population in each province. As of 2006, one-third of all new housing units built were in Ontario, and another 21% were in Quebec.



The economic vibrancy of the provinces is also mirrored in the housing statistics. It is not surprising that housing starts in the fast growing economies of British Columbia and Alberta are higher than their population share suggests. For instance, Alberta recorded a share of 21% of housing starts even though the province's population accounts for only 10% of the Canadian total. On the other hand, the share of housing construction in the less vibrant economies of Quebec, Ontario, and the Maritime Provinces is disproportionately low.

Generally speaking, most of Canada's housing activity is

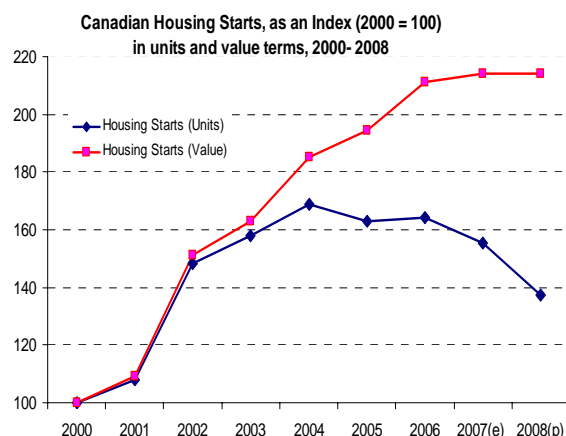


concentrate in the country's largest urban centers. The exception to this general rule is provided by Fort McMurray, Alberta with its enormous influx of workers in the oil and gas industry.

Statistics about new housing starts suffer under an important shortcoming. They lack indications about the size and kind of housing units (single family housing, row-houses, apartment dwellings, etc.), even though it is widely known that the average price and size of houses is getting larger in North America. This is mitigating the negative impact of the currently declining number of housing starts. Larger houses require more wood in order to be built and more rooms to be furnished.

Even though Canadian housing starts dropped 7.9% from its peak in 2004 to its present level, the construction value rose by 15.6% during the same time period. A similar diverging trend will likely be repeated in 2008 with housing starts declining but the construction value increasing. Of course, some of the value increase is due to higher prices, but inflation is excluded, the trend in housing is to become larger and more luxurious.

For Canada as a whole, prices for new residential houses advanced by 21.7% between 2004 and 2007. This average pales in comparison to the price increases in such hot spots as Edmonton and Vancouver where prices skyrocketed by 62.1% and 43.1% respectively. At the other end of the spectrum lies Windsor and Sudbury with increases in the 3 to 6 % range.



As of today, the average house price in Canada (MSL resale of existing home) is CAD306,000. The average price tag in BC is CAD430,000 and in Alberta CAD356,000. The least expensive houses can be found in Prince Edward Island at an average price of CAD132,000 and in New Brunswick at CAD136,000. House prices in Ontario are very close to the national average.

Increases in house prices are more dependent on the type and size of the building, and less on the value of the land. Compared to the overall price increase of 21.7% between 2004 and 2007, land prices went up only by 17.0%, but house prices (excluding the value of the property) went up by 23.3%. This fact bodes well for the wood processing industries.

Canada's forest in jeopardy

The British Columbia provincial government recently reported on the threat of the mountain pine beetle infestation to the province's marketable pine forest, noted *TTJ Online*. The government said that the infestation could kill 78% of the pine forests by 2015 if the problem continues unabated. This, coupled with a recent report by PriceWaterhouseCoopers showing significant losses (CAD45 million) in Canada's forest sector, made the situation even more bleak. Most of the losses were attributed to the weak US housing market and the strong Canadian dollar.

US Imported Sawnwood Prices

FOB unit value prices		Avg \$ per m ³	
		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 ²)	May	June
<u>By species (all countries)</u>		
Meranti	6.2↓	11.4↑
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 ³)	May	June
<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.

The biennial Transport Symposium, organized by the International Forest Products Transport Association and RISI, an information provider for the global forest products industry, is to hold Transport Symposium 17 from 15-17 October in Mobile, Alabama, USA. Topics discussed at the Symposium will include forest products logistics, handling and storage.

<http://www.tjonline.com/story.asp?storycode=52403>

The Sustainable Forestry Initiative (SFI) has said that a growth in demand for proof of legality had been accompanied by a growth in its own operations. It has seen a 90% increase in the number of certificates issued and an increase in international recognition of its work in the UK.

<http://www.tjonline.com/story.asp?storycode=52391>

The Consortium for the Barcode for Life (CBOL) recently concluded its second international meeting to discuss the latest in DNA bar coding. Such scientific developments have been thought to be a potential way to halt illegal logging. Conference abstracts and a full agenda were made available on the Consortium's website.

<http://www.dnabarcodes2007.org/>

The UN Food and Agriculture Organization announced its technical assistance with the Costa Rican government to convert polluting wood residues into 'green' energy sources. The project is based on the Kyoto Protocol's Clean Development Mechanism and would assist sawmills with the reduction of greenhouse gas emission and promote sustainable development.

http://www.forestnewswatch.com/index.php?option=com_content&task=view&id=379

Brazil and the United States have agreed to scrap double taxation for bilateral trade starting from May 2008, said Chief of Staff to the Brazilian president Dilma Rousseff. Rousseff made the announcement at a joint press conference with visiting U.S. Commerce Secretary Carlos Gutierrez after a CEO forum co-organized by the two countries. Rousseff said the two nations have reached agreement to remove double taxation for goods traded between them as early as next May and Brazil welcomed the change. http://news.xinhuanet.com/english/2007-10/12/content_6869407.htm

Eleven new species of animals and plants were discovered in a remote area in central Viet Nam, according to the World Wide Fund for Nature (WWF). The species were found in the Thua Thien Hue Province – a region known as the Green Corridor. They include two butterflies, a snake, five orchids, and three other plants, all of which are exclusive to tropical forests in Viet Nam's Truong Son Mountains. Ten other plant species, including four orchids, also appear to be new species. <http://vietnamnews.vnagency.com.vn/showarticle.php?num=01ENV031007>

European Union antitrust regulators carried out raids Wednesday on a number of companies providing international freight forwarding services as part of an investigation into suspected cartel activity, the EU said.

<http://www.chinapost.com.tw/business/2007/10/12/126334/EU%2Dregulators.htm>

The Ghana-German Economic Association has planned to penetrate the European market with more than 1 billion Euros market share within the next few years, a move to flood the European market with Ghanaian products.

http://www.thestatesmanonline.com/pages/news_detail.php?newsid=4909§ion=2

India, Brazil and South Africa will sign a co-operation agreement on trade and investment at the tri-nation IBSA (India, Brazil, South Africa) summit in Pretoria on October 17. Government spokesman Themba Maseko said the value of the trade volume among the three countries stood between \$6 billion and \$7 billion and the objective was to increase it to USD 10 billion over the next three years.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/India_Brazil_and_South_Africa_to_sign_trade_pact/rssarticleshow/2451248.cms

Al Gore and the UN Intergovernmental Panel on Climate Change have won this year's Nobel Peace Prize. Mr. Gore said his Nobel Peace Prize is an 'honor' and a chance to 'elevate global consciousness' about the threat posed by climate change.

<http://news.bbc.co.uk/2/hi/americas/7042423.stm>

The Associated Press has reported that 'Myanmar has become notorious in the region for ignoring...laws in a single-minded effort to make the money that environmentalists say helps keep the regime in power'.

<http://www.iht.com/articles/ap/2007/10/15/asia/AS-GEN-Myanmar-Environmental-Menace.php>

A group of World Business Council for Sustainable Development (WBCSD) member companies is calling for public policies that make the best use of the forestry sector's carbon profile and carbon cycle.

<http://www.wbcsd.org/plugins/DocSearch/details.asp?type=DocDet&ObjectId=MjYzMdI>

The Mbendjele people of Congo-Brazzaville are using the latest satellite mapping technology to stake claim to a rainforest, two-thirds of which may be gone in 50 years.

http://news.bbc.co.uk/1/hi/programmes/from_our_own_correspondent/7028445.stm

Norway leads and the United States trails on a list of 21 wealthy nations when it comes to environmental policy, according to an annual index by the Washington-based Center for Global Development.

http://today.reuters.com/news/articleinvesting.aspx?type=bonNews&storyID=2007-10-10T235849Z_01_N10281456_RTRIDST_0_ENVIRONM-ENT-REPORT.XML

The private sector should take the lead on tackling the challenges posed by climate change, from investing in clean new technologies to encouraging countries and industries to make the necessary adaptations to change, UN Secretary-General Ban Ki-Moon told business leaders in Washington.

<http://www.un.org/apps/news/story.asp?NewsID=24272&Cr=ki-moon&Cr1=>

UK house prices fell at the fastest pace in two years in September after higher interest rates and concern about the outlook for economic growth sapped homebuyers' confidence, the Royal Institution of Chartered Surveyors said.

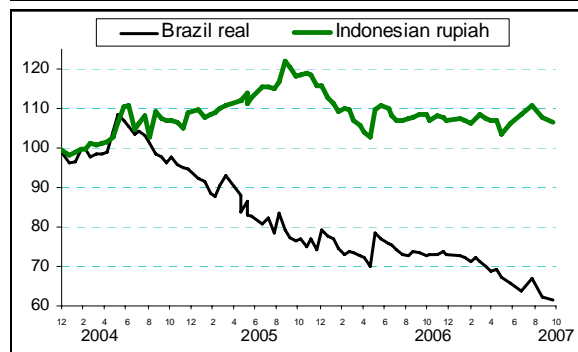
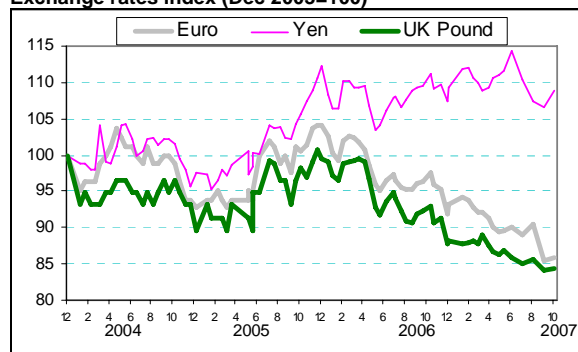
<http://www.bloomberg.com/apps/news?pid=20601087&sid=akJNDhM1VUBk&refer=home>

Main US Dollar Exchange Rates

As of 15 Oct 2007

Brazil	Real	1.814	↓
CFA countries	CFA Franc	461.794	↑
China	Yuan	7.528	↑
EU	Euro	0.7042	↑
Indonesia	Rupiah	9,058.00	↓
Japan	Yen	117.29	↑
Malaysia	Ringgit	3.3693	↓
Peru	New Sol	3.0175	↓
UK	Pound	0.4894	↑

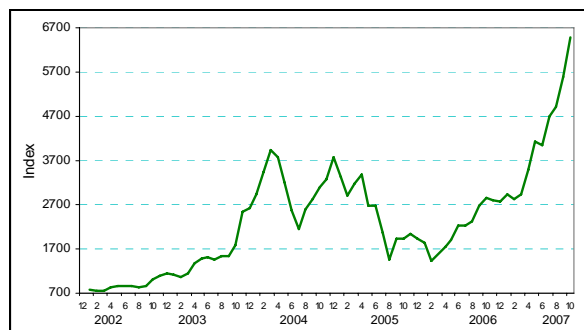
Exchange rates index (Dec 2003=100)



Abbreviations and Equivalences

LM	Loyale Merchant, a grade of log parcel
QS	Qualite Superieure
CI, CE, CS	Choix Industriel, Economique or Supplimentaire
FOB	Free-on-Board
CIF; CNF	Cost, insurance and freight; Cost and freight
KD; AD	Kiln Dry; Air Dry
Boule	A log sawn through and through, the boards from one log are bundled together.
BB/CC, etc.	Log/plywood grades. Letter(s) on the left indicate face veneer(s), on the right backing veneer(s). Grade decreases in order B, BB, C, CC, etc.
BF; MBF	Board Foot; 1000 Board Feet
Hoppus ton	1.8 m ³
Koku	0.278 m ³ or 120 BF
SQ; SSQ	Sawmill Quality; Select Sawmill Quality
FAS	Sawnwood Grade First and Second
GMS	General Market Specifications
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

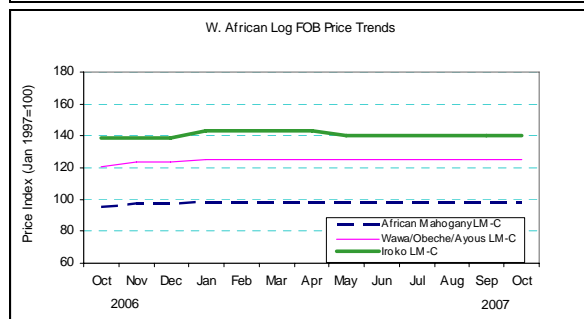
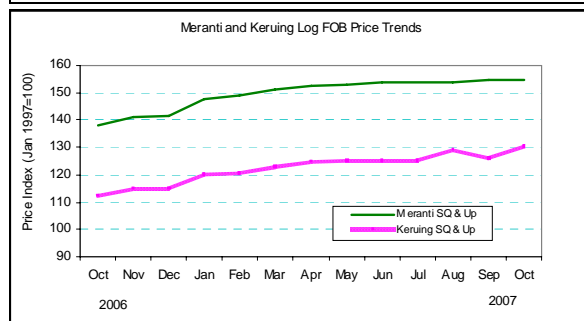
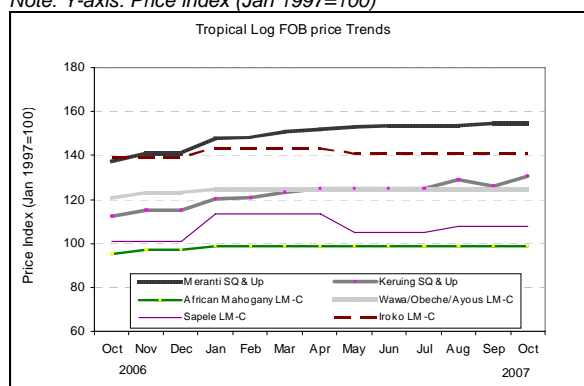


The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes. It is based on a 52,454 mt bulk carrier carrying commodities such as timber.

Appendix. Tropical Timber Price Trends

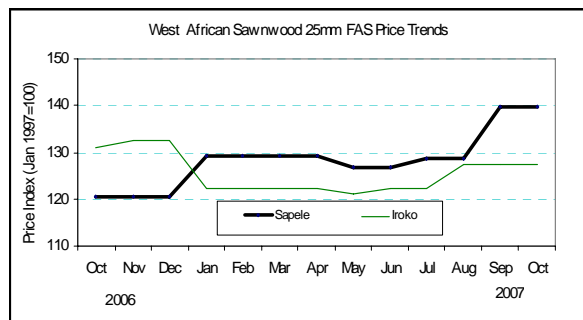
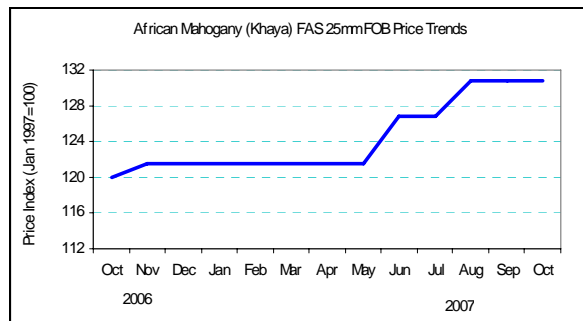
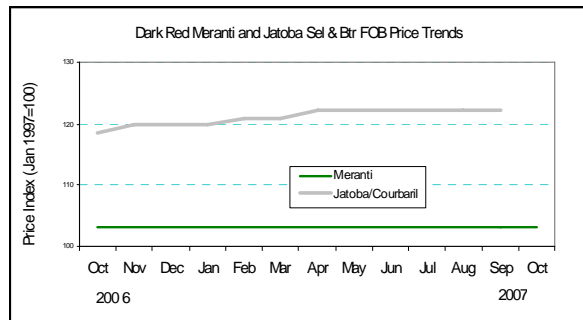
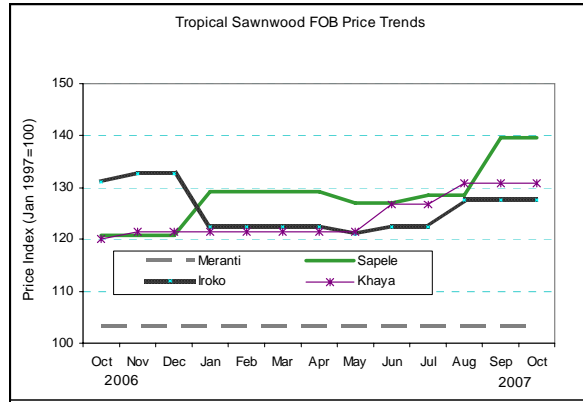
Tropical Log Price Trends

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

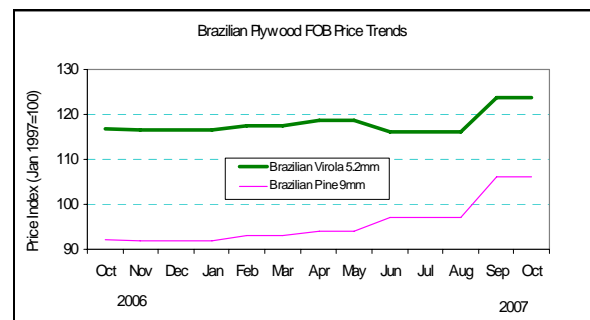
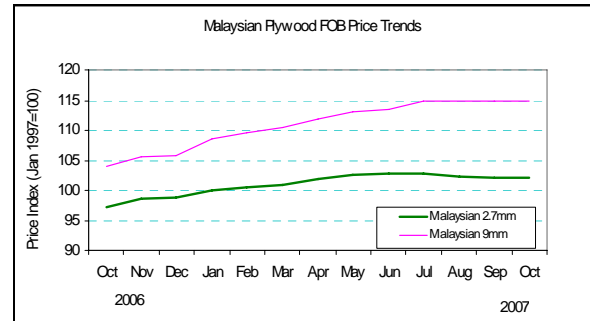
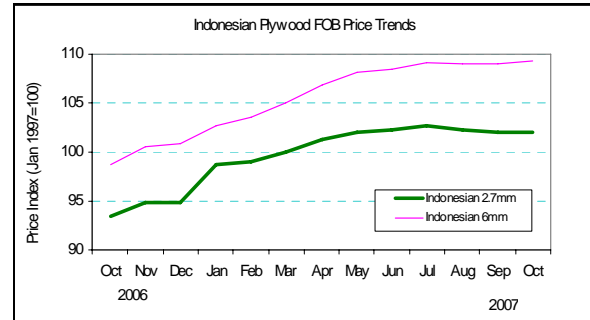
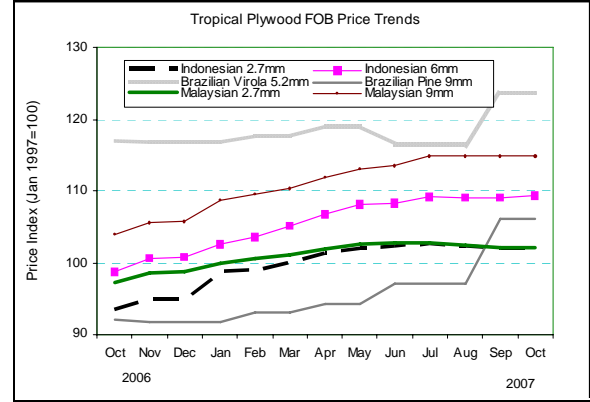


More price trends in Appendix 4, ITTO's Annual Review
<http://www.ito.or.jp/live/PageDisplayHandler?pageId=199>

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.