Tropical Timber Market Report since 1990

Volume 12 Number 23, 1-15 December 2007

Snapshot

With the Christmas and New Year's holidays approaching, W. African traders are expecting trading levels to slow. Low supply for some major species is expected to continue though early 2008. In the UK, traders face some pressure from inflation and increasing transport costs, even though log prices remain firm or rising in response to consumer demand.

Third quarter results were higher for Ghana, where export volume rose 21.5% from January to September 2007. Peru's third quarter wood products exports were also marginally better than in the previous year. Brazil's solid wood product exports from Mato Grosso grew slightly, although exports of tropical plywood products fell. Bolivia's wood exports slowed due to fuel scarcity.

The UN Framework Convention on Climate Change 13th Conference of the Parties concluded in Bali, Indonesia, with a roadmap for setting emissions targets after 2012. While the forests issue was discussed in the negotiations and at numerous side events, it was agreed that further methodological work and other analyses needed to be settled before governments could agree on the role of forests in the Kyoto Protocol and in a post-2012 agreement.

This edition of the Tropical Timber Market Report is the final issue for 2007. Our next edition will be published in the middle of January 2008. We wish all of our readers a very happy holiday season.

Headlines

Contents

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

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

Report from Central/West Africa

Prospects of lower prices concern producers

No further prices changes have occurred for logs since the end of November. Some old stocks of okoume logs in Gabon are causing some concern to producers, in the event that these might undermine stable prices brought about by very steady demand from the Far East and some European buyers. This leaves producers rather more concerned than usual over the market prospects for the next quarter.

The usual slowdown attributed to the Christmas and New Year vacations in Europe will impact trading levels. Sawn timber will mainly be affected by this slowdown, although supply constraints are currently holding prices very firm. There are reports of producers moving up their asking prices for sapele and some other species on account of low supplies from Northern Congo Brazzaville and Central African Republic, which leave buyers competing for the small volumes available. Currently, there is no definite news of the extent to which producers have secured higher prices or how much business has been closed at higher levels. As noted in previous reports, prices in recent months have been unusually affected by sudden changes in demand and have tended to be more volatile and influenced by low supply for some major species. It is likely this trading pattern will continue through the first months of 2008. In addition, some constraints were reported on freight availability for Europe, causing some delays in shipments.

Heavy rains in some areas still continue to affect logging and transport operations in the region. After some years of unpredictable, less regular wet and dry seasons, producers now notice the weather conditions appear to have returned to the predictable, normal pattern.

West Africa Log Prices

West Africa logs, FOB	€ per m³		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	221	190	175
Ayous/Obéché/Wawa	221	205	168
Azobe & Ekki	183	167	152
Belli	213	213	-
Bibolo/Dibétou	168	137	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	297	297	267
Sipo/Utile	335	305	267
Tali	190	190	152

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

*Based on SNBG official prices

West Africa Sawnwood Prices

West Africa sawnwood, FOB		€ per m³
Ayous	FAS GMS	396
	Fixed sizes	427
Okoumé	FAS GMS	335
	Sel. & Bet. GMS Italy	310
	Sel. & Bet. fixed sizes	-
Sipo	FAS GMS	630 ⬆
	FAS fixed sizes	-
	FAS scantlings	645 ⬆
Padouk	FAS GMS	600
	FAS scantlings	630
	Strips	425
Sapele	FAS Spanish sizes	550
	FAS scantlings	635 ⬆
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

Third quarter export volume jumps 21.5%

During January to September 2007, Ghana exported 399,361 m³ of timber and wood products, earning EUR138.5 million of revenue. This represents a 10.1% increase over the EUR125.8 million earned during the same period last year. Export volume also rose by 21.5% during January-September 2007. Table 1 below compares Ghana's timber exports from January to September during 2006 and 2007:

	<<Jan-Sep. 2006>>		<<-Jan-Sep.2007->>			
PRODUCT	**Vol(m3)**	**Val(Euro)**	**Vol(m3)**	**Val(Euro)**	**<-----% Change------>**	
Sawn Timber	**('000)**	**(million)**	**('000)**	**(million)**	**Vol.(m3)**	**Value(Euro)**
Lumber (AD)[1]	73.31	23.86	62.44	19.25	- 13.6	-19.3
Lumber(KD)	83.46	32.78	87.58	34.36	4.9	4.8
Veneers:	-	-	-	-	-	-
Sliced Veneer[2]	26.55	21.27	28.05	23.12	5.6	8.7
Rotary Veneer	28.24	6.53	23.17	5.42	- 18.0	- 17.0
Curls Veneer	0.16	1.51	0.17	1.67	6.3	10.6
Plywood[3]	69.44	20.47	96.52	26.09	39.0	27.5
Furniture Parts	0.73	1.59	0.23	0.46	- 68.5	- 71.7
Mouldings	22.96	9.04	21.95	9.49	- 4.4	5.0
Boules (AD+KD)	5.00	2.47	4.96	2.48	- 0.8	0.4
Parquet/Flooring	3.19	2.99	1.92	1.84	- 39.8	- 38.5
Other Wood Products	16.57	3.30	72.39	14.38	336.9	335.8
TOTAL	328.61	125.82	399.36	138.55	21.5	10.1

NB: 1 – Lumber(AD) includes lumber overland ;
2 - Sliced Veneer includes Layons
3 – Plywood includes Overland

Exports to Europe amounted to EUR 58.75 million, representing 42.4% of the earnings. The EU markets, especially Italy, France, Germany and the UK were the key destinations for Ghana's wood products. Wood exports to India were 93,935 m³ worth EUR21.46 million, the single highest export destination in terms of volume and value. The products shipped to India included air and kiln dried lumber, sliced and rotary veneers, billets and teak poles. China was also emerging as an important East Asian market for Ghana's wood products.

At the regional level, Nigeria has also become a prominent wood products market in the ECOWAS sub-region. Nigeria's plywood imports from Ghana, during the period under review were about EUR17.33 million, the second biggest destination for Ghana's plywood exports. This is due in part to the robust and sustained market development and trade promotion programme, started by the Forestry Commission. Similarly, the Forestry Commission is collaborating with timber associations locally and overseas to enhance the performance of Ghana's timber trade and industry in terms of species, products and market developments.

Ten companies with integrated processing facilities and high installed capacity utilization and recovery out of 310 wood processing mills, which exported during the period under review, contributed about EUR83.26 million (or about 60.2%) to the total earning for the period. The ten included Mssrs. John Bitar and Co., Ayum Forest Products, Samartex Timber and Plywood, Logs and Lumber Co. and Forune Timber (Gh), Ghana Primewood, Mondial Veneer (Gh), AG Timbers, Fabi Timbers and Naja David Veneers and Plywood, which earlier this month was granted the Exporter of the Year Award (for 2006) by the Ghana Export Promotion Council (GEPC).

Ghana's export permits rise marginally

Two thousand one hundred and two (2,102) export permits were vetted, processed, approved and issued to exporters during the third quarter of the year 2007 to cover shipment of various wood products through the ports of Takoradi and Tema, including overland exports to neighboring countries. The corresponding total of export permits issued for the previous quarter was 2,107. This represented a marginal decrease of 0.24% of the number of permits issued for wood products exports during the third quarter. Lumber air and kiln dried continued to register the highest number of export permit applications (1,008). This was 47.95% of the total number of export permits issued during the period under consideration.

This shows a growing demand for kiln-dried and air-dried lumber exports, compared to tertiary wood products like furniture parts, mouldings, flooring, dowels, broomsticks and profile boards. Although there was a substantial decrease in the number of permits issued in the third quarter for the export of curl veneer, boules, flooring, moulding, furniture parts and plywood, a significant increase was recorded for the export of lumber, dowels, layons, gmelina billes/poles and teak billets/poles/logs. These could be attributed to the increase in demand for lumber in the European Union and expansion of demand for gmelina and teak billets/poles/logs in India.

During the period under review, 15 export permits were issued for the shipment of air-dried levied species (edinam and sapele), as stipulated under the Trees and Timber (Amendment) Act, 1994 (Act 493). The overall total volume was 923 m³, valued at EUR29,361. Twelve export permits, reaching a total cumulative volume of 18,469 m³ and EUR3.61 million in value were also issued to exporters for the shipment of teak billets, poles and logs to India. Two export permits were issued to Best Glow Wood Ltd. for the shipment of 371 m³ of rubberwood for EUR34,027.

Ghana Log Prices

Ghana logs, domestic	US$ per m³	
	Up to 80cm	80cm+
Wawa	80-100	110-125
Odum Grade A	150-160	165-185
Ceiba	65-80	90-110
Chenchen	55-80	85-105
Khaya/Mahogany (Veneer Qual.)	70-90	95-120
Sapele Grade A	130-150	155-175
Makore (Veneer Qual.) Grade A	125-135	140-166

Ghana Sawnwood Prices

Ghana Sawnwood, FOB	€ per m³	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	855	-
Asanfina	480	560
Ceiba	205	260
Dahoma	330	400
Edinam (mixed redwood)	390	450
Emeri	380	435
African mahogany (Ivorensis)	580	660
Makore	510	570
Niangon	550	-
Odum	650	730
Sapele	510	575
Wawa 1C & Select	255	280

Ghana sawnwood, domestic		US$ per m³
Wawa	25x300x4.2m	210
Emeri	25x300x4.2m	275
Ceiba	25x300x4.2m	150
Dahoma	50x150x4.2m	306
Redwood	50x75x4.2m	210
Ofram	25x225x4.2m	255

Ghana Veneer Prices

Rotary Veneer, FOB	€ per m³	
	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 m³
Ceiba	245
Chenchen, Ogea & Essa	295
Ofram	305

Sliced Veneer, FOB	€ per m²	
	Face	Backing
Afrormosia	1.80	1.00
Asanfina	1.80	0.88
Avodire	1.12	0.75
Chenchen	0.72	0.58
Mahogany	1.50	0.79
Makore	1.70	0.80
Odum	1.54	1.10

Ghana Plywood Prices

Plywood, FOB B/BB, Thickness	€ per m^3			
	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	240
15mm	350	290	300	250
18mm	300	290	265	240

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	15.70	17.82

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

Report from Malaysia

Amcham urges US - Malaysia cooperation on FTA

According to the *New Straits Times Online*, the American Chamber of Commerce (Amcham) has urged the US and Malaysia to finalize Free Trade Agreement (FTA) negotiations as soon as possible. Both countries expect a number of benefits as a result of the agreement, which they have seen in other cases of FTAs. Benefits include a higher level of foreign direct investment (FDI), significantly higher trade levels after the FTA is implemented and greater prestige in the trading and investment communities due to the limited amount of FTAs concluded by the US. Other benefits expected from the new agreement include better market access within each country, the creation of better paying jobs and supply of higher quality goods and services at lower prices. The goal of the FTA is to also boost Malaysian producers' and exporters' competitiveness.

Malaysia is seen as an attractive country to do business with due to its sound fiscal and economic policies, its pro-business government, capable human capital and strong infrastructure. In 2006, Malaysia was the US's 10th largest trading partner, representing 16% of Malaysia's trade and exports amounting to RM102.3 billion. Malaysia also imported about RM55.76 billion or 12.5% of Malaysia's total imports in 2006. The US was also Malaysia's fourth largest foreign investor and has contributed over RM8.5 billion in FDI.

Expansionary fiscal policy to offset negative market impacts

The Edge Daily reported on UBS Economic Research that suggested the Malaysian government would adopt an expansionary fiscal policy in 2008 in order to offset the effect of weaker exports on GDP and rising consumer prices. Malaysia is expected to benefit from significant oil revenue as well as the country's political stability and recent uptrend in private investments. The UBS research team said that banks and property would thrive in the operating environment and the construction and building material sectors would be strengthened by the commencement of major infrastructure projects. It was also expected that demand for oil and engineering/fabrication services would be boosted by overseas requests.

On a more general level, the UBS research team also expected that economic growth would slow in Asia during 2008, primarily due to the slowdown in European rather than US growth. While a major economic meltdown was not expected in the region, the impact of slower European exports would impact Asia less than what the US experienced in 2001. Additionally, China was expected to be the economy least affected by the slowdown and was projected to grow by 10%.

Malaysia Log Prices

Sarawak log, FOB	US$ per m^3
Meranti SQ up	304-324⬇
Small	276-298⬇
Super small	260-270⬇
Keruing SQ up	273-284⬇
Small	236-265⬇
Super small	226-234⬇
Kapur SQ up	248-262⬇
Selangan Batu SQ up	273-297⬇

Pen. Malaysia logs, domestic (SQ)	US$ per m^3
DR Meranti	355-400
Balau	288-320
Merbau	420-441
Rubberwood	236-255
Keruing	282-296

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	435-460⬇
Seraya Scantlings (75x125 KD)	723-757⬇
Sepetir Boards	325-339
Sesendok 25,50mm	448-478⬇
Kembang Semangkok	430-450

Malaysian Sawnwood, domestic		US$ per m^3
Balau (25&50mm,100mm+)		347-367
Merbau		569-588
Kempas 50mmx(75,100 & 125mm)		290-308
Rubberwood	25x75x660mm up	280-307
	50-75mm Sq.	301-326
	>75mm Sq.	320-349

Malaysia Plywood Prices

Malaysia ply MR BB/CC, FOB	US$ per m^3
2.7mm	485-512⬇
3mm	461-488⬇
9mm & up	419-437⬇

Meranti ply BB/CC, domestic	US$ per m^3
3mm	459-469⬇
12-18mm	394-412⬇

Other Malaysia Panel Prices

Malaysia, Other Panels, FOB		US$ per m^3
Particleboard	Export 12mm & up	228-245
	Domestic 12mm & up	214-232
MDF	Export 15-19mm	296-322
	Domestic 12-18mm	271-293

Malaysia Added Value Product Prices

Malaysia, Mouldings, FOB	US$ per m^3
Selagan Batu Decking	695-714
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	733-753
Grade B	639-655

Malaysia Furniture and Parts Prices

Malaysia, Rubberwood, FOB		US$ per piece
Semi-finished dining table		
solid laminated top 2.5'x4', extension leaf		55-72
As above, Oak Veneer		63-77
Windsor Chair		53-56
Colonial Chair		46-54
Queen Anne Chair (soft seat)	without arm	47-60
	with arm	51-60
Chair Seat 27x430x500mm		34-39

Rubberwood Tabletop	US$ per m^3
22x760x1220mm sanded & edge profiled	
Top Grade	620-630
Standard	587-605

Report from Indonesia

Indonesia gains edge in wood panel exports

Antara News reported on developments in Indonesia's wood panel exports, which were expected to rise as a result of declining raw materials in competitor countries. The Deputy Chairman of the Indonesia Wood Panel Association, Abbas Adhar, also noted that the rise in eco-friendly products was giving Indonesian wood panel exports a competitive edge in the industry. He noted that wood panel exports from Indonesia were expected to top US$2 billion next year. The volume of wood panel exports were also expected to increase, jumping from 1.7 million m³ in 2007 to 2.5 million m³ in 2008. Other countries, such as Malaysia and China, were expected to experience declines in raw materials availability, which some attribute to Indonesia's crackdown on illegal logging activities.

Bali COP concludes with a post-2012 roadmap

Delegates reached a conclusion on climate change negotiations at the UN Framework Convention on Climate Change 13th Conference of the Parties (COP-13), reported the *BBC*. The US joined consensus at the last minute, after objections on the Chairman's compromise text, which in the US view did not have firm enough commitments from developing countries. The next contains language on a 'Bali roadmap' that would begin a two-year process to develop emissions targets after 2012.

The Bali COP also considered the role of forests in the Kyoto Protocol and a post-2012 agreement. A 'Forest Day' was organized by the Center for International Forestry Research (CIFOR) held on the fringes of the COP negotiations to discuss how forests could contribute to cutting global emissions. Topics included the integration of the forest sector and carbon markets, reducing emissions from deforestation and degradation (REDD), and setting emissions baselines at the national level. The Indonesian Minister of Forestry suggested that any post-2012 agreement should include incentives for forest preservation. The ITTO Executive Director, Emmanuel Ze Meka, encouraged more research to establish forestry on the climate change agenda and lamented the insufficient attention given to forests in the Clean Development Mechanism and in the climate regime.

A decision on REDD was also adopted by the COP, which encourages Parties to the Kyoto Protocol to, *inter alia*: continue reducing emissions from deforestation and forest degradation on a voluntary basis; support capacity building initiatives and facilitate technology transfer to developing countries; and submit views on how to address outstanding methodological issues on forests by March 2008. One of the topics of most interest to tropical countries was how to formulate sound and simple methodologies to assess carbon stocks in the context of REDD. The role of emissions from deforestation and forest degradation in developing countries is expected to play a large role in future discussions under the Protocol and in a post-2012 regime. ITTO will be convening a meeting on SFM and climate change in spring 2008 to help the Organization plot its approach to helping countries meet the challenges and opportunities of climate change and REDD.

Indonesia Log Prices (domestic)

Indonesia logs, domestic prices	US$ per m^3
Plywood logs	
Face Logs	237-276⬇
Core logs	177-208⬇
Sawlogs (Meranti)	232-272⬇
Falcata logs	177-193
Rubberwood	210-233
Pine	205-230
Mahoni (plantation mahogany)	614-664⬇

Indonesia Sawnwood Prices

Indonesia, construction material, domestic		US$ per m^3
Kampar (Ex-mill)	AD 3x12-15x400cm	246-255
	KD	330-342
	AD 3x20x400cm	350-371
	KD	373-385
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^3
2.7mm	484-512⬇
3mm	423-483⬇
6mm	397-420⬇

MR Plywood (Jakarta), domestic	US$ per m^3
9mm	329-342
12mm	304-326
15mm	301-333⬇

Other Indonesia Panel Prices

Indonesia, Other Panels, FOB		US$ per m^3
Particleboard	Export 9-18mm	236-247
	Domestic 9mm	198-216
	12-15mm	187-202
	18mm	181-187
MDF	Export 12-18mm	313-325
	Domestic 12-18mm	252-275

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	688-720
Grade B	608-652

Report from Myanmar

Market reacts cautiously to EU sanctions

The export market is said to be a bit cautious, with some experts attributing this to the latest EU actions. Analysts say a drop in the number of local companies participating in the tender led to a drop in average prices. However, since a small quantity is sold in the tenders, it is difficult to assess the actual situation. A more accurate picture can be discerned from overall shipments of logs.

Pyinkadoe logs remain in the list price range of USD470-500, which are mainly for freshly cut logs. Logs from previous seasons are said to be traded at lower prices depending on girth and degree of freshness. Logs with larger girths were said to be in higher demand.

Myanmar Log Prices (natural forests)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)		
Veneer Quality	Oct	Nov	6 mo. Avg
2nd Quality	-	-	5,036
3rd Quality	4,801 (10 tons)	4902 (8 tons)	4,757
4th Quality	3,877 (57 tons)	3,800 (54 tons)	4,216
Sawing Quality	Nov	Dec	
Grade 1 (SG-1)	-	-	2,777
Grade 2 (SG-2)	-	-	2,391
Grade 3 (SG-3)	1,480 (35 tons)	1,527 (56 tons)	2,087
Grade 4 (SG-4)	-	-	2,139
Grade 5 (SG-5) Assorted	1,725 (476 tons)	1,636 (435 tons)	1,687
Grade 6 (SG-6) Domestic	1,382 (359 tons)	1,215 (426 tons)	1,380
Grade 7 (ER-1)	1,045 (334 tons)	1,008 (330 tons)	1,049
Grade 8 (ER-2)	1,121 (104 tons)	1168 (32 tons)	1,076

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

Logs, FOB	€ Avg per Hoppus Ton (traded volume)
Pyinkado	319(322 tons)
Gurjan (keruing)	--

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

Report from Brazil

Forest sector contributes less to Para GDP

Folha da Mata reported on the waning contribution of the forest sector to the state of Para's GDP. The developments were announced in a report published by the Brazilian Institute of Geography and Statistics (IBGE), which confirmed the unfavorable situation. The situation is due to problems with the production of solid wood products. Additionally, the delayed approval of forest management plans had been further hampered by the relocation of the State Agency for the Environment (SEMA), which had caused the agency's overall work to be severely delayed or suspended. This has also impacted the production of solidwood products at the end of the harvesting period.

Weak control leads to more illegal log transport

24 Hours News said illegal logging and transportation in the West-Central state of Mato Grosso has grown over the past several months in part due to a reduction of inspections and control in the areas. Even during the rainy season, intense traffic of illegal log trucks have been observed in Northern Mato Grosso, where the trucks drive at dusk to avoid inspection. The state of Mato Grosso has the longest road network in the country, of 28,000 km, although only 4,000 km is paved.

In contrast, there are only 6,800 military police responsible for controlling illegal logging and transportation. Estimates suggest that another 6,000 policemen are needed to effectively control illegal logging and transportation of logs. In January 2007, the state road and environmental police forces were discontinued. As a result, there have not been sufficient controls of the most important roads in Mato Grosso, which have been used for illegal transportation and removal of logs. Special operations to patrol logging transportation can only be conducted when the military police is requested to do so by the Brazilian Environmental Agency (IBAMA) and the State Secretary of Environment (SEMA).

Northern Mato Grosso suffers slide in tropical plywood exports

The news agency *REMADE* has said exports of solid wood products from Northern Mato Grosso have remained stable mostly due to the weak US dollar and lack of natural forest logs for processing. In 2007, the total value of solid wood products from the area were USD39 million, slightly surpassing 2006 levels, when USD36 million was exported. However, estimates from SINDUSMAD (the Wood Product Industries Union of Northern Mato Grosso) indicate that 40% of companies face problems staying in the market. Companies have also been impacted by the delayed approval of forest management plans and access to raw material has proved to be particularly difficult during the rainy season.

Despite the small increase in exports thus far for 2007, there was a decline in exports for some products and species such as tropical plywood. Between January and October 2006, tropical plywood exports generated USD10 million, but fell to USD1.4 million this year. Sawnwood and laminated lumber exports also fell from USD9.2 million to USD6.2 million this year. In the domestic market, demand is high and currently offers good business prospects. These factors have also influenced job creation, which remained steady in 2007. According to the Federal Employment Agency (CAGED), 3,097 new jobs were generated this year, which is still relatively small for the sector.

Brazil takes measures to address raw materials shortage

In the last few years, investments made by lumber companies in added value products have yielded noticeable results. In the first half of 2007, exports of solid wood products from the northern state of Para reached USD404 million against USD295 million in the same period in 2006, representing a 36% growth. At the same time, however, the Ministry of Development, Industry and Foreign Trade indicated the volume of exports grew only 13%, reaching 547,000 tons compared to 482,000 tons exported in 2006. According to the Wood Exporting Companies Association of the State of Para (AIMEX), companies managed to maintain production throughout 2007 due to log stocks from 2006 harvest. The sector was able to increase exports of higher value added products despite the low supply of raw materials. Increasing exports of products such as doors, windows, flooring, decks, wood tools, wood hangers and other wooden crafts primarily led to the growth in exports from January to June of 2007.

According to the Forest Institute of Para (IDEFLOR), it is mandatory to reduce waste from wood processing. In response, some companies have utilized wood residues in harvesting and industrialization processes by manufacturing wood briquettes destined for energy production as well as office objects and decorative furniture. However, sector representatives noted that the exports in the second half of 2007 and first half of 2008 may be jeopardized by the lack of raw materials, if sustainable forest management plans continue to be delayed.

Brazil Log Prices (domestic)

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	132
Jatoba	93
Guariuba	63
Mescla (white virola)	70

Brazil Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB		US$ per m^3
Jatoba Green (dressed)		839
Cambara KD		465
Asian Market (green)	Guariuba	265
	Angelim pedra	593
	Mandioqueira	234
Pine (AD)		193

Brazil sawnwood, domestic (Green)		US$ per m^3
Northern Mills (ex-mill)	Ipé	616
	Jatoba	467
Southern Mills (ex-mill)	Eucalyptus (AD)	192
	Pine (KD) 1st grade	253

Brazil Veneer Prices

Veneer, FOB (Belem/Paranagua Ports)	US$ per m^3
White Virola Face 2.5mm	295
Pine Veneer (C/D)	211

Rotary cut Veneer, domestic	US$ per m^3	
(ex-mill Northern Mill)	Face	Core
White Virola	252	211

Brazil Plywood Prices

Plywood, FOB	US$ per m^3
White Virola (US Market)	
5.2mm OV2 (MR)	440
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)	307
15mm C/CC (WBP)	276
18mm C/CC (WBP)	279

Plywood, domestic (ex-mill Southern mill)		US$ per m^3
Grade MR (B/BB)	White Virola 4mm	860
	White Virola 15mm	629

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
Domestic Prices, Ex-mill Southern Region	
Blockboard White Virola faced 15mm	562
Particleboard 15mm	353

Brazil Added Value Products

FOB Belem/Paranagua Ports		US$ per m^3
Edge Glued Pine Panel		
Korean market (1st Grade)		651
US Market		499
Decking Boards	Cambara	602
	Ipê	1706

Report from Peru

Peru launches plan to recover tropical forests

Peru is fighting deforestation caused by pollution and shifting cultivation by promoting man-made forest programmes directed to recover lost land areas. This is being carried out by the National Institute of Natural Resources (INRENA), beginning with the introduction of several lumber species in the Amazonian, Andean and Coastal regions.

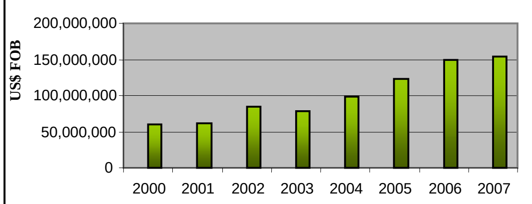
Peru plans to reforest more than 10 million hectares devastated in the last 40 years, said the President of INRENA, Roberto Angeles. At present, Peru has 20,000 hectares of planted forests with 200 people employed. In contrast, there are six million hectares of cultivated forests in Brazil with 800,000 people at work. Peru is attempting to avoid the exploitation of materials used for lumber resources, including sapling species of eucalyptus, pines, alders, cypresses, ashes, casuarinas, chestnuts, and poplars, among others.

The measures are also in response to a recent World Bank report revealing Peru's experiences with environmental degradation that cost nearly USD2.6 billion dollars. The report noted that the primary drivers of this economic loss were deforestation, natural disasters and atmospheric pollution. The World Bank recommended that Peru make efforts to prevent uncontrollable land and natural resource use, in an effort to avoid the type of destruction that has previously occurred in the Amazon region. It also recommended the control of unplanned colonization. According to the World Bank, Peru is recognized as one of 12 countries that house 70% of the world's biological diversity and a large number of endemic species. The World Bank is also aware the country has undertaken conservation efforts to establish natural protected areas covering 13.74% of Peru's territory.

Peru chalks marginal gains in third quarter wood products exports

From January – September 2007, wood products exports were USD153.6 million, rising from 2006 levels by 3.38%. September 2007 exports increased by USD4.58 million compared to exports in the same period of 2006. The items with the highest growth in the period of January to September 2007 were furniture and components (rising 18.08%), as well as semi-manufactured products (15.92%) and wood sheets and plywood (14.34%). Products with decreased export value were sawnwood (3.67%), structural timber (2.94%) and veneers (93.39%).

Chart 1: Value of Wood Products Exports from January to September, 2000 - 2007



Sawnwood was still the main item exported, representing 51.04% of overall sector exports. FOB Exports at the end of the third quarter amounted to USD78.4 million, showing a 3.67% decline from 2006 levels. However, exports in September 2007 alone rose USD3.5 million compared with the same period in 2006.

Semi-manufactured products accounted for a share of 26.1% of the overall sector. Exports reached USD40.2 million during January – September 2007, rising 15.9% compared to the total value during the same period of 2006. Exports of semi-manufactured products for September 2007 rose modestly by USD452,628 compared to the same period in 2006.

By the end of the third quarter of 2007, exports of furniture and components reached USD12.69 million, jumping 18.09% from the same period in 2006. Exports of wood sheets and plywood for the same period rose 14.34%, reaching a total value of USD16.48 million.

The three main markets for the Peruvian wood exports during January to September in 2006 and 2007 were the US, Mexico and China. Exports to the US fell 12.4% and its market share dropped to 33.3% in 2007 from 39.3% in 2006. Mexico, the second destination market, increased its imports by 16.87%, 30.1% of Peru's total market share. China, the third largest destination market, reached similar import levels to 2006, holding a steady share of Peru's wood products exports at around 20%.

Table 1: Market Destinations of Peru Wood Products, 2006-2007

	2006		2007	
MARKET DESTINATION	FOB	%	FOB	%
TOTAL	**11,400,605**	**100**	**15'981,015**	**100**
US	3,236,688	28.39	5,830,267	36.48
MEXICO	2,538,004	22.26	4,071,403	25.48
CHINA	3,854,219	33.81	2,911,561	18.22
DOMINICAN REPUBLIC	347,102	3.04	527,165	3.3
HONG KONG	581,386	5.1	490,303	3.07
SPAIN	6,351	0.06	415,998	2.6
SWEDEN	0	0	263,963	1.65
PUERTO RICO	43,763	0.38	253,362	1.59
BRITISH VIRGIN ISDS.	0	0	245,944	1.54
ITALY	288,781	2.53	223,800	1.4
OTHERS	**504,307**	**4.42**	**747,244**	**4.68**

USD$22 million of wood products shipped from Iquitos

From January to September 2007, USD22 million worth of lumber, measuring 30.0 billion board feet, were shipped from the National Ports Enterprise (ENAPU) of Iquitos. Products were shipped through the port to the Gulf of Mexico and the US with the Agencia Naviera Maynas, S.A., the only Peruvian flag line, and other Brazilian companies. Wood products exports from Loreto have steadily grown during the last 12 years, generating foreign currency for the region. At present, increased prices and the volumes of wood products in the market have helped the capacity and technology level of the forest industry in the region.

Wood products play an important role in the Loreto region's economy. According to the Loreto Chamber of Commerce, Industry and Tourism, the wood products sector is expanding activities in the region. According to figures also given by the economic studies department of the Central Reserve Bank of Peru, Iquitos branch, the Loreto region total exports were USD32.4 billion from January to August 2007, with the share of wood products at USD23.2 billion, or 71.6% of the total. As in previous years, Mexico is the main destination market of wood products exports, receiving 83.5% of overall wood products from Peru. The EU accounts for the remaining 16.5% of the region's wood products exports.

Peru Sawnwood Prices

Peru Sawnwood, FOB Callao Port		US$ per m^3
Mahogany S&B KD 16%, 1-2" random lengths (US market)		1858-1885⬇
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^3
Virola 1-2" thick, length 6'-8' KD	
Grade 1, Mexican market	286-332⬆
Grade 2, Mexican market	242-265⬆
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	940-985
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	280-334
Grade 2, Mexican market	242-259
Grade 3, Mexican market	153-176
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	245-252

Peru sawnwood, domestic	US$ per m^3
Mahogany	1300-1345
Virola	120-125
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	US$ per m^3
(Iquitos mills)	
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	650-695
	Asian market	890-930
Cumaru decking, AD, S4S E4S, US market		930-950
Pumaquiro KD # 1, C&B, Mexican market		490-530
Quinilla KD, S4S 2x10x62cm, Asian market		590-620
	2x13x75cm, Asian market	700-730

Report from Mexico

Mexico's Hidalgo region is model for forest management

According to the *Revista Mexico Forestal*, the Hidalgo region in Zacualtipan-Molango has emerged as an exemplary site for forest management activities. The area has transformed into a well-functioning forest management unit (FMU), and is known for its sustainably managed forests and ability to plan forest management activities. Pine, encino and liquidambar species are existent in the zone, consisting of over 7 thousand hectares. The National Forest Commission (CONAFOR) and the Government of the State of Hidalgo, through the Secretariat of Agriculture and Rural Development, have provided over 7 million pesos worth of funds through Mexico's ProTree programme to help form and implement FMU activities in the Hidalgo region.

Anti-logging raid conducted near Monarch reserve

The *Associated Press* has reported Mexico's police raided a sawmill that cut timber near a Monarch butterfly reserve. Agents seized about 600 truckloads of logs, making it the largest seizure in Mexico's history. Reports say that evidence of the cutting shows failures to stick to pledges to end illegal logging and revealed that over 6,000 tons of wood were cut from the Monarch butterfly reserve. The reserves are an important breeding ground for Monarch butterflies in the winter. Recently, police raided 19 other mills in the region, resulting in the detention of 56 people.

Report from Panama

Panama Log Prices

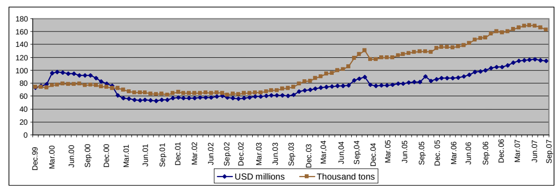
Logs, FOB Manzanillo/Balboa	cm measured girth	FOB $ Avg unit value per m³
Teak	40-49	163
	50-59	195
	60-79	223
	80-99	275
	110-130	335
	131+	365

Report from Bolivia

Fuel scarcity slows Bolivia's wood exports growth

Bolivian wood exports have slowed during August to September 2007. During the two month period, exports grew 18% compared to the period of March to July 2007. The slower growth was caused by fuel scarcity, since the control of oil shifted from Petrobras (Brazil) to YPFB (a Bolivian oil company). At present, there are serious levels of inefficiency associated with production levels, which at times have cut the companies' production capacity in half.

Chart 1: Trends in Wood Exports, 1999-2007



Bolivia Sawnwood Prices

Sawnwood 1-3"x3x5"x7-19', FOB Arica Port		$ Avg un. val. per m^3
Mahogany	(US market)	1590-1800
Spanish Cedar	(US market)	500-980
Oak	(US and EU market)	615-790

Bolivia Added Value Product Prices

Doors 13/4"x36"x96", FOB Arica Port		Avg $ per piece
US market	Mara macho/Tornillo (FSC)	100-400
	Yesquero	125-485
	Ochoó	120-495

Report from Guyana

Guyana Log Prices

Logs, FOB Georgetown	SQ - Std	$ Avg unit value per m^3 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 Sawnwood Prices

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

Report from Japan

Southsea log prices weaken due to lower plywood consumption

Japan Lumber Reports said that log inventories in Japan were still at high levels, although arrivals were slower due to falling consumption at plywood mills. However, with the Christmas and New Years holidays approaching, many plywood mills had started to replenish their log stocks despite the weak market for plywood. Since the yen was appreciating, market prices were weakening for certain types of logs. In contrast, with the onset of the rainy season in producing countries and rising freight rates, FOB prices were strengthening. The two factors have offset each other, and as a result the arrival cost had not changed. FOB prices were rising, with prices holding firm for kapur and keruing due to consistent demand from China and prices bottoming for certain species from Sarawak.

Plywood imports show upturn despite housing slowdown

Plywood imports rebounded 25% from September 2007 levels, reaching 329,835 m³ in October 2007 (Figure 1). However, imports fell 31.3% from October 2006 levels. This occurred due to a rebound in housing starts, even though overall housing starts for October 2007 fell 35% from the previous year's levels (Figure 2).

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

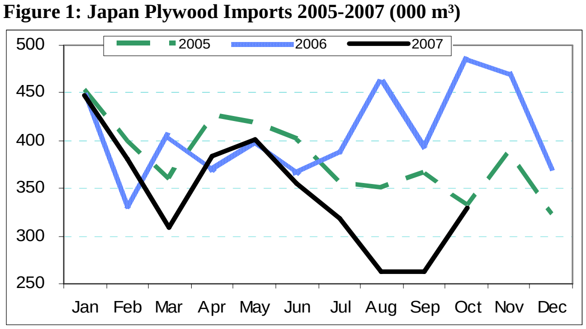
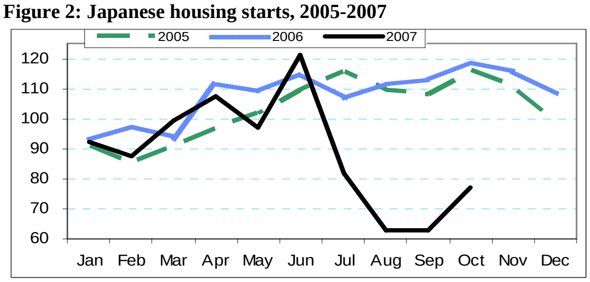


Figure 2: Japanese housing starts, 2005-2007



Log and Sawnwood Prices in Japan

Logs for Ply Manufacture, CIF	Yen per Koku
Meranti (Hill, Sarawak)	(Koku=0.278 m³)
Medium Mixed	8,500
Standard Mixed	8,600
Small Log (SM60%, SSM40%)	7,700
Taun, Calophyllum, others (PNG)	7,800
Mixed light hardwood, G3/4 grade (PNG)	7,400
Okoumé (Gabon)	14,000
Keruing MQ & up (Sarawak)	9,900
Kapur MQ & up (Sarawak)	9,600

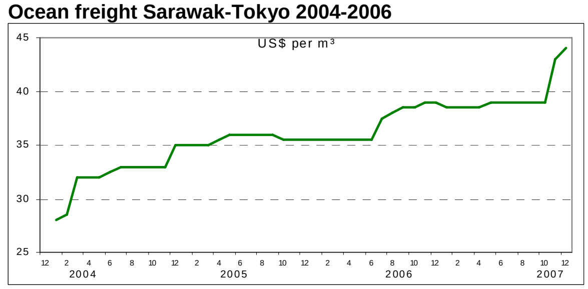
Logs for Sawmilling, CIF	Yen per Koku
Melapi (Sarawak) High Select	11,000
Agathis (Sarawak) High Select	10,800

Lumber, FOB	Yen per m³
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)	Nov (¥ per sheet)	Dec (¥ 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	560 ↓	560
5.2mm (med. Thickness, F 4star, type 1)	910 X 1820	670 ↓	670
11.5mm for sheathing (F 4star, type 2)	910 X 1820	930 ↓	930
12mm for foundation (F 4star, special)	910 X 1820	960 ↓	950 ↓
12mm concrete-form ply (JAS)	900 X 1800	930 ↓	930
12m coated concrete-form ply (JAS)	900 X 1800	1190 ↓	1110 ↓
11.5mm flooring board	945 X 1840	1480 ↓	1380 ↓
3.6mm baseboard for overlays (OVL)	1230 X 2440	930	900 ↓
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

MOC revises guidance on foreign investment enterprises

The Ministry of Commerce and the National Development and Reform Commission recently updated guidance for industries receiving foreign investment. The new guidance was approved by the state council and took effect on 1 December 2007 in place of the guidance drawn up in 2004. The guidance explains investments that are 'encouraged', 'restricted' and 'prohibited'. Primary changes have been made to the 'restricted' and 'prohibited' categories.

Regarding those changes that have been made to the 'encouraged' list, advanced technologies that China has mastered and are competent in production capacity will not be 'encouraged' in the new guidelines, although 'service-outsourcing and modern logistics' will be added. Foreign Direct Investment dedicated to clean production capacity, renewable energy and ecological protection are also 'encouraged'. On the other hand, foreign capital is 'prohibited' from being used in the exploration of rare and non-reproducible resources, or in high consuming and polluting industries. Foreigners are also 'prohibited' from investing in China's golf courses, gambling services and ammunitions manufacturing. The government is 'restricting' foreign capital flows to the development of large-scale property investments and construction and operation of high-end hotels, villas, office towers, and exhibition malls. Certain 'restrictions' also apply to investments going to housing agents, brokerages and second-tier real estate markets.

The revised guidelines drop 'restrictions' on the limit of foreign investment in the central and western regions of China, in an effort to detract attention from investments in coastal areas. Such changed guidelines are also being considered in order to rejuvenate Northeast China and other historical industrial bases.

Interest grows in China's wood veneer industry

Due to rising market demand, China's wood veneer industry holds great promise. The value of China's wood veneer exports in 2006 totaled USD171 million, a year on year increase of 33.6%. Wood veneer is increasingly popular as decorative face of furniture, solid composite flooring and wooden doors in the international and domestic markets. The value of China's furniture output in 2006 grew 27% to USD17.4 billion. Of the total, the value of wooden furniture exports rose 39.4% to USD8.78 billion. The output of China's wooden flooring in 2006 reached 330 million m². Of the total, the output of solid composite flooring was 60 million m². The value of China's wooden door output in 2006 grew 33.3% to RMB 32 billion yuan (about USD4.3 billion). It is expected that the total value of China's wooden door output will exceed RMB40 billion (about USD5.4 billion) by the end of 2007, and the value of door exports will reach USD700 million. Local experts think that the local wood veneer industry will have a bright future in tandem with the development of furniture, solid composite flooring and wooden doors.

Guangxi Province sees rapid development of plywood industry

China's Guangxi Province has been listed as a key national area for fast growing and high yielding plantation bases. As a result, the Province has had the advantage of building a booming plywood industry in which the number of plywood enterprises has increased nearly tenfold, from 39 in 2000 to 400 in 2007. By the end of 2006, the capacity of Guangxi plywood production reached 2.8 million m³ with a value of RMB2.8 billion yuan (about USD3.8 million). The plywood industry has helped to rapidly develop Guangxi's forest industry.

In order to guarantee supply of raw materials, many plywood enterprises establish their own forest plantations. The rapid development of the Guangxi plywood industry has also driven the development of afforestation, logging, and transportation initiatives. In addition, the development of the plywood industry also provides employment opportunities, increases farmers' income and promotes the development of the regional economy.

Guangxi is one of the regions that have fast growing and high yielding plantation bases. At present, there are 220 million hectares of forested land, of which 60% is commercial forest land. Guangxi's plywood industry is expected to reach a production capacity of 5 million m³, generate RMB 6 billion yuan (about USD815 million) of sales, and create USD 100 million of foreign exchange.

Plywood mill adds another 100,000 m³ to production capacity

Guangxi Shanghua Forestry Co., Ltd. added a new plywood mill to increase its annual output to 100,000 m³ in its Shangsi County operations. The company built its operations in September 2006, with an aim to integrate forest plantation bases with plywood production facilities. The company has invested about USD100 million, of which USD60 million was used to build a fast growing and high yielding eucalyptus plantation and USD40 million was dedicated to building a new plywood mill. The new mill has the capacity to produce a total output of 17,000 m² of rotary veneer and 28,000 m² of plywood. Fourteen peeling lathes, 17 pre-pressers, and 15 hot presses and 7 sanders have been installed in the new mill. The main products of the mill are plywood, decorative veneer, flooring materials and package materials. The company also has the largest eucalyptus plywood mill, which produces different kinds of panels and advanced equipment.

China is focus of Chilean wood products exports

According to statistics from China's national customs agency, Chile exported 830,300 tons of pulp and paper to China during the first three quarters of 2007 valued at USD554 million. The statistics show the value of Chilean wood products to China rose to USD600 million, but Chile's exports to the US fell to USD613 million in the first three quarters of 2007. It had been reported that 18.3% of Chile's wood products were exported to the US and 15.8% to China. Chile's wood products exports to China rose 30% in the first nine months of 2007. Local experts note that China would exceed the US's import of Chilean wood products if the current rate of growth continues.

Guangzhou City Imported Timber Market

Logs	Yuan per m³
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	8800-12600
US Cherry 2"	12000-15100
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 m³
Beech KD Grade AB		2500-3200
US Cherry, 25mm		10500-11000⬇
US Red Oak, 50mm		9800-10500⬇
Sapele 50mm FAS (Congo)	AD	8000-9000⬆
	KD	7500-7800⬆

Shandong De Zhou Timber market

Logs		Yuan per m³
Larch	6m, 24-28cm diam.	1250
White Pine	6m, 24-28cm diam.	1280
Korean Pine	4m, 30cm diam.	1500
	6m, 30cm diam.	1550

Hebei Shijiangzhuang Wholesale Market

Logs		Yuan per m^3
Korean Pine 4m, 38cm+ diam		1680
Mongolian Scots Pine	4m, 30cm diam.	1350
	6m, 30cm+ diam.	1480⬆
Sawnwood		
Mongolian Scots Pine	4m, 5-6cm thick	1650
	4m,10cm thick	1650

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

Precious Woods to expand veneer plant in Gabon

EUWID said Swiss company Precious Woods AG has shut down operations of its TDI veneer plant in Libreville, Gabon to expand the width of the plant in 2007. The company also faced suspension of activities of its plant in Para, Brazil, due to delays in obtaining a harvest permit. Despite these developments, the company's operating profits rose nearly USD4.5 million from the previous year.

Rougier expands sawmill capacity in Gabon

French timber group Rougier has opened its new sawmill in Gabon, said *EUWID*. The company started building the mill in September 2006 where mainly okoume species are processed. The mill, which has a current log cutting capacity of 14,000 m³, obtains raw materials from licensed areas in Haut-Abanga and Ogoouelvindo. The construction of the new mill is part of the company's plan to expand its value-adding activities in Africa. *EUWID* believes that the new investments are driven by restrictions on log exports imposed by some African countries in recent months. In revised guidelines issued by the Gabonese government, Rougier is allowed to export 90,000 m³ of logs, which would make it Gabon's second largest exporter. The company's value added activities account for nearly 60% of its overall business.

Report from the UK

Housing market cools despite price rises

While the Department of Communities and Local Government (DCLG) noted the slight price rise of housing in October, the overall housing market continued to cool during the month. The DCLG said prices rose by 0.1% compared to 0.3% in September. The annual rate of house price inflation was 11.3%, up from 10.8% the previous month. The average figure during the August to October 2007 period fell to 11.1%. House sales have also stalled due to the credit squeeze and the proximity to the Christmas holidays.

Timber traders expect end of year pressures

At the end of the year, many customary problems face the timber industry, including rising transport costs, currency fluctuations and competition from other commodities such as concrete. Additionally, the UK traders are under pressure to face up financially to the promotion of timber and the need to rely on sustainability certificates from producer countries. Prices are falling in some exporting countries due to lack of demand, but in the UK, currency variations, transport costs and inflation have caused prices to remain firm or rising to meet customer demands.

UK Log Prices

FOB plus commission		€ per m^3
N'Gollon (khaya)	70cm+ LM-C	227-238
Ayous (wawa)	80cm+ LM-C	227-238
Sapele	80cm+ LM-C	285-290
Iroko	80cm+ LM-C	297-310

UK Sawnwood Prices

FOB plus Commission		Pounds per m^3
Teak 1st Quality 1"x8"x8"		-
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	460-465
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

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

Report from North America

North American office furniture market to make modest gains in 2008

The following report includes revised information and figures on the North American office furniture market, which were originally published in the North American section of the July and August 2007 Tropical Timber Market reports (TTM 12:14 and 12:16). Figures were determined by analyzing a number of factors, including corporate profits, employment levels, business investments and government expenditure.

Growth in the US office furniture market in 2006 stood at 7.2%, bringing the market size for the first time to a value in excess of USD40 billion. With lower corporate profits, slower employment growth and much of the pent-up demand for office furniture being satisfied in the US, experts predict slower growth of about 1.8% in 2007 and 3.9% in 2008. Due to the continued satisfactory performance of Canada's service sector, experts predict growth of office furniture consumption to be down only marginally in 2007 and 2008, or about 7.5% each year. This would bring the Canadian office furniture market to CAD5.7 billion this year and to CAD6.2 billion next year.

In the United States, growth of pre-tax corporate profits in 2006 stood at 13.2%. This was up from 11.5% in 2005. Due to the slowdown of the US economy, corporate profit growth for 2007 and 2008 will be much slower, anticipated to be only in the 5% to 6% range. Coinciding with the good corporate profitability during the past few years, the job market improved as well. For this year and next, experts estimate annual advances of only 1.1%, which translates to approximately 1.4 million new positions each year. Business investments had also progressed at a rate of 6.6% in 2006. However, experts anticipate a significantly lower growth rate of corporate investments, below 4% for 2007. This may have a negative impact on office furniture consumption. Indeed, investments in machines & equipment – which includes office furniture – is on a downward trend. After advances of 5.9% in 2006, the performance this year will barely reach the one percent mark, but may be a bit higher in 2008 if interest rates remain low.

Canadian business profits (pre-tax) rose by a healthy 11.9% in 2005. Unfortunately, due to the strength of the Canadian dollar, corporate profitability came under pressure in 2007 and the growth rate did not remain as high as in 2006, dropping to 5.0%. Experts believe that pre-tax profit growth in Canada will remain at the same low level of about 5% in 2007 and 2008. Business investments are strongly influenced by corporate profits, albeit with a considerable time lag. Experts predict a growth rate for investments of only 2.3% this year and about 5% in 2008. Employment has also been relatively strong in the Canadian economy during the past two years. However, employment growth receded to an annual rate of about 2.1% this year and will be still lower at about 1.1% in 2008.

US Imported Sawnwood Prices

FOB unit value prices		Avg $ per m^3	
		Aug	Sep
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)	1030	1037
	(Indonesia)	1047	1047
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)	Aug	Sep
By species (all countries)		
Meranti	11.5	12.2⬆
Non-meranti	1.3	1.3
By country (all tropical species)		
China	0.6	0.6
Ghana	1.2⬆	1.3⬆
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)	Aug	Sept
All tropical plywood		
Indonesia	470	470
Malaysia	379	379
China	325	325
Brazil	418	418
All	384	384
Mahogany		
Canada	791	791
Brazil	430	430
China	915	915
Meranti, white luan, sipo, limba		
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.

A joint US-European Union proposal to liberalize trade in green goods and services such as solar panels would boost the availability of technology to battle global warming, a top US trade official said. Susan Schwab, to US trade representative, said on the sidelines of the UN climate change conference in Indonesia that developing countries have an average of 9 percent tariffs on a list of 43 green goods and services.
http://www.saudigazette.com.sa/index.php?option=com_content&task=view&id=42533&Itemid=115

The Brazilian government has sold a concession to build and operate a controversial BRL10 billion hydroelectric power plant on the Madeira River in the Amazon forest near Brazil's border with Bolivia.
http://www.ft.com/cms/s/0/f6d52d88-a766-11dc-a25a-0000779fd2ac.html?nclick_check=1

China has raised the flow of water from behind its massive Three Gorges Dam to ease a downstream drought that is the worst in half a century, the official Xinhua agency reported.
http://www.reuters.com/article/environmentNews/idUSPEK5870720071206

Developing countries in Asia could face an 'unprecedented' water crisis within a decade due to mismanagement of water resources, the Asian Development Bank said in a report.
http://www.reuters.com/article/environmentNews/idUSSIN30645320071129

Indonesia launched a programme to save its dwindling orangutan population, the last of Asia's great apes, from the brink of extinction by protecting its vast tropical rain forests. Orangutans once ranged the region, but the shaggy brown primate's population in Indonesia has been decreasing rapidly as its habitat in Borneo and Sumatra has been disrupted by illegal logging, forest fires and the illegal pet trade.
http://www.reuters.com/article/latestCrisis/idUSJAK241489

Kenyan farmers have been urged to invest in gum trees whose demand has been on a steady increase since 2003. The chairman of the newly launched Gum Growers Group, Mr Richard Muir, said that the gum trees mostly used for poles by the Kenya Power and Lighting and Telkom companies are now being imported.
http://allafrica.com/stories/200712101926.html

Oil and base metals came under pressure after Morgan Stanley forecast a mild US recession in 2008, warning that fear and an associated reduction in exposure to "risky" assets could send commodity prices below levels warranted by fundamentals.
http://www.ft.com/cms/s/0/b23daa98-a715-11dc-a25a-0000779fd2ac.html

On a muddy track in the tropical heat of Malaysian Borneo, the dilemma of how a poor nation should handle its globally-important rainforest becomes painfully clear.
http://news.bbc.co.uk/1/hi/sci/tech/7136301.stm

Protecting tropical rainforests, which soak up vast amounts of greenhouse gases, is proving a real headache at the climate talks in Bali, where delegates are trying to sort out a pay-and-preserve scheme.
http://thestar.com.my/lifestyle/story.asp?file=/2007/12/11/lifefocus/20071210193427&sec=lifefocus

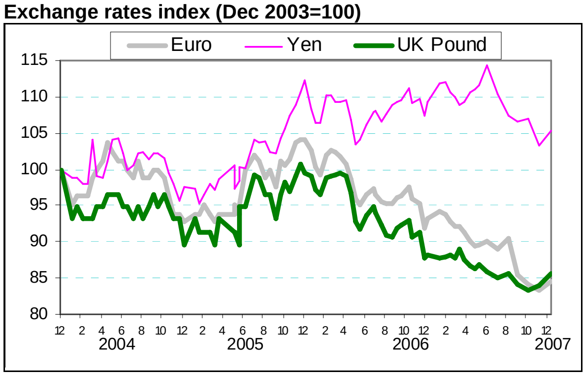
Papua will ban all log exports from next month, in a radical move to preserve one of the world's largest remaining tracts of untouched forests. Governor of the Indonesian province, Barnabas Suebu, said he had already imposed a moratorium on issuing new logging licenses and would present legislation next month withdrawing all licenses, as loggers had been destroying Papua's forests illegally.
http://www.theage.com.au/news/national/papua-moves-to-ban-all-log-exports/2007/12/05/1196812829442.html

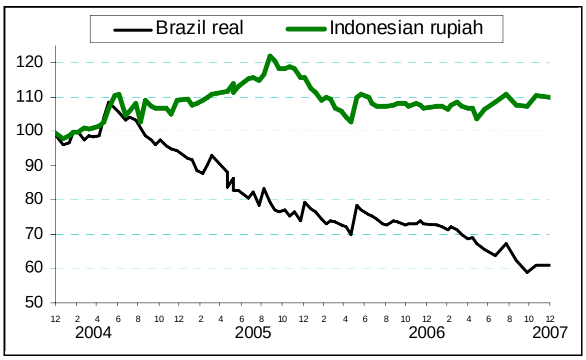
Main US Dollar Exchange Rates

As of 15 Dec 2007

Brazil	Real	1.796	⬆
CFA countries	CFA Franc	454.775	⬆
China	Yuan	7.371	⬇
EU	Euro	0.6933	⬆
Indonesia	Rupiah	9,328.00	⬇
Japan	Yen	113.40	⬆
Malaysia	Ringgit	3.3190	⬆
Peru	New Sol	2.9744	⬆
UK	Pound	0.4972	⬆

Exchange rates index (Dec 2003=100)

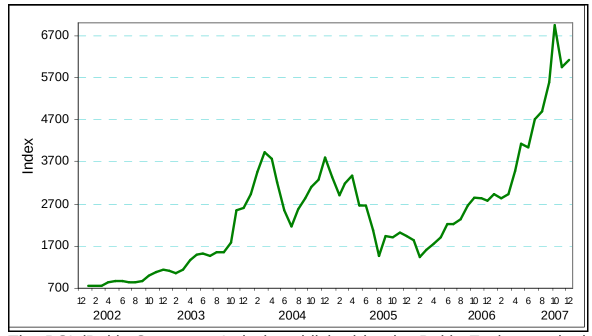




Abbreviations and Equivalences

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

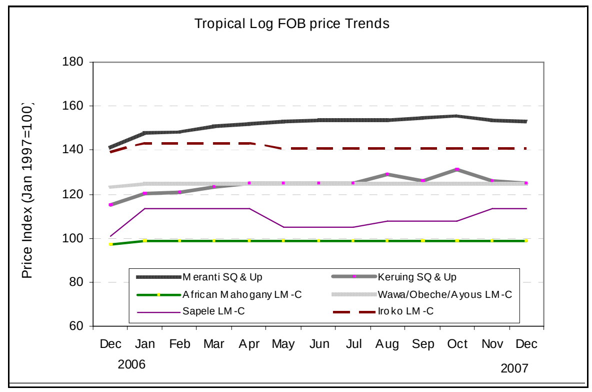
Ocean Freight Index

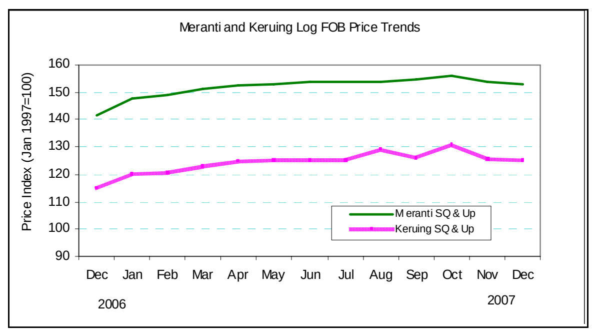


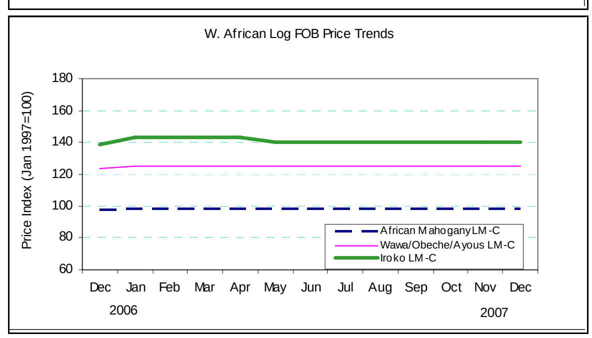
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes. It is based on a 52,454 mt bulk carrier carrying commodities such as timber.

Appendix. Tropical Timber Price Trends

Tropical Log Price Trends

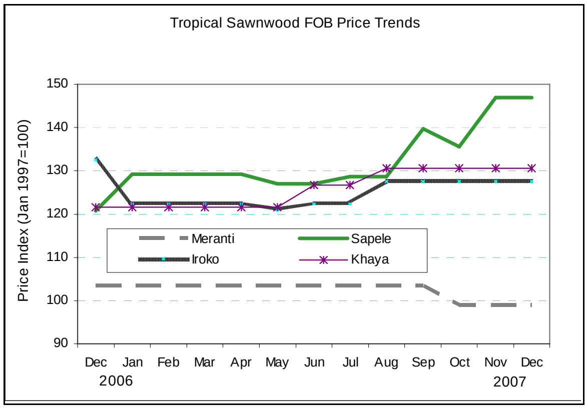


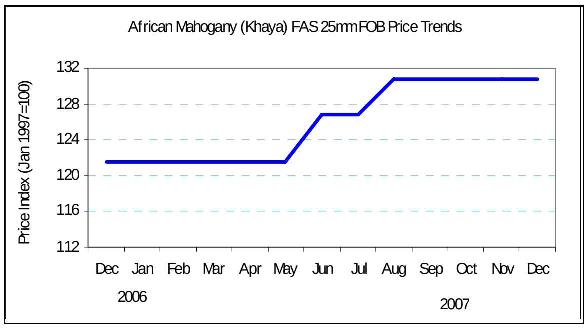


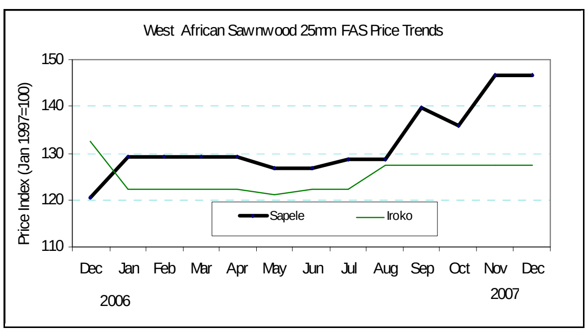


More price trends in Appendix 4, ITTO's Annual Review http://www.itto.or.jp/live/PageDisplayHandler?pageId=199

Tropical Sawnwood Price Trends







Tropical Plywood Price Trends