

# Tropical Timber Market Report since 1990

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## Snapshot

The downturn in Japan's plywood markets began to affect Malaysian and Indonesian exporters, while West African prices for plywood remained stable due to continued demand from Chinese importers. The monsoon season in Malaysia was also driving up prices for logs and plywood.

New actions were taken by a number of countries that will impact the trade of tropical timber. The EU was discussing the possibility of imposing a timber ban on Myanmar to protest recent developments in that country; Brazil's was using federal police operations in an attempt to dismantle illegal exportation of wood; the Government of Guyana had also imposed a large fine on a local logging company for breaching government guidelines in its forestry operations.

The US housing slump was beginning to impact forestry operations in Brazil and North America. Brazil's pine plywood exports to the US had fallen so significantly that many firms were closing or scaling back production and seeking alternative markets. North American markets were also being hit by the housing crisis, which is causing a supply/demand imbalance, especially for panels. The weakening US dollar also had a bearing on global wood industries, adding pressure to timber prices, notably in Malaysia, Indonesia and Brazil.

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## Report from Central/West Africa

### Sustained demand stabilizes prices for West African logs

The West African log market was more stable and further price reductions for lesser used species were not seen during October. China and India have been actively purchasing premium timbers, which has helped to maintain prices for belli and padouk. European buying has strengthened prices for moabi, which has moved EUR23 per m<sup>3</sup> higher. Sapele prices have also risen by EUR15 per m<sup>3</sup> for LM grade and EUR30 per m<sup>3</sup> for B and BC/C grades. Sipo has also gained EUR15 per m<sup>3</sup> for LM, B and BC/C grades.

Although forecasts for European tropical hardwood demand reflect a more pessimistic view of the carpentry and joinery sector, there is continued demand for premium timbers and prices for logs and lumber are forecast to remain stable. The outlook for Far East markets is colored by the reported downturn in Japan (see TTM 12:19) that has especially affected the plywood industry. Malaysia has felt the effects of the downturn and Indonesia's efforts to increase plywood exports are also likely to be subdued for the time being. Meanwhile, China's plywood exports continue to increase, which is good news for the West African log industry. The demand for okoume continues to be very brisk and there is still competition from China, France and Germany for the limited supply of bubinga.

### 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		198	198	-
Bibolo/Dibétou		168	168	114
Bubinga		533	457	381
Iroko		289	274	259
Okoume (60% CI, 40% CE, 20% CS)		-	150	-
Moabi		320▲	320▲	236
Movingui		205	190	152
Niove		129	129	-
Okan		198	198	152
Padouk		289	289	267
Sapele		282▲	282▲	236▲
Sipo/Utile		335▲	305▲	267▲
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 Sawwood Prices

West Africa sawwood, FOB		€ per m <sup>3</sup>
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

### Government launches project to revitalize MSMEs

An article in *The Statesman* recently explained the Ghanaian Government's new five-year project to revitalize the Micro, Small and Medium Enterprise (MSME) sector. The project, worth US\$118.9 million, aims to improve productivity and profitability of the sector. The project, which is one of ten projects co-sponsored by the International Development Agency/International Finance Corporation, will support 'entrepreneurial development, reduce business constraints faced by MSME, and build integrated market access and trade facilitation infrastructure'. The outcomes of the project should enhance the competitiveness of MSMEs and create employment.

### Hope for Ghana's forest linked to VPA

According to *BBC News*, Ghana's negotiations on a voluntary partnership agreement (VPA) with the EU continue, with the hope that the new agreement will reduce illegal logging and deforestation in the country. Additionally, as the EU is a major trading partner of Ghana, the VPA could reverse the downturn in timber sales to Europe. However, Ghana is losing its forests and rising demand in non-European markets may outweigh the benefits of the VPA, which is due to be finalized in early 2008. There is fear that some exporters may buy illegally felled timber and sell in countries where regulations are lax. While some Ghanaians are sceptical of the changes that can be made, often due to weak law enforcement on the ground, they note that change is necessary to save and sustainably manage Ghana's valuable forest resources.

### LUS to be exported in boules

The Forestry Commission (FC) has approved changes to the minimum Guiding Selling Prices for yaya, ananta, duabankya, berlinia and potrodom as reported in the Timber Industry Development Division's (TIDD) quarterly review price list edition. As a result, selected lesser used species (LUS) could be exported in boules. The change will create a platform for the development and promotion of these and other LUS.

### Ghana reviews tax exemptions to check revenue loss

The government will review the tax exemption regime to curtail the continuous revenue losses through tax exemptions. Available records at the Ministry of Finance and Economic Planning indicate that in 2006, the country lost an estimated revenue of 2.3 billion Ghana Cedis through tax exemptions. To reverse this trend, the government has decided to review the exemption regime as a whole, reduce the scope of the exemptions and eliminate abuses in the administration and application of the tax exemption facility.

Additionally, a Deputy Governor of the Central Bank revealed that the country's debt sustainability indicators have fallen over the last three years (2003-2006). Speaking at a press conference, he assured the nation that there would be no relapse into unstable debt, which would affect the maximization of benefits from sovereign bonds. The debt to GDP ratio fell from 72% in 2003 to 18% in 2006. Debt to export ratio also was down from 176% in 2003 to 42% in 2006. In addition, debt to revenue ratios declined from 300% in 2003 to 65% in 2006.

### Ghana Log Prices

Ghana logs, domestic	US\$ per m <sup>3</sup>	
	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 <sup>3</sup>	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afromosia	855	-
Asanfina	480↓	560
Ceiba	205	260
Dahoma	330	400
Edinam (mixed redwood)	380	450
Emeri	360	435
African mahogany (Ivorensis)	580	655↓
Makore	510	570
Niangon	550	-
Odum	650	750
Sapele	510↑	575
Wawa 1C & Select	250	280

Ghana sawnwood, domestic	US\$ per m <sup>3</sup>
Wawa 25x300x4.2m	210↑
Emeri 25x300x4.2m	275↑
Ceiba 25x300x4.2m	150↑
Dahoma 50x150x4.2m	306
Redwood 50x75x4.2m	210
Ofram 25x225x4.2m	260↑

### Ghana Veneer Prices

Rotary Veneer, FOB	€ per m <sup>3</sup>	
	CORE (1-1.9mm)	FACE (<2mm)
Bombax	325	350
Kyere, Ofram, Ogea & Otie	325	360
Chenchen	315↑	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 <sup>3</sup>
Ceiba	245
Chenchen, Ogea & Essa	295
Ofram	305

Sliced Veneer, FOB	€ per m <sup>2</sup>	
	Face	Backing
Afromosia	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 <sup>3</sup>			
B/BB, Thickness	Redwoods		Light Woods	
	WBP	MR	WBP	MR
4mm	560	465↓	500	360
6mm	380	315	335	385
9mm	388	305	290	280
12mm	340	285↓	270	260
15mm	350↓	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
Afromosia	13.25	15.70↑	17.82

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

## Report from Malaysia

### HSBC to provide finance based on Equator Principles

*The Business Times* reported that HSBC Malaysia intends to loan money to timber companies that can demonstrate 'excellent environmental and social governance' records. HSBC has recently signed on to the Equator Principles, non-binding principles designed to serve as a benchmark for financial institutions to 'assess and manage social and environmental risks' in projects. HSBC is the only bank in Malaysia to provide financing to timber companies in Malaysia. The finance will provide investments in forest plantations, sawmills, pulp and paper milling and wood preservation.

HSBC's announcement came on the sidelines of the Malaysian Forest Dialogue, where participants noted the need to draw more attention to social and environmental concerns in the timber industry. It was noted that most consumers are still unwilling to pay a premium for certified timber and that a 'green premium' would help facilitate certification in timber producing countries. In 2006, the Malaysian timber industry earned RM23.4 billion in exports, accounting for 4.5 percent of Malaysia's economy and providing jobs to about 337,000 people.

### Monsoon season leads to price hike

The rainy season has begun across most of Malaysia. As a result, prices for most timber products have begun to rise as harvesting of timber becomes difficult in wet conditions. This year's monsoon season may strike fear of a recurrence of the devastation caused between November 2006 and January 2007, when timber prices were at record highs. Higher energy costs and the appreciation of the Malaysian ringgit against the US dollar have also added pressure on Malaysian timber prices.

### Rimbunan Hijau to set up MDF plant in Russia

*Japan Lumber Reports* stated that the Malaysian forest company, Rimbunan Hijau, would build an MDF plant in Russia, a move that would help the company cope with

Russian export taxes. The new MDF plant would be its first in Russia and would eventually have continuous press lines for MDF manufacturing. The MDF products would be exported to China, Japan, Malaysia and Indonesia and marketed within Russia as well. The company said that it would consider building lumber and veneer manufacturing facilities once the MDF plant was complete.

#### Malaysia Log Prices

Sarawak log, FOB	US\$ per m <sup>3</sup>
Meranti SQ up	309-330↑
Small	279-304↑
Super small	263-277↑
Keruing SQ up	276-289↑
Small	240-269↑
Super small	230-237↑
Kapur SQ up	253-267↑
Selangau Batu SQ up	279-304↑

Pen. Malaysia logs, domestic (SQ) US\$ per m <sup>3</sup>	
DR Meranti	358-405↑
Balau	290-324↑
Merbau	424-445
Rubberwood	238-257↑
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 <sup>3</sup>
White Meranti A & up	442-467↑
Seraya Scantlings (75x125 KD)	728-765
Sepetir Boards	326-341↑
Sesendok 25,50mm	451-482
Kembang Semangkok	433-453↑

Malaysian Sawnwood, domestic	US\$ per m <sup>3</sup>
Balau (25&50mm,100mm+)	348-368↑
Merbau	570-591↑
Kempas 50mmx(75,100 & 125mm)	288-307↑
Rubberwood 25x75x660mm up	279-308↑
50-75mm Sq.	302-327↑
>75mm Sq.	322-351↑

#### Malaysia Plywood Prices

Malaysia ply MR BB/CC, FOB	US\$ per m <sup>3</sup>
2.7mm	491-516↑
3mm	467-493↑
9mm & up	422-443↑

Meranti ply BB/CC, domestic	US\$ per m <sup>3</sup>
3mm	464-474↑
12-18mm	397-415↑

#### Other Malaysia Panel Prices

Malaysia, Other Panels, FOB	US\$ per m <sup>3</sup>
<i>Particleboard</i> Export 12mm & up	227-244
Domestic 12mm & up	212-230
<i>MDF</i> Export 15-19mm	295-320↑
Domestic 12-18mm	270-292↑

#### Malaysia Added Value Product Prices

Malaysia, Mouldings, FOB	US\$ per m <sup>3</sup>
Selagan Batu Decking	698-716↑
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	737-756↑
Grade B	642-657↑

#### Malaysia Furniture and Parts Prices

Malaysia, Rubberwood, FOB	US\$ per piece
Semi-finished dining table	
solid laminated top 2.5'x4', extension leaf	56-73
As above, Oak Veneer	65-79↓
Windsor Chair	54-57↓
Colonial Chair	47-55↑
Queen Anne Chair (soft seat) without arm	48-62↑
with arm	52-62
Chair Seat 27x430x500mm	34-39↑
Rubberwood Tabletop	US\$ per m <sup>3</sup>
22x760x1220mm sanded & edge profiled	
Top Grade	627-637↑
Standard	590-610↑

## Report from Indonesia

### LEI starts certification work with Asmindo and PT Setyamitra

To facilitate the implementation of the Indonesian Ecolabelling Institute's (LEI) recent initiatives on eco-labelling (TTM 12:18), Indonesia's furniture and handicraft group (Asmindo) and furniture maker PT Setyamitra have signed a memorandum of understanding (MOU) to work with LEI. *The Jakarta Post* reported that under the MOU, the organizations would market products from certified forests and use improved technologies to maximize environmental benefits. Asmindo chairman said that it was hoped that others would follow PT Setyamitra's example in 'preserving the environment and rejecting the use of illegal logging'.

### Forestry Minister highlights importance of Bali Conference

During a recent event, Forestry Minister NS Ka'ban said that the UN Framework Convention on Climate Change upcoming Conference of the Parties, which will be held in Bali during the first week of December, would provide an opportunity for Indonesia to show its commitment to addressing climate change. He explained Indonesia's role in helping to reduce emissions from its existing forests and noted that deforestation's linkage to carbon emissions would be addressed at the conference. While he drew attention to Indonesia's previous rates of deforestation, he said that Indonesia was turning around its environmental situation, including by undertaking a mass reforestation initiative at the end of November (TTM 12:19).

#### Indonesia Log Prices (domestic)

Indonesia logs, domestic prices	US\$ per m <sup>3</sup>
Plywood logs	
Face Logs	240-279↓
Core logs	177-209↑
Sawlogs (Meranti)	235-275
Falcata logs	175-191↓
Rubberwood	210-233↓
Pine	205-230↑
Mahoni (plantation mahogany)	618-668↑

#### Indonesia Sawnwood Prices

Indonesia, construction material, domestic	US\$ per m <sup>3</sup>
Kampar (Ex-mill) AD 3x12-15x400cm	246-255
KD	332-344↑
AD 3x20x400cm	353-371↑
KD	376-387↑
Keruing (Ex-mill) AD 3x12-15x400cm	282-292↑
AD 2x20x400cm	271-281
AD 3x30x400cm	275-287

#### Indonesia Plywood Prices

Indonesia ply MR BB/CC, FOB	US\$ per m <sup>3</sup>
2.7mm	488-515↑
3mm	426-486↑
6mm	400-424↑

MR Plywood (Jakarta), domestic	US\$ per m <sup>3</sup>
9mm	330-344↑
12mm	306-328
15mm	301-335

#### Other Indonesia Panel Prices

Indonesia, Other Panels, FOB	US\$ per m <sup>3</sup>
<i>Particleboard</i> Export 9-18mm	236-247↑
Domestic 9mm	197-215↑
12-15mm	186-201↑
18mm	180-186↑
<i>MDF</i> Export 12-18mm	315-327↑
Domestic 12-18mm	252-275↑

#### Indonesia Added Value Product Prices

Indonesia, Mouldings, FOB	US\$ per m <sup>3</sup>
Laminated Boards Falcata wood	386-406↑
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	693-725↑
Grade B	610-656↑

## Report from Myanmar

### EU may ban Myanmar timber

*TTJ Online* reported that the EU might impose a ban on timber imports from Myanmar to protest human rights abuses in the country. During an EU Council meeting on 15 October, ministers developed measures to enact pressure on the Myanmar government, including a ban on equipment exported to Myanmar for its logging and timber sector, an import ban on Myanmar's wood products and an embargo on EU investments in the sector. While the ban was not adopted outright, the EU was reviewing the introduction of these measures and stood ready to work with the government in Myanmar should they express willingness to do so. An EU ban would mainly impact the Myanmar teak industry, which continued to harvest and sell teak from natural forests.

### Myanmar log prices slump amid EU proposed measures

During the past two weeks, prices for log grades used by Europe fell substantially. Proposed actions taken by the EU to limit monetary transactions might have some influence on this month's tender prices. For India and the rest of the Far East, it was business as usual, although others speculated this might be indicative of a 'wait and see' attitude with regard to the political situation in Myanmar. As Europe and the US are the final markets for high-end teak products, experts are uncertain as to how the situation may develop in the coming months. The average price of US\$420 for export quality pyinkado is much less than the list price (US\$470 to US\$500). However, newly harvested pyinkado logs at export grade are being sold at list price.

### Myanmar Log Prices (natural forests)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)		
Veneer Quality	Sep	Oct	6 mo. Avg
2nd Quality	5,175 (21 tons)	-	4,953
3rd Quality	4,707 (19 tons)	4,801 (10 tons)	4,667
4th Quality	4,259 (63 tons)	3,877 (57 tons)	4,281
<i>Sawing Quality</i>			
Grade 1 (SG-1)	2,828 (328 tons)	2,435 (312 tons)	2,820
Grade 2 (SG-2)	2,504 (405 tons)	2,364 (434 tons)	2,357
Grade 3 (SG-3)	2,013 (3 tons)	1,978 (79 tons)	1,807
Grade 4 (SG-4)	2,282 (382 tons)	2,197 (298 tons)	2,058
Grade 5 (SG-5)	1,839 (546 tons)	1,754 (627 tons)	1,578
Grade 6 (SG-6)	1,519 (517 tons)	1,567 (302 tons)	1,302
Grade 7 (ER-1)	1,064 (22 tons)	1,139 (177 tons)	967
Grade 8 (ER-2)	996 (3 tons)	1,1287 (205 tons)	1042

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.

Logs, FOB	€ Avg per Hoppus Ton (traded volume)
Pyinkado	294 (423 tons)
Gurjan (keruing)	--

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

## Report from Brazil

### Government reviews plans as Amazon deforestation accelerates in 2007

The publication *O Estado de São Paulo* said that the Brazilian government was preparing emergency action to curb the increasing rate of deforestation in the Amazon. The action was prompted by recent data indicating that deforestation had accelerated in 2007. Satellite systems showed the deforestation rate in the state of Mato Grosso increased 107% between June and September 2007, compared to the same period in 2006. Deforestation in the Amazon was the highest in Mato Grosso, although experts said that the increasing trend was likely to be prevalent in other states.

Actions under the Plan to Combat Deforestation using command and control activities were deemed successful, having kept deforestation rates largely under control from 2004 until the start of 2007. However, since rates of deforestation have jumped in 2007, the Plan to Combat Deforestation is currently being revised. In the short-term, the plan will apply command and control measures, especially in the states of Pará, Mato Grosso and Rondônia. In the medium-term, the government expects to work with about 30 Amazonian municipalities where the deforestation rate is high. In the long-term (2008-2010), the Ministry promises to look into mechanisms, especially financial, to promote sustainable logging. The federal government will also demand greater participation of the state and local authorities in designing ways to control deforestation.

### Demand for elliotis pine plywood subdued by falling US dollar

*EUWID* reported that demand for elliotis pine plywood had remained 'subdued' in recent months and that upturn in demand was not expected in the near term. The primary reluctance of buyers to engage in new deals is due to uncertainty surrounding the US dollar and corresponding changes in prices. Prices have and are expected to remain unchanged in the next few weeks. Shipments of pine plywood are expected to be more positive in coming weeks, as enquiries have already started by individual importers.

### Furniture fair aims to strengthen domestic market

The 'Móvel Brasil' fair, which showcases furniture, decorations and components), will gather 90 furniture producers in the São Bento do Sul cluster in Southern Brazil. The companies have extensive experience in the international market and are interested in opening or expanding their business in the domestic market. The cluster encompasses 450 companies and employs 12,700 workers. In 2006, the furniture sector of São Bento do Sul reached BRL878 million in revenues. This represented 33% of the regional economic revenues.

The fair is timely due to the fall of the central bank's interest rate, expansion of the real estate sector and consumers' preference to buy home furniture. The fair is expected to show the recognized production capacity of local companies in meeting the needs of the Brazilian market and international quality standards. The furniture manufactured in the region meets the requirements for

forest management and wood working. The companies of the cluster guarantee on-time delivery of high standard services and high quality products.

#### Federal Bank helps boost furniture consumption

*Diário de Natal* said a new credit line from Caixa Econômica Federal (a federal credit bank) would be launched for the hotel segment, bars and restaurants in Northern Brazil, especially in Rio Grande do Norte. This is likely to help renew hotel furniture and increase the regional consumption of the products from other regions of the country. The details of the new line are being discussed by the Brazilian Association of Hotel Industries (ABIH RN) together with the Union of Furniture Industries (Sindimóveis RN). The credit line is directed to companies related to hotel and furniture companies that will attend the first Potiguar Tourism Fair and the second Fair of Equipment and Materials for the Hotel Sector (Fequimatel). Caixa Econômica Federal will present the financing details target for small, medium and large-scale companies of the sector.

#### Brazil's exports of wood products ease in September

Exports of wood products (except pulp and paper) decreased 2.8% in September 2007, compared with the same period of 2006, when USD 355.3 million was exported. This year, total exports in September reached USD345.4 million. Pine sawnwood exports decreased in value by 0.1% in September compared to the same period in 2006. However, volume rose by 0.5% in September 2006 to September 2007.

Tropical sawnwood exports increased 14.6% in value in September 2007 from a year ago, from USD62.4 million to USD54.4 million. The volume of exports also rose 1.6% in September 2007 compared to last year, from 139,475 m<sup>3</sup> to 141,726 m<sup>3</sup> in September 2007.

The exported volume of pine plywood reached 139,754 m<sup>3</sup> in September 2007, decreasing 1.2% from 2006 levels. However, pine plywood rose in value 35.2%, from USD34.2 million in September 2006 to USD46.2 million in September 2007. Tropical plywood exports decreased in volume from 41,830 m<sup>3</sup> to 29,926 m<sup>3</sup> in September 2007, indicating a fall of 28.5%. In value, it fell 17.6% from USD20.3 million in September 2006 to USD16.8million in September 2007. During the same period, exports of wood furniture also fell slightly by 4% in value.

#### US Housing crisis impacts wood sector in Southern Brazil

*Gazeta do Povo* carried a story explaining the impact of the US housing crisis on the wood sector in Southern Brazil, mostly in the state of Paraná. US housing starts have reached their lowest level in the last ten years. This, together with the depreciation of the US dollar in Brazil, has affected sales of pine plywood, doors and wood frames used in construction. Pine plywood exports to the US, the main importing market, fell to less than half of the previous year's levels. Pine plywood exports to the US dropped from 640,000 m<sup>3</sup> from January to September 2006 to 283,000 m<sup>3</sup> in the same period during 2007, according to the Brazilian Association of Mechanically-Processed Timber Industries (ABIMCI).

The significant decrease in solid wood product exports for the North American construction sector had resulted in closures of local factories and dismissals of workers in Brazil. Two North American multinational companies announced the closure of their production lines for mouldings and frames. One company had dismissed 400 employees. Another company reduced its moulding production by 30%, almost all of which was exported to the US, and also laid off 250 workers, equivalent to 10% of its total personnel.

Brazil continues to be concerned about the effects of the US housing crisis and the construction sector in North America. Due to the reduced demand for pine plywood, US prices, traditionally higher than European pine plywood prices, are already 10% lower than in Europe. While Europeans are paying USD290 per m<sup>3</sup> for pine plywood, the US customers pay USD260 per m<sup>3</sup>. On the other hand, the housing crisis may also push Brazil to seek new markets outside the US. One large Brazilian exporter in the wood products sector has already begun to export to Europe, Australia, South Africa and Turkey, among other countries.

#### Federal police operation cripples illegal exporters

The *Agência Brasil* and *Diário de Cuiabá* reported on operation 'Wood Stock', a federal police operation which aimed at dismantling criminal organizations involved with illegal logging and illegal export of precious woods, especially 'jacaranda-da-bahia'. Such timber had been illegally logged in the south of the Bahia state and had been transported to the neighboring states of Espírito Santo and Minas Gerais, where the wood was illegally exported. Over the last four years, at least 13 tons of wood products were illegally produced and exported.

According to federal police, the criminals had harvested the logs without proper legal permits, using false documentation and receipts to transport logs. Furthermore, they concealed part of the timber load, with the reported value below the expected market price. According to the Brazilian environmental protection agency IBAMA, 'jacaranda-da-bahia' is a species on the brink of extinction. Recent actions of the federal police have had the support of the US Fish and Wildlife Service, which has been monitoring wood exported to the U.S.

#### Brazil Log Prices (domestic)

	US\$ per m <sup>3</sup>
Brazilian logs, mill yard, domestic	
Ipê	130▲
Jatoba	92▲
Guariuba	62▲
Mescla (white virola)	69▲

#### Brazil Sawnwood Prices

	US\$ per m <sup>3</sup>
Sawnwood, Belem/Paranagua Ports, FOB	
Jatoba Green (dressed)	(no price avail.)
Cambara KD	465▲
Asian Market (green)	
Guariuba	265
Angelim pedra	593▲
Mandioqueira	234
Pine (AD)	193
Brazil sawnwood, domestic (Green)	US\$ per m <sup>3</sup>
<i>Northern Mills</i> (ex-mill)	
Ipê	606▲
Jatoba	459▲
<i>Southern Mills</i> (ex-mill)	
Eucalyptus (AD)	189▲
Pine (KD) 1st grade	249▲

### Brazil Veneer Prices

Veneer, FOB (Belem/Paranagua Ports)	US\$ per m <sup>3</sup>	
White Virola Face 2.5mm	295▲	
Pine Veneer (C/D)	210	
Rotary cut Veneer, domestic (ex-mill Northern Mill)	US\$ per m <sup>3</sup>	
White Virola	Face	Core
	248▲	207▲

### 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	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 <sup>3</sup>	
Blockboard Pine 18mm 5 ply (B/C)	315	
Domestic Prices, Ex-mill Southern Region		
Blockboard White Virola faced 15mm	527	
Particleboard 15mm	330	

### 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

### Loreto leads in wood product exports

According to the Association of Loreto Lumber Entrepreneurs (AIMAL), forest activities in the Loreto region contribute significantly to the regional and national economy. An AIMAL spokesperson stated that 78 sawmills, three plywood mills and around 130 dry kilns currently exist in Loreto. The Association estimates that 65,000 jobs have helped raise the socio-economic well-being of the local population. Loreto sets 80% of its wood products for export with 20% for local consumption. Wood products are exported by approximately 50 companies in the Loreto region.

Table 1: Loreto Wood Industry Statistics, 2000-2006

ACTIVITY	Year 2000 (no.)	Year 2006 (no.)
Sawmills	52	78
Plywood factories	6	3
Drying chambers	30	130
Employees	35,000	65,000
Exporters	12	50

AIMAL said wood products exports have been growing since 1996. The value of 2006 wood products exports increased nine-fold from 1996 levels, reaching USD27.5 million in 2006. The main destination countries of exports are Mexico, the US and Canada. Mexico is the most important consumer of Loreto's wood products, accounting for an average of 72% of Loreto's total exported volume. The US imports 20% and Canada 4%. The remaining 6% goes to China, Hong Kong and Dominican Republic. Loreto's steadily growing exports contributed 23.5% of the total wood products exports nationwide in 2006.

Table 2: Loreto's Wood Products Exports, 1996-2006

YEAR	VALUE FOB (US\$)	Year-on-year increase (%)
1996	3,071,587.00	0
1997	5,487,201.00	78.64
1998	6,081,003.00	10.82
1999	8,374,860.00	37.72
2000	9,532,475.00	13.82
2001	11,128,028.00	16.74
2002	13,744,661.00	23.51
2003	16,290,000.00	18.52
2004	21,185,630.00	30.05
2005	26,511,170.00	25.14
2006	27,517,219.00	3.79
<b>TOTAL</b>	<b>148,923,834.00</b>	<b>258.75</b>
<b>AVERAGE</b>	<b>135,538,530.00</b>	<b>25.87</b>

### Peru Sawnwood Prices

Peru Sawnwood, FOB Callao Port	US\$ per m <sup>3</sup>	
Mahogany S&B KD 16%, 1-2" random lengths (US market)	1861-1887↓	
Spanish Cedar KD select		
North American market	956-1005↓	
Mexican market	974-1011↓	
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 <sup>3</sup>	
Virola 1-2" thick, length 6'-8' KD		
Grade 1, Mexican market	280-321▲	
Grade 2, Mexican market	233-250▲	
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 <sup>3</sup>	
Spanish Cedar AD Select Mexican market	945-989↓	
Virola 1-2" thick, length 6'-13' KD		
Grade 1, Mexican market	279-330▲	
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 <sup>3</sup>	
Mahogany	1300-1345	
Virola	120-122	
Spanish Cedar	485-495	
Marupa (simarouba)	135-138	

### 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

### Tamaulipas invests in commercial forest plantations

By the end of 2007, the state of Tamaulipas will have produced nursery stock of three million seedlings for commercial plantation forests. The main species to be planted are eucalyptus, teak, gmelina, red cedar, mesquite and ebony. To obtain the seedlings, the State of Tamaulipas, through the Secretariat of Rural Development, has invested 15 million pesos provided by the Union of Foresters and Forest Industrialists of Tamaulipas AC. The Regional Association of Forest Planters and Foresters of San Fernando AC has helped install infrastructure to breed the seedlings and has the capacity to produce four million plants per year.

Tamaulipas has the potential to establish 158 thousand hectares of commercial forest plantations, which by the year 2025 could produce a total of 3.7 million m<sup>3</sup> of wood, in contrast to the 117 thousand m<sup>3</sup> produced at present. When the nurseries breeding grounds at Tamaulipas start operating, they will have the capacity to produce tree stock of four million plants per annum. The breeding ground in San Fernando will be the biggest in Tamaulipas with a capacity to produce two million eucalyptus plants alone.

In addition, the state government has strengthened the Trust for Forest Development in Tamaulipas

(FIDEFOSET) that provides economic support to individuals who establish plantations. Efforts to advance the establishment and maintenance of commercial forest plantations in Tamaulipas will contribute to the country's goal of establishing 100 thousand hectares of plantations in the country.

## Report from Panama

### Panama Log Prices

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

## Report from Bolivia

### Bolivia Sawwood Prices

Sawwood 1-3"x3x5"x7-19', FOB Arica Port	\$ Avg un. val. per m <sup>3</sup>
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

### Government will not back down on Barama sanctions

*Guyana Online* reported that the government was standing by its recently imposed sanctions on Barama Company Limited. The government recently slapped Barama with a GD96.4 million fine and told it to suspend contractual operations with three local firms. These actions were taken after the Guyana Forestry Commission conducted an investigation of Barama's operations and concluded they had breached procedures in sub-contractual operations. In spite of protests by Barama employees, Forestry Minister Robert Persaud said he would find resolution of the issue through constructive engagement with Barama and efforts would be made to protect workers from suffering due to the company's behavior.

### Guyana forest administration questioned

The *CFA Newsletter* recently contained an article in which experts questioned forestry administration in Guyana. The article suggests that Guyana has allowed Asian logging companies to 'run down the mills' and offer lower forest and log fees. It alleges that Guyana fails to 'price appropriately the access to its forest resource, fails to collect debts on that access and fails to use appropriately the taxes that are collected'. The article strongly suggests that weaknesses in governance and corruption are to blame for these failures in Guyana's forestry activities.

### Guyana Log Prices

Logs, FOB Georgetown	SQ - \$ Avg unit value per m <sup>3</sup>
	Std Fair Small
Greenheart	- 110-120↑ 105↑
Purpleheart	- - 140↑
Mora	- - 100-105

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



### Guyana Sawwood Prices

Sawwood, FOB Georgetown		\$ Avg unit val. per m <sup>3</sup>	
EU and US markets		Undressed	Dressed
Greenheart	Prime	none	509-945↑
	Select/Standard	530-615↓	500-615↑
Purpleheart	Prime	509-636	615-848↓
	Select/Standard	500-615	530-615↓
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

### Southsea log situation remains bearish

Japan Lumber Reports noted that demand for hardwood plywood from Japan remains low, resulting in minimal trading. At the same time, prices for imported hardwood plywood were unchanged. This was due in part to falling housing starts and traders' attempts to reduce inventories. Prices of imported plywood were lower than for softwood domestic panels, although there was uncertain demand for softwood panels.

### Sumitomo Forestry to use DNA tracing of wood products

Sumitomo will use DNA tracing to verify the origins of plantation wood from nurseries, logs and lumber to finished products to eliminate the need for a tracing document or other tag for identification. The company will create new business using this technique, which has the capability of identifying the origin of trees up to 50 years old and can also trace plywood and LVL. The technique has not been developed for the purpose of tracking timber from natural old growth forests or MDF and particleboard made from woodchips. Instead, it will be increasingly used for solid wood products from plantation forests, as less naturally grown trees are utilized.

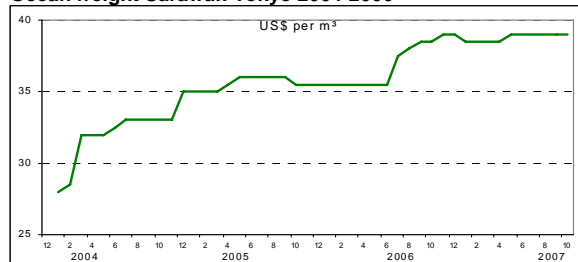
### Log and Sawwood Prices in Japan

Logs for Ply Manufacture, CIF		Yen per Koku
Meranti (Hill, Sarawak)		(Koku=0.278 m <sup>3</sup> )
	Medium Mixed	8,600↓
	Standard Mixed	8,700↓
	Small Log (SM60%, SSM40%)	7,900↓
Taun, Calophyllum, others (PNG)		7,900↓
Mixed light hardwood, G3/4 grade (PNG)		7,600↓
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		53,000↓

### Wholesale Prices (Tokyo)

Indonesian & Malaysian Plywood	Size (mm)	Sep	Oct
		(# per sheet)	
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 ↓
<b>OSB (North American)</b>			
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

### China unveils policies for forest industry development

The 'Key Points of China's Forestry Industry Policies', a document jointly compiled by the State Forestry Administration, the State Development and Reform Commission, the Ministry of Finance, the Ministry of Commerce, the State Administration of Taxation, the China Regulatory Bank and the China Securities Commission, aims to support China's forest industry development. The new policies announced in the document include: an exemption or reduction of income tax on enterprises undertaking agriculture or forestry projects; a refund on value-added tax of products made from timber residues and low quality and small diameter fuelwood; and an exemption on import tariffs and value-added tax of imported equipment by enterprises undertaking investment projects. Additionally, the government will encourage forestry enterprises to search overseas for new business opportunities (See TTM 12:19).

### Zhangjiagang Port chalks higher imports of logs

According to statistics from Zhangjiagang's entry-exit inspection and quarantine bureau, log imports through the port continued to grow through 2007. From January to September, log imports through the port were 1794 batches, or 2.46 million m<sup>3</sup> and worth USD613 million. This resulted in a 23% increase in batches, 32% rise in volume and 40% jump in value from the same period in 2006. Imported logs through the port were mainly from Africa, Southeast Asia and Oceania. Log imports from Africa and Oceania rose but those from Southeast Asia (except Myanmar) fell compared to the same period in 2006. In addition, log imports shipped in containers through the port grew rapidly and rose 104% to 91,300 m<sup>3</sup>. It is expected that log imports in containers will continue to increase due to its lower cost and faster delivery.

### Sapele price surges as stock depletes in Guangzhou Market

The price for sapele recently rose dramatically due to the limited amount of stock on the Guangzhou Yuzhu Timber Market. The reason for the price rise was that the sapele imported in the second half of 2006 was lower in price than African sapele imported throughout 2007. At that time, traders in China did not sign international purchase contracts with African traders, as it was difficult to predict the markets for 2007. Now, it is difficult to import sapele. Timber traders in China must deliver their old stock to buyers due to the limited stock. As a result, the price for sapele has risen dramatically. The current price for sapele is RMB8300 yuan per m<sup>3</sup> and there are currently only 1000 m<sup>3</sup> of sapele stocks in the Guangzhou Yuzhu Timber Market.

### Prices for Russian logs climb at Manzhouli Port

According to the Manzhouli Customs agency, average prices for imported Russian logs through Manzhouli Port rose 17% during the last eight months. Log imports through the port were 78.32 million m<sup>3</sup>, valued at US\$780 million, up 19% in volume and 38% in value from the same period in 2006. The import prices for various logs showed an overall increasing trend. The price for scots pine rose 17%, one of the largest price increases for logs during the period. This is reported to be a result of the higher Russian log export tariff. Local experts believe that the timber supply and demand relationship between China and Russia will not change in the near future even though the Russian tariff has increased.

### 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.	5000-5300↑
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	11000-13000↓
US Red Oak, 50mm	10000-11000↑
Sapele 50mm FAS (Congo) AD	6600-6800↓
KD	7200-7300↓

### Shandong De Zhou Timber market

Logs	Yuan per m <sup>3</sup>
Larch 6m, 24-28cm diam.	1230↓
White Pine 6m, 24-28cm diam.	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	---
Mongolian Scots Pine 4m, 30cm diam.	1370↑
6m, 30cm+ diam.	1380
<b>Sawnwood</b>	
Mongolian Scots Pine 4m, 5-6cm thick	1550↑
4m, 10cm thick	1550↓

### 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

### UNECE Timber Market Committee concludes annual market discussions

The UNECE Timber Market Committee conducted its annual market discussions for the first time in conjunction with the International Softwood Conference in Geneva, Switzerland, earlier this month. It was followed by a policy forum on bioenergy policies and targets. Wood energy use was high on the agenda, drawing attention to the challenges facing the European and global wood products sector to promote the use of renewable energy sources.

A key paper presented by Udo Mantau of the University of Hamburg used the European Forest Sector Outlook Studies' projections of European wood supply to show that the current European policy targets for renewable energy would not be met. Mantau explained that an increase in wood supply was needed from existing or new sources or through imports, otherwise the policy targets could not be met using wood. It was noted that considerable wood resources were available from other unrecorded sources and that considerable empirical research was required to analyze the potential wood supply from other sources. Much discussion also focused on 'green building' requirements. Markets were already being influenced by requirements for green buildings.

The market discussion on public procurement policies was of particular interest to tropical producers. Public agencies or private firms (such as large publishing groups, building supplies wholesalers and DIY outlets) were adding criteria other than price and performance to the decision making process. Many purchasers were insisting that forest products must come from sustainable, or at least legal,

sources and that this be verifiable in order to maintain credibility with public opinion. In the UK, for example, the government announced that from April 2009, its central departments would purchase only timber and timber products derived from sustainably managed forests or licensed under FLEGT agreements.

The market discussions also noted that the US housing market's downturn could affect the global economy and wood products consumption. Additionally, participants said the change in Russian forest sector policies were an issue of concern for importers of Russian roundwood and other market actors. Russia had imposed duties on export logs, scheduled to reach prohibitive levels by 2009.

#### Precious Woods profit rises

*EUWID* reported that Precious Woods' revenue continued to rise from January – June 2007, up 77% to USD37.6 million from the previous period in 2006. The jump in revenue was a result of sales revenue of two Gabon-based companies acquired by Precious Woods in April 2007, which together accounted for revenues of USD13.2 million. While turnover in Precious Woods' Brazilian-based subsidiaries in the Amazon and Pará was lower than expected, Precious Woods continued to adhere to their profit expectations for the year 2007.

#### Swedish softwood exports fall in July 2007

The Swedish Forest Industries Federation reported that Swedish exports of sawn and planed softwood lumber dropped 16.4% to 0.738 million m<sup>3</sup> in July 2007, compared to June 2006. *EUWID* reported that from January – June 2007, foreign shipments also fell 9.9%. Shipments to Asia alone dropped 13.3% in volume to 0.703 million m<sup>3</sup>, while exports to Africa declined 1.9% in volume to 0.682 million m<sup>3</sup>. Shipments to other Scandinavian and European countries also fell, while export prices rose during the period under review.

#### FEFC sets higher freight rates from Europe to Asia

*EUWID* reported on the recent rise in ocean tariffs, which were set by the London-based Far East Freight Conference (FEFC). The FEFC said that from 1 October 2007, timber shipped in 40-foot containers from the North Sea to major Asian ports would cost a base rate of USD250 and could reach up to USD350 for shipments to Japan. Uniform tariffs were previously not in effect for FEFC members, and as a result, the average cost of shipments for 40-foot containers was about USD300-350. However, under the new system, once additional surcharges are added, shipping costs in some cases could increase by USD700 per container.

The price rise has since affected Asian buyers' purchasing habits. Since the new tariffs were introduced, some Asian buyers have cancelled orders for hardwood lumber from Central Europe. German hardwood sawmills have also been affected by the downturn in business from Asia, and experts fear that Asian buyers will seek alternatives if the freight rates remain high and lumber prices increase.

#### Quality problems lead to declining interest in Chinese plywood in EU

Importers in the EU have lessened their interest in Chinese plywood, in part due to quality problems that have been

encountered with Chinese manufacturers, said *EUWID*. A number of importers have been complaining that the core of certain low and medium grades were problematic, unable to withstand stress tests and meet thickness tolerances. Additionally, there is also uncertainty regarding political decisions surrounding EU anti-dumping duties on Chinese plywood and the still uncertain but expected abolition of value-added tax rebates on Chinese plywood exports (see TTM 12:16 and 12:19).

### Report from the UK

#### Homebase sales drop slightly in first half

After sales climbed slightly in the first quarter of Homebase's business year 2007-08, second quarter sales dropped 6.2%. As a result, the DIY chain's sales fell slightly by 0.3% to GBP854 million in the first half of its business year. The company attributed the second quarter drop to poor weather conditions, resulting in a 20% fall in seasonal sales.

#### Additional homes will not avert housing crisis in England

Despite moves to build an additional three million homes in England by 2020, the housing crisis in the UK would not be averted, said the *BBC*. Experts advising ministers on the housing situation said that at least another 250,000 houses would be needed to address the shortfall. In other news, the Royal Institute of Chartered Surveyors said that housing prices would continue their downturn. The Institute's September survey showed housing prices generally lower, due to higher interest rates and lenders tightening their lending criteria.

#### UK Log Prices

		€ per m <sup>3</sup>
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 <sup>3</sup>
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		390-405↓
Keruing Std/Btr 25mm		295-315
Sapele FAS 25mm		420-435↓
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 <sup>3</sup>
Plywood Panels 8x4", CIF		
Brazilian WBP BB/CC 6mm		640
Indonesian WBP BB/B 6mm		600-630
MDF		Pounds per 10m <sup>2</sup>
Eire, BS1142 12mm		54

### Report from North America

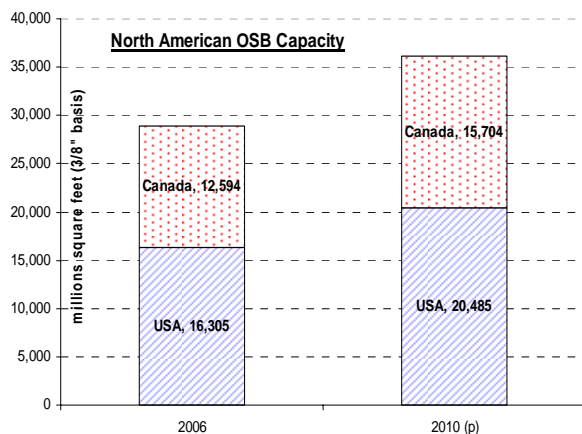
#### US housing starts decline to lowest level since 1993

Housing starts in the US during the month of September were down 10.2% from August and 30.8% less than in September 2006, reported *Random Lengths International*. This is the lowest housing starts have fallen since 1993, the time when the last housing crisis occurred in the US. With housing starts on the decline, some experts have expressed worry that the US economy could suffer a blow

in the near future. Improvements in the housing situation seem unlikely in the near future, as housing starts fell 7.3% in September, and recent polls have revealed low home builder confidence. It is hoped that the latest Federal Reserve's move to lower interest rates will help stave off the housing crisis's impact on the US economy.

#### OSB consumption may slow despite major investments

Prior to 2006, North American producers of engineered wooden boards experienced a three-year period of profitable business conditions and most producers of Oriented Strand Board (OSB) undertook major capital investments. These include: Louisiana-Pacific/Canfor's Peace Valley mill in British Columbia, Canada, with 800 million ft<sup>2</sup>, bringing LP's share of the North American OSB market to 23%; Grant Forest Products Inc.'s mills in South Carolina, with 800 million ft<sup>2</sup>; Langboard's new line at Quitman, Georgia, with 440 million ft<sup>2</sup>; Norbord Inc.'s Cordela, Georgia, expansion of 550 million ft<sup>2</sup> bringing the company's total capacity close to one billion ft<sup>2</sup>; Martco's OSB mill in Oakdale, Louisiana; and Ainsworth's new mill in Alberta, Canada, capable of producing OSB and/or OSL.



In addition, previously planned OSB expansion projects are coming on line within the next few years, adding over seven billion ft<sup>2</sup> of capacity by the end of 2010. Prominent future investments include: Louisiana-Pacific's new mill in Clarke County, Alabama, which is scheduled to start in early 2008; Arizona Forest Restoration Products Inc. (AFRP), which is planning a Greenfield OSB mill near Flagstaff, Arizona in 2009, and would reach a capacity of 680 million ft<sup>2</sup>; and Ainsworth Lumber Co. Ltd's intention to open new OSB mills in the interior of British Columbia and Manitoba, Canada. Additionally, Huber Engineered Woods plans a new 650 million ft<sup>2</sup> OSB mill in Georgia but the starting date is not yet determined. Grant Forest Products Inc. is working on plans for a second mill in Clarendon County and Kruger Inc. plans to build a 750 ft<sup>2</sup> per year OSB mill in Northern Ontario, Canada, to be ready at the end of 2008, although the implementation of these plans have been slowed.

The good fortunes in the structural panel industry have now changed dramatically. In 2005, US housing starts stood at a peak of 2.07 million units but in mid-2006, the market started to nose-dive. Poor affordability, rising

interest rates and diminishing consumer confidence began to take their toll. Last year, 1.81 million new housing units were registered, but the number this year is likely to only reach 1.4 million. The situation is not likely to improve before the end of 2008, considering that there is currently a nine month inventory of unsold houses in the USA. Experts predict for next year a dismal number of 1.2 million new units.

The decline in the US housing market is causing a major supply/demand imbalance. With panel production booming in Asia and Europe, there will be no relief from offshore export markets, this despite of low OSB prices and the declining value of the dollar. It is expected that structural wood panel consumption (plywood and OSB) will be lower by up to 6 billion ft<sup>2</sup> in 2007 from its peak level in 2005. In April 2004, when price rises culminated, OSB stood at USD 520 per 1000 ft<sup>2</sup>, almost four times the current level.

In addition to the declining demand and sagging prices, panel mills are plagued by high fiber and energy costs. Plywood mills are particularly burdened given their obligation to comply with expensive new Maximum Achievable Control Technology (MACT) regulations. Not all regions in the US are equally affected by the slump. There is a relative scarcity of mills in the US southwest (e.g. Arizona), and such major cities as Los Angeles, Phoenix and Las Vegas continue to create a satisfactory demand for wooden panels.

In view of the dismal American housing market, panel producers are scaling down and delaying their growth plans or canceling new mill constructions altogether. Some mills will close or merge with other players. For instance, Louisiana Pacific (LP) closed its St Michel, Quebec, facility late last year but there is a slight chance that it will re-open again at a later time. Another OSB mill planned by LP has been put on hold, possibly until 2009. Ainsworth indefinitely closed two of three OSB mills in Minnesota in September 2006. The company permanently closed a 280 ft<sup>2</sup> line in the third plant. Ced-Or Corp. also announced it will not build the cedar OSB mill planned since 2000 and has been facing serious financial problems.

It seems that value-added products are suffering less under the current economic downturn. Many of the new mills are shifting away from commodity grade OSB, emphasizing instead new and innovative products. LP is converting its Hayward plant to 'SmartSide', and its Houlton plant to Oriented Strand Lumber (OSL). At the same time, the company is adding more capacity for its 'TechShield' radiant barrier sheathing. This product features a thin durable sheet of aluminum overlay laminated to OSB. It is already made at six of LP's locations in Georgia, Texas, and British Columbia, Canada. Norbord increased its share of specialty products from 20% in 2006 to 25% in 2007. Their main specialty products are Solarboard, Tall Wall, Windstorm, and Stabledge. Martco is also shifting its emphasis towards value-added products.

### US Imported Sawwood Prices

FOB unit value prices		Avg \$ per m <sup>3</sup>	
		June	July
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)	1027▲	1027
	(Indonesia)	1025▲	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> )	June	July
<u>By species (all countries)</u>		
Meranti	11.4▲	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 <sup>3</sup> )	June	July
<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.**

Dubai Real Estate Corporation (DREC) has announced that it extends its full support to the 'green buildings' initiative of H.H Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai. The initiative, which encourages buildings in Dubai to be constructed with green building standards from January 2008, reflects a major component within the Dubai Strategic Plan 2015 to focus on achieving sustainable development. [http://prgb.com/index.php?option=com\\_content&task=view&id=37510&Itemid=28](http://prgb.com/index.php?option=com_content&task=view&id=37510&Itemid=28)

A Ghanaian conservation research center will assist a Canadian company in harvesting underwater trees in one of the world's largest tropical hardwood forests. The process promises to leave a smaller environmental footprint than traditional logging. <http://www.ih.com/articles/ap/2007/10/12/america/NA-FIN-Canada-Ghana-Forestry.php>

The Indian economy is likely to expand at close to nine per cent this fiscal year and the government may take more steps such as relaxing norms for infrastructure companies to raise funds abroad in order to sustain high growth, Finance Minister P Chidambaram said.

[http://timesofindia.indiatimes.com/GDP\\_may\\_grow\\_at\\_9\\_this\\_year\\_FM/articleshow/2499289.cms](http://timesofindia.indiatimes.com/GDP_may_grow_at_9_this_year_FM/articleshow/2499289.cms)

A powerful new body must be established to drive climate change policy after a decade of failure by the government, a UK Commons committee has said. In a report, the Environmental Audit Committee (EAC) said the government had not risen fully to the challenge.

[http://news.bbc.co.uk/2/hi/uk\\_news/politics/7066735.stm](http://news.bbc.co.uk/2/hi/uk_news/politics/7066735.stm)

The Prince of Wales has called for the protection of rainforests, saying their preservation is vital to combat climate change. He said that The Prince's Rainforests Project would attempt to make conservation of the world's rainforests commercially viable for the nations where they grow.

<http://news.bbc.co.uk/1/hi/uk/7063034.stm>

Central Asian countries must work together to remove barriers hampering trade and improve roads and other infrastructure if the region is to maintain its rapid economic growth, a senior Asian Development Bank (ADB) official said ahead of a regional cooperation meeting.

<http://www.adb.org/Media/Articles/2007/12232-central-asians-economies-cooperation/default.asp>

China is among the world's fastest-growing economies. Shanghai and Shenzhen are home to its hottest stock markets. Now many investors regard China as the antidote to a slowing U.S. economy, picking up the slack in global growth as the U.S. consumer retreats. They probably should not.

<http://www.ih.com/articles/2007/10/28/bloomberg/bxatm.php>

Thousands of foreign construction workers in the Gulf state of Dubai have gone on strike over pay and conditions. Workers blocked roads and threw stones at police, prompting a government threat to deport rioters.

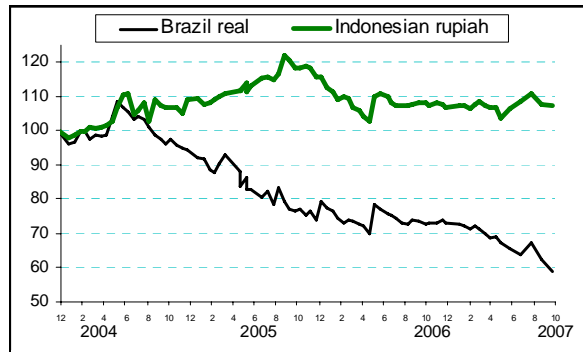
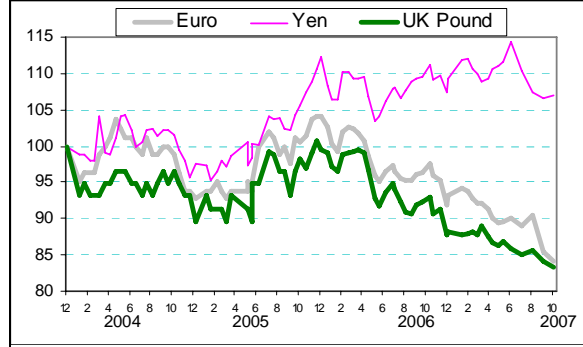
[http://news.bbc.co.uk/1/hi/world/middle\\_east/7066853.stm](http://news.bbc.co.uk/1/hi/world/middle_east/7066853.stm)

## Main US Dollar Exchange Rates

As of 31 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	↓

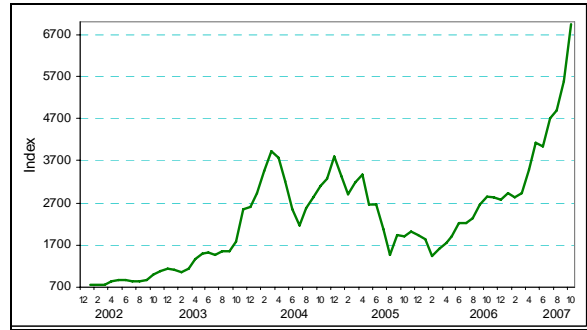
### Exchange rates index (Dec 2003=100)



## 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 <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

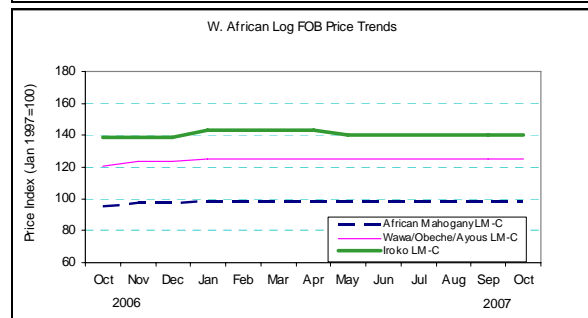
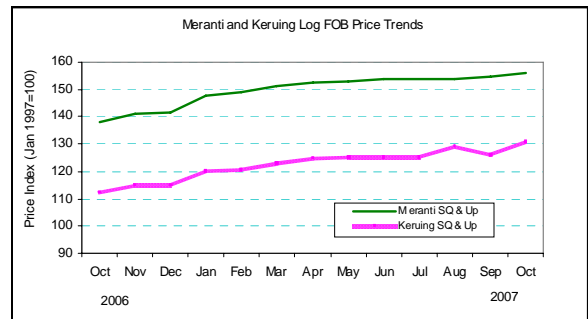
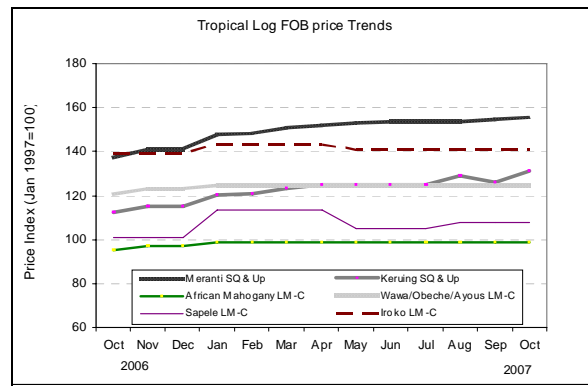
## Ocean Freight Index



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.

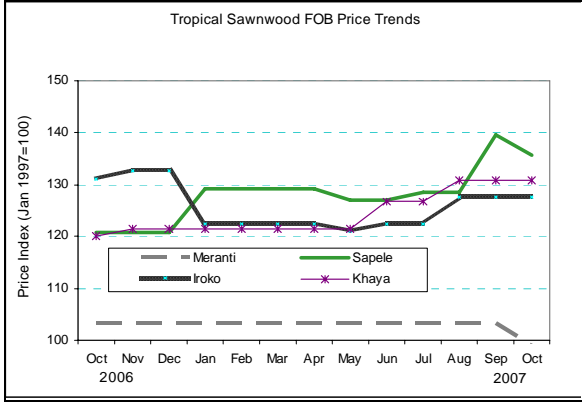
## Appendix. Tropical Timber Price Trends

### Tropical Log Price Trends



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

## Tropical Sawwood Price Trends



## Tropical Plywood Price Trends

