

Tropical Timber Market Report since 1990

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Snapshot

West African prices at the start of the New Year were firm, due to moderate demand from India and China and slack demand from Europe. Prices for certain species (e.g. wawa and ceiba) of Ghanaian logs and sawnwood rose and export contracts gained nearly 20% in the third quarter of 2007. On the other hand, Malaysian prices fell across the board as the markets felt the impact of the weak real estate and construction industry. Indonesian prices also retreated, but to a lesser extent than those in Malaysia. However, this might change as oil prices assert pressure on the Indonesian rupiah in the foreign exchange markets.

Brazilian stakeholders see 2008 as a year of opportunities, now that a new policy on managing public forests at the federal and state levels has been implemented. Nevertheless, ABIMCI takes a more cautious view of the wood industry and has revised downward their estimates for wood industry investments during 2005-2014. Brazil will continue to combat deforestation in 2007 and use proceeds from confiscated wood from illegal timber raids to finance environmental projects in the country.

Markets in consumer countries have also been relatively quiet after the New Year's holidays. Japan's plywood market continues to show low prices, following weak demand for plywood and persistent instability of housing starts. Timber traders in the UK also foresee 2008 as a challenging year for the trade.

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Report from Central/West Africa

Markets quiet ahead of Chinese New Year

Log prices remained unchanged since the end of December 2007. Azobe was slightly weaker due to lower demand from European buyers. Belli was also down because of ongoing negotiations by Indian buyers and reduced demand from China. Moabi prices were up on very good demand by France, where markets had held very firm through the last quarter of 2007. Sapele and sipo logs had also been in strong demand in France, Germany and China, where supply of these species had been too low and buying had taken place despite recent gains in price. Production also had been barely sufficient to satisfy the renewed buying activity. Apart from these particular demand surges, exporters reported that demand from Europe had been slow throughout the Christmas and New Year vacations.

As anticipated, European markets were very dull and demand was low with exporters receiving only sporadic enquiries to fill gaps in stock of particular species such as sapele and sipo. Demand for all markets were moderate though shipments for China and India were proceeding at slightly lower levels. Exporters from Gabon awaited news on the proposed full implementation of a revised log quota system while importers will want to assess the potential impact of any overall restriction in the volume available for export.

At end December, sawn lumber prices had been stable though higher demand for sapele and sipo did allow producers to raise prices by EUR40/ m³ for sapele GMS FAS with competition from traditional buyers [such as] Spain and high demand from China. Sipo also rose by EUR50/ m³ for GMS FAS and EUR25/ m³ for scantlings, with especially firm demand from France and Germany. Yet, producers noted that competition from Far East meranti may become more intense with prices expected to be around EUR600/ m³ for KD sawn lumber against EUR620 to EUR640/ m³ for sapele and sipo. Some exporters predicted that sapele prices might weaken slightly in the first quarter, though might be offset by the shorter supply route and faster delivery times for West African timbers.

At the start of the New Year, markets for sawn lumber were very quiet. Some European traders were forecasting much lower consumption in the first quarter, by much as 25% less demand than during the same period in 2007. These opinions may well be speculated on the basis of the sub-prime financial problems triggered by the property market problems in the US and are spreading to Europe. Certainly, the UK housing market is slackening, although the current slow pace is quite normal given the time of year. Underlying demand for houses remains very strong, with the government proposing some 2-3 million new homes to be built to satisfy demand from the rising population. West African producers report good demand, although there are supply problems due to heavy rains, particularly in Cameroon. There is some concern that West African prices may be in doubt as reports indicate that Asian mills have also been subject to higher domestic log

prices, poor weather for logging and much increased freight costs, which puts them at a disadvantage in negotiating prices. The Chinese New Year will be celebrated this year in mid-February, when production tends to be reduced.

West African sawn lumber prices have remained very firm and have held on to gains experienced during the 4th quarter of 2007 for selected species. Lumber price movements to date have revealed that no prices fell during 2007 and some 18 premium species made substantial gains, notably sapelli and sipo, which were up around EUR100/ m³ and bubinga FAS GAS, which moved up some EUR200/ m³. Douka also was in high demand with increases of EUR102/ m³ for GMS and EUR60/ m³ for scantlings. Moabi, tiama/kossipo and padouk prices all appreciated around EUR60 to EUR75/ m³ range. Okoume lumber also made some inroads in the market and added around EUR75/ m³ FAS GMS. Ayous and movingui had modest gains, within the usual range of EUR18 and EUR30/ m³. Iroko had a mixed year with prices moving within a range of EUR5 to EUR20/ m³ in response to demand variations, but ended the year virtually unchanged.

The current firm stand on prices by Asian exporters seems likely to hold markets steady at least through the first quarter of 2008.

West Africa Log Prices

West Africa logs, FOB		€ per m ³		
Asian market	LM	B	BC/C	
Acajou/ Khaya/N'Gollon	221	190	175	
Ayous/Obéché/Wawa	221	205	168	
Azobe & Ekki	152↓	152↓	91↓	
Belli	198↓	198↓	-	
Bibolo/Dibétou	168	167↑	114	
Bubinga	533	457	381	
Iroko	289	274	259	
Okoume (60% CI, 40% CE, 20% CS)	-	150	-	
Moabi	335↑	335↑	282↑	
Movingui	205	190	152	
Niove	129	129	-	
Okan	198	198	152	
Padouk	289	289	267	
Sapele	297	297	282↑	
Sipo/Utile	335	305	267	
Tali	190	190	152	

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

*Based on SNBG official prices

West Africa Sawwood Prices

West Africa sawwood, FOB		€ per m ³
Ayous	FAS GMS	396
	Fixed sizes	427
Okoumé	FAS GMS	335
	Sel. & Bet. GMS Italy	310
	Sel. & Bet. fixed sizes	-
Sipo	FAS GMS	680▲
	FAS fixed sizes	-
	FAS scantlings	670▲
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

Ghana inaugurates Timber Rights Evaluation Committee

The Minister of Lands, Forestry and Mines inaugurated a seven-member Timber Evaluation Rights Committee to ensure strict compliance with the provisions of the Timber Resources Management Act of 1997. The Committee has been tasked to evaluate applications for Timber Utilization Contracts in accordance with qualifications and criteria as provided by regulations made under Act. The Committee will also rank the qualified applications on merit through a competitive procedure prescribed by regulations under the Act.

20% jump in export contracts in third quarter

Third quarter export contracts processed and approved were 200,395 m³ in volume, a 19.8% rise from the volume of second quarter contracts. The expansion in contract volume was mainly due to the continuous increase in volume of plywood exports to the West Africa sub-region. Nigeria continued to be the leading importer of plywood during the quarter under review, importing 70% of contracts approved. The volume of plywood contracts approved increased 55.25% compared to the previous quarter, registering at 95,437m³.

With the exception of poles, billets and logs, which increased by 4.74% and reached a volume of 19,007m³, almost all the major exportable products experienced contraction in volume during the quarter under review. Moldings/processed lumber, sliced veneer, rotary veneer and lumber declined by 38.36%, 20.94%, 8.81% and 2.65% to 2,863m³, 9,006m³, 7,855m³ and 55,126m³, respectively.

Ghana exported a total of 4,510 pieces of furniture parts, down 50.32% from second quarter exports. Most of the furniture exported was garden furniture and significant orders were made during the first and second quarters of the year to satisfy consumer demand during the summer months of the third quarter.

Ghana signs interim EPA with EU

On 13 December 2007, Ghana signed the interim Economic Partnership Agreement (EPA), or EPA-lite, with the European Union. The agreement would provisionally allow 80% of some European goods into the Ghanaian market duty-free and quota-free while Ghana will continue to have 100% access to the EU market, with the exception of sugar and rice. The EPA was established as a bilateral business partnership agreement between the European Union (EU) and the African Caribbean and Pacific (ACP) countries and designed to replace the Cotonou Agreement which expired on 31 December 2007. The signing of the agreement was intended to avoid disruptions of trade with the EU, since under the World Trade Organization (WTO) rules, the EU would be required to place tariffs on Ghana's exports.

Prior to the signing of the EPA-lite, civil society groups advocated against signing any reciprocal and non-preferential trade agreement between ACP and the EU contending that the agreement was not the best for the ACP countries as it would cripple local industries and make these countries dependent on EU imports. The parties are already negotiating the larger EPAs, which would guarantee a reciprocal opening of each country's market and the zero-rating of imports and exports. Meanwhile, the largest umbrella body of manufacturers in the country, the Association of Ghana Industries (AGI), has backed the signing of the provisional trade agreement, since the framework would allow the country more time to enhance its competitiveness in global markets.

Key substitutes chalk up gains in prices

Odum prices could not improve as it did during the second quarter of 2007. Prices were generally down between EUR5 and EUR10 for Kiln Dried (KD) lumber and experts speculate that prices could continue to fall. However, prices of dahoma, a close substitute of odum, were gradually rising at its main destination market, the Middle East. Dahoma contracts approved during the quarter under review achieved an average price of USD350 m³ for Air Dried (AD) lumber, up from the previous quarter average of USD315 m³.

The price of khaya ivorensis, which was stagnant during the last quarter of 2006 and the first quarter of 2007, substantially rebounded. There were instances where contracts were closed in excess of USD50 for KD Lumber as compared to the Timber Industry Development Division GSP. The sharp increase could be attributed to the ban on exports of Swietenia, a substitute for Khaya ivorensis from the South American countries to the US. This prompted most buyers to focus on West Africa for more volumes of Khaya ivorensis.

Prices for prime species of sapele, makore and utile sustained gains at an average of EUR20/ m³ during the quarter under review as they did during the second quarter. Prices of wawa were firmed with marginal average increases of EUR5/ m³ for most contracts approved during the quarter. Additionally, a contract for dowels between Birim Wood Complex and Transglobal was closed at a price of EUR410/ m³ to Germany using the Lesser Used

Species of yaya and watapao. The product was previously produced using mainly koto.

During the quarter under review, the Forestry Commission approved the exports of legally sourced Gmelina in round form. To this effect, a contract had already been signed between Asia International of India and Subri Industrial Plantation Limited at a price of USD125 m³.

Utility costs trigger hike in inflation

Inflation for November 2007 hit a year high of 11.4%, according to information released by the Ghana Statistical Service. This was a significant hike over the 10.1% recorded in October 2007. The sharp rise was largely due to higher electricity, gas and water tariffs implemented at the beginning of November as well as petroleum price increases that took effect later in the month.

Ghana Log Prices

Ghana logs, domestic	US\$ per m ³	
	Up to 80cm	80cm+
Wawa	90-105▲	110-130▲
Odum Grade A	160-170▲	175-185▲
Ceiba	75-90▲	95-120▲
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 Sawwood Prices

Ghana Sawwood, FOB	€ per m ³	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up		
Afrormosia	855	-
Asanfinia	480	560
Ceiba	205	260
Dahoma	330	400
Edinam (mixed redwood)	390	450
Emeri	400▲	435
African mahogany (Ivorenensis)	580	660
Makore	510	590▲
Niangon	550	-
Odum	650	730
Sapele	510	575
Wawa 1C & Select	255	280

Ghana sawnwood, domestic		US\$ per m ³
Wawa	25x300x4.2m	225▲
Emeri	25x300x4.2m	305▲
Ceiba	25x300x4.2m	166▲
Dahoma	50x150x4.2m	306
Redwood	50x75x4.2m	230▲
Ofram	25x225x4.2m	280▲

Ghana Veneer Prices

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

Sliced Veneer, FOB	€ per m ²	
	Face	Backing
Afrormosia	1.80	1.00
Asanfinia	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	285↓
9mm	388	305	290	280
12mm	340	285	300▲	280▲
15mm	350	290	300	260▲
18mm	300	290	265	260▲

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

Trade surplus jumps 21.6% in November 2007

According to *Bernama* online, Malaysia recorded a trade surplus of RM10.45 billion in November 2007, up 21.6% from the previous month. The gain was driven by continued export growth of palm oil and petroleum products, the Ministry of International Trade and Industry (MITI) said in a press statement. Exports rose to RM54.36 billion in November 2007, up 5.7% from a year earlier. Imports increased by 3.9% to RM43.91 billion.

Solid export growth in November was greatly helped by stronger intra-Asia trade, offsetting weaker exports to the US. Malaysia's exports to the US dropped sharply by 16.5% to RM7.6 billion in November 2007, compared to November 2006. However, timber prices continued to slide as real estates and construction industries in major export markets begin to cool. The slide in prices is expected to ease by March 2008.

Two FMUs lose MTCC certification

TTJ reported that the Selangor and Terengganu Forest Management Units (FMUs) in Malaysia would not have their certificates for forest management renewed. The announcement came as a result of the application of the 2002 Malaysian Timber Certification Council (MTCC) Malaysian Criteria, Indicators, Activities and Standards of Performance for Forest Management (MC&I). Although certified under the 2001 standards, the two FMUs will need to take corrective actions to comply with the new 2002 standards. As a result, the forest area in the FMUs is not being recognized as certified until the units comply with the new standards.

Meanwhile, the Pahang FMU has received MC&I (2002) certification. Periodic audits will be carried out in the FMU during the five-year certificate's validity period, in order to ensure compliance with the MC&I (2002)

standards. Additionally, the Negeri Sembilan FMU has recently received MTCC certification.

Malaysia Log Prices

Sarawak log, FOB	US\$ per m ³
Meranti SQ up	300-320↓
Small	273-295↓
Super small	258-269↓
Keruing SQ up	271-282↓
Small	235-264↓
Super small	225-233↓
Kapur SQ up	246-261↓
Selangor Batu SQ up	271-294↓
Pen. Malaysia logs, domestic (SQ) US\$ per m ³	
DR Meranti	353-396↓
Balau	287-318↓
Merbau	418-440↓
Rubberwood	235-254↓
Keruing	281-294↓

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

Malaysia Sawnwood Prices

Malaysia Sawnwood, FOB	US\$ per m ³
White Meranti A & up	433-458↓
Seraya Scantlings (75x125 KD)	719-754↓
Sepetir Boards	324-338↓
Sesendok 25,50mm	446-476↓
Kembang Semangkok	428-446↓
Malaysian Sawnwood, domestic	
Balau (25&50mm,100mm+)	346-366↓
Merbau	565-585↓
Kempas 50mmx(75,100 & 125mm)	289-308↓
Rubberwood 25x75x660mm up	279-306↓
50-75mm Sq.	300-325↓
>75mm Sq.	319-348↓

Malaysia Plywood Prices

Malaysia ply MR BB/CC, FOB	US\$ per m ³
2.7mm	483-510↓
3mm	460-485↓
9mm & up	415-435↓
Meranti ply BB/CC, domestic	
3mm	458-468↓
12-18mm	393-411↓

Other Malaysia Panel Prices

Malaysia, Other Panels, FOB	US\$ per m ³
<i>Particleboard</i> Export 12mm & up	227-244↓
Domestic 12mm & up	213-231↓
<i>MDF</i> Export 15-19mm	294-320↓
Domestic 12-18mm	269-290↓

Malaysia Added Value Product Prices

Malaysia, Mouldings, FOB	US\$ per m ³
Selagan Batu Decking	693-711↓
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	730-750↓
Grade B	635-653↓

Malaysia Furniture and Parts Prices

Malaysia, Rubberwood, FOB	US\$ per piece
Semi-finished dining table	
solid laminated top 2.5'x4', extension leaf	55-71↓
As above, Oak Veneer	62-76↓
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	616-626↓
Standard	583-601↓

Report from Indonesia

Economic growth anticipated to reach record highs

Antara News reported on the Indonesian Central Bank's announcement that Indonesian economic growth was forecast to hit 6.3% in 2007. This record level of growth, the highest since the 1997 Asian financial crisis, was driven by heightened consumption and exports as well as the country's improving investment climate. Additionally, at the end of 2007, Indonesia's foreign exchange reserves rose to USD56.9 billion, from USD54.9 million in November 2007.

In early January, timber prices in Indonesia declined, but on a lesser scale than those in Malaysia. However, this might change as increasing oil prices would continue to exert upward pressure on the Indonesian currency in the foreign exchange markets.

Indonesia Log Prices (domestic)

Indonesia logs, domestic prices	US\$ per m ³
Plywood logs	
Face Logs	236-275↓
Core logs	176-207↓
Sawlogs (Meranti)	231-271↓
Falcata logs	177-193
Rubberwood	210-233
Pine	204-229↓
Mahoni (plantation mahogany)	609-660↓

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	480-509↓
3mm	419-479↓
6mm	395-418↓

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
<i>Particleboard</i> Export 9-18mm	236-247
Domestic 9mm	198-216
12-15mm	187-202
18mm	181-187
<i>MDF</i> 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	685-718↓
Grade B	606-650↓

Report from Myanmar

Preference for natural teak drives demand up

At the start of the New Year, demand for Myanmar teak was firm, since many buyers continue to prefer natural teak over plantation teak. December 2007 tender prices for higher grades (preferred by Europe, US and Japan) remained strong, while those for lower grades (preferred by other buyers) declined. However, such periodic fluctuations are normal. The quantity of teak sold in tenders is relatively small and teak is sold mostly through direct sales contracts to the East. Grades sold by direct sales are usually SG-5 and lower.

The January tender sales bring forth controversial speculations. Some say that prices may retain their December vitality and remain fairly resilient. Others say scarcity of logs from preferred areas could bring down prices. It is still too early to forecast the area-wise composition of logs in the January tender. Due to the New Year holiday, some buyers may stay away from the markets, and with lesser competition, prices could be subdued. Tender prices, whether going up or down, have had a strong effect on the market since MTE has decided to use six month average prices for its direct sales.

The bulk of (non-teak) hardwood logs is sold directly to contractors doing extraction for MTE. These extraction companies make forward sales to their regular customers accepting advance payments. When logs are sold to spot buyers, who are not regular buyers, prices are normally higher.

Pyinkado log prices in December 2007 remained in the list price range of USD470 to USD500. Such prices are reasonable for freshly cut logs, which are at present in relatively good demand. Remaining logs from previous seasons are said to be traded at lower prices depending on diameter and degree of freshness and larger diameter logs are in higher demand. Gurjan is also said to be in good demand for fresh logs. The list price for gurjan logs used in veneer peeling, construction and container flooring is USD325 to USD352 depending on extraction area. Spot or random buyers may buy from tenders or from extraction contractors or their buyers. In such cases, prices may become more inflated by about USD100. The actual premium varies from time to time depending on the quality of the goods.

Myanmar Log Prices (natural forests)

Teak Logs, FOB		€ Avg per Hoppus Ton (traded volume)	
Veneer Quality	Nov	Dec	6 mo. Avg
2nd Quality	-	5,287 (5 tons)	5,175
3rd Quality	4,902 (8 tons)	5,301 (6 tons)	4,908
4th Quality	3,800 (54 tons)	4,423 (36 tons)	4,227
Sawing Quality	Nov	Dec	
Grade 1 (SG-1)	2,582 (302 tons)	2,688 (392 tons)	2,744
Grade 2 (SG-2)	2,302 (373 tons)	2,198 (511 tons)	2,376
Grade 3 (SG-3)	1,480 (35 tons)	1,527 (56 tons)	1,784
Grade 4 (SG-4)	2,148 (410 tons)	2,127 (401 tons)	2,187
Grade 5 (SG-5)	1,725 (476 tons)	1,636 (435 tons)	1,687
Assorted			
Grade 6 (SG-6)	1,382 (359 tons)	1,215 (426 tons)	1,380
Domestic			
Grade 7 (ER-1)	1,045 (334 tons)	1,008 (330 tons)	1,049
Grade 8 (ER-2)	1,121 (104 tons)	1,168 (32 tons)	1,076

Hoppus ton=1.8m³. All grades, except SG-3/5/6, are length 8' x girth 5' & up. SG-3/4/6 are girth 4' & up. SG-3 grade is higher than SG-4 but with lower girth and price.

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

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

Report from Papua New Guinea

Incentives attract more investments in downstream processing

The forestry sector plays an important part in PNG's economy and is the third revenue earner after oil/minerals and agriculture. The exports of processed products continue to increase as more national and international investors consider downstream processing, which has a salutary effect on sustainable forest management and investment returns. Downstream processing offers an attractive incentive to investors, as there is currently no tax on exports of processed timber. Round log exporters pay a tax of 28.6% per m³ of FOB value as well as a development levy of USD2.80 per m³ of logs exported. There are certain levies and premium payable to the landowners by the log exporters, currently set at USD3.50 per m³ for logs harvested (inclusive of log exports and domestic processing). There is limited promotion of lesser used species in PNG and most of PNG's timber species are known in the major markets.

Log Prices (average unit values)

Saw/veneer log grade	\$ Avg unit value FOB per m ³	
	Dec	Jan
Malas	67	70
Calophyllum (bintangor)	82	90
Taun	79	90
Terminalia	63	70
Pencil Cedar	80	90
PNG Mersawa	90	100
Red Canarium	67	70
Erima	67	70
Dillenia	70	-
Burckella	66	70
Kwila/Merbau	166	180
Plantation kamarere logs	\$ Avg unit val. FOB per m ³	
Diameter	Dec	Jan
60+cm (Vietnam market)	60	84

Report from Brazil

Northern Brazil sees better prospects in 2008

Aimex/Portal Madeira Total reported on new prospects for the forestry sector in Northern Brazil for 2008. Despite the sector's lackluster year in 2007, stakeholders in the sector are optimistic that the sector can recover, especially since a new policy on managing public forests at the federal and state levels will help wood processing mills in the state of Pará secure increased timber supply. However, the sector still needs to overcome other obstacles, such as the approval for forest management plans before obtaining adequate timber supply.

Brazil's exports climbed marginally in November 2007

In November 2007, exports of general wood products (excluding pulp and paper) increased 2.7% compared to the same period last year, growing in value from USD344.8 million to USD353.9 million. Pine sawnwood exports rose 5.7%, from USD20.2 million in November 2006 to USD 21.4 million in the same month of 2007. However, the volume of pine sawnwood exports decreased 2.5% from 109,400 m³ to 106,700 m³ over the period. Exports of tropical sawnwood also eased in volume, from 149,200 m³ to 138,600 m³ in November 2007 compared to December 2006. On the other hand the export value of tropical sawnwood increased 9.9%, from USD 58.8 million to USD 64.6 million.

Exports of pine plywood expanded 25% by value in November 2007 compared to November 2006. The corresponding export volume fell 6.2%, indicating a price increase for the product. The export volume of pine plywood in November 2006 was 132,100 m³, while in the same month of 2007 it was 124,100 m³, corresponding to USD 34.1 million and USD 42.7 million, respectively. Tropical plywood exports slumped from 35,840 m³ in November 2006 to 28,678 m³ in November 2007, a fall of 19.9%. There was also a decline in value of 12.1% for tropical plywood exports, from USD 35.8 million to USD 28.6 million.

The exports of wood furniture decreased 12% in November compared to the same month in 2006. The exported value of this product decreased from USD74 million to USD 65.1 million.

Buoyant trade in Brazilian solidwood products boost prospects for 2007

Higher prices for solidwood products in international markets and new investments in civil construction have helped compensate the loss suffered by the Brazilian solidwood industry in recent years. According to the Brazilian Association of Mechanically Processed Wood (ABIMCI), the total value of wood sector sales amounted to USD5 billion in 2006, of which USD2.5 billion was from the international trade. A 15% hike in this trade value is likely to be reflected in 2007 data. Despite this positive scenario, ABIMCI forecasts overall lower investments than previously expected. For the 2005-2014 period, investments in the wood industry are now forecast at USD5 billion.

Price increases for solidwood products in international markets have reached up to 30% in some segments, due to higher demand for wood products in the European civil construction market and rising production costs in some competing countries such as China and Finland. Pine plywood, the main export product of the Brazilian solidwood sector, has been sold at prices higher than the historic average (USD240/ m³). Prices for pine plywood rose from USD210/ m³ in the first half of 2006 to USD270 m³ in the same period of 2007.

Exports of solidwood, which includes mostly plywood, sawnwood, veneer, doors, floors and woodcrafts, reached a total of USD2.6 billion last year, a 3.9% increase over 2005. The main destination markets were Europe and the US, with the Middle East becoming an increasingly significant export destination. Europe generated more demand than the US, as exports to the US have been drastically reduced as a result of falling housing construction and the hike from 0 to 8% in US import tax on Brazilian plywood. ABIMCI expects growth in domestic consumption of solidwood products in the range of 25% to 30%, due to an anticipated rise in the civil construction market associated with the federal government's 'Development Acceleration Programme'.

Proceeds from confiscated timber for environment protection

O Liberal reported that Pará is the first Brazilian state to sign an agreement with the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA) to donate all confiscated materials obtained from its inspection operations. The agreement, which is already in force, aims to optimize environmental control, inspection, protection and preservation. The agreement includes not only confiscated timber but also other seized materials such as trucks and timber lorries, which will be sold through auctions.

The money to be collected from the auctions will be used for environmental preservation. According to IBAMA's Pará Regional Office, it has nearly 20,000 m³ of confiscated timber in the Highway BR-163 region alone, which could be auctioned. The State Secretariat of the Environment (SEMA) expects to donate the financial resources to NGOs and build low-income housing and bridges.

All information on the agreement's implementation will be made available to the public through the internet. A system of public participation will also be created. The five-year agreement will be monitored by follow-up meetings to be held twice a year between IBAMA and SEMA for the evaluation of results.

Brazil redoubles efforts to fight deforestation in 2008

Despite economic growth and agriculture development fueled by high commodity prices, Brazil has experienced relatively low deforestation rates in the Amazon, reported *Envolverde*. Deforestation rates in the Amazon peaked during the period August 2003-July 2004 (27,379 km²), but dropped to 11,224 km² during the same period in 2006-2007. This was the second lowest annual

deforestation rate registered since the control system was implemented in 1988. However, from August to November 2007, the rate jumped 10% compared to the same period in 2006.

The decreasing rate over the last three years was due to several factors, such as government plans to control deforestation in the Amazon in 2004, stricter sanctions applied to illegal activities, the establishment of new conservation areas and actions taken by consumers' and environmentalists' campaigns. However, economic factors were identified as one of the major determinants putting pressure on the Amazon, due to low prices for soybeans and the limited expansion of agriculture and cattle ranching.

The challenge to the Brazilian government is to halt deforestation even though the national economy is growing and prices of agricultural products are high. The expanding sugar cane plantations for ethanol production are also listed as a factor exerting indirect pressure on the Amazon forests. While such plantations are in nearby areas of the Amazon, land prices have appreciated as a result of the plantations and have encouraged the opening of new forest areas for agricultural plantations and cattle ranching.

The government will concentrate efforts against deforestation in 32 municipalities with the largest deforested areas in the last few years. To kick start the efforts, a governmental decree in December 2007 included provisions that landowners must register their properties with precise measurements using new technologies and proper monitoring. Violators are now subject to penalties such as losing access to bank credit, losing property and additional fines. In addition, illegal deforestation will result in an embargo being placed on the land and its production capabilities, which means that the penalty will be applied to buyers of animals or products coming from the identified area.

Mato Grosso timber exports surge 31%

According to *TVCA/Diário da Notícia*, statistics of the Mato Grosso Federation of Industries (FIEMT) showed that timber exports grew 31% in total value compared to the period from January to September 2006. According to the Veneer and Plywood Industry Association of the state of Mato Grosso, the positive result was due to the growth of civil construction, which generated growth in the domestic market, and continued to stimulate international demand. The value of exports, which was 80% of production, increased from USD129 million to USD170 million.

Brazilian furniture exports rise despite strong Real

MIC/SECEx/MDIC/CGI Moveleiro indicated that Brazilian furniture exports had grown continually despite the appreciation of the Brazilian Real in relation to the US dollar. According to the Ministry of Development, Industry and Foreign Trade, exports of furniture increased 6.6% by value from January to November 2007. Exports increased 0.26% in November 2007 compared to exports in November 2006.

Exports to the US, accounting for 25% of Brazil's exports in November 2007, have continued to decrease. Between January and November 2007, exports to the US dropped 21% compared to the same period in 2006. Exports to the EU kept growing, with a 10.6% increase compared to 2006. Exports to the UK also grew 5.2% in 2007 compared to 2006 and received 14% of Brazil's exports.

Rio Grande do Sul, the second biggest exporting state, exported USD260 million in value from January to November 2007, a 7.8% surge compared to the same period in 2006. Santa Catarina, the largest exporting state, showed a small 0.3% rise in the same period.

Phaunos to develop teak and eucalypt plantations in Brazil

TTJ reported that the Phaunos Timber Fund will be developing teak and eucalypt plantations in Brazil. The firm has dedicated USD150 million in the deal with Nemus, a Brazilian firm, to develop Nemus's FSC certified eucalypt and teak plantations. Phaunos has also purchased about 4,000 ha in Uruguay to grow short rotation eucalypts.

Brazil Log Prices (domestic)

Brazilian logs, mill yard, domestic	US\$ per m ³
Ipê	137▲
Jatoba	97▲
Guariuba	65▲
Mescla (white virola)	72▲

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)	Ipê 633▲
	Jatoba 484▲
Southern Mills (ex-mill)	Eucalyptus (AD) 195▲
	Pine (KD) 1st grade 257▲

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 (ex-mill Northern Mill)	US\$ per m ³
White Virola	Face 257▲ Core 215▲

Brazil Plywood Prices

Plywood, FOB	US\$ per m ³
White Virola (US Market)	
5.2mm OV2 (MR)	460▲
15mm BB/CC (MR)	398▲
White Virola (Caribbean market)	
4mm BB/CC (MR)	507▲
12mm BB/CC (MR)	407▲

Pine Plywood EU market, FOB	US\$ per m ³
9mm C/CC (WBP)	306▼
15mm C/CC (WBP)	275▼
18mm C/CC (WBP)	277▼

Plywood, domestic (ex-mill Southern mill)	US\$ per m ³
Grade MR (B/BB)	White Virola 4mm 877▲
	White Virola 15mm 641▲

Domestic prices include taxes and may be subject to discounts.

Other Brazil Panel Prices

Belem/Paranagua Ports, FOB	US\$ per m ³
Blockboard Pine 18mm 5 ply (B/C)	315
<i>Domestic Prices, Ex-mill Southern Region</i>	
Blockboard White Virola faced 15mm	572↑
Particleboard 15mm	360↑

Brazil Added Value Products

FOB Belem/Paranagua Ports	US\$ per m ³
Edge Glued Pine Panel	
Korean market (1st Grade)	651
US Market	503↑
Decking Boards	603↑
Cambara	
Ipê	1670↓

Report from Peru

Analysts expect Peru's New Sol to hold below S/3.00

Based on reports from analysts in major banks, it is expected that Peru's New Sol will not be higher than S/3.00 to USD1.00 in 2008. Analysts also do not rule out a fall in Latin American currencies due to the persistent pressure of overseas markets. The highest risk to the currency is the possible recession in the US and the slowing of the global economy.

Free Trade Treaty aims to protect Peru's environment

The implementation of the Free Trade Treaty (FTT) between Peru and the US, signed on 14 December 2007, aspires to improve commercial and environmental standards to achieve sustainable environmental growth. In accordance with the FTT, exportable supply of goods must fulfil the demands of the markets in terms of the quality of the product, sustainable production, fair labor and an adequate legal framework for environmental protection. This will stimulate the introduction, application and control of better environmental practices. The lead FTT negotiator for Peru, Pablo De la Flor, commented that the FTT is a tool that will contribute to the promotion of the environment and encourage investment in environmental activities. De la Flor also noted that Peru has signed numerous international environmental agreements, such as the UN Convention on Biological Diversity and the Kyoto Protocol under the UN Framework Convention on Climate Change.

Peru records marginal rise in wood product exports

Peru's wood products exports from January to October 2007 reached USD147.0 million, increasing 1.46% compared to the same period in 2006. Furniture and components showed the most growth during January to October 2007, rising 20.4%. Parquet and plywood rose 15.13% during the same period and manufactured products rose 11.97%. Those products decreasing in value were sawnwood (4.71%), structural timber (4.8%) and woodsheets, plaques and veneer (92%). Sawnwood was still the main item exported, representing 51.13% of the total share of exports and USD89 million in value. Semi-manufactured products held 25.87% of the sector share in the same period and generated USD45 million in value. Furniture and components generated USD14.7 million in the period from January to October 2007, while exports for the same period in 2006 were USD12.2 million, resulting in a gain of 20.4% compared to 2006 exports. The value of wood sheets and plywood was USD18.7 million in January to October 2007.

As in the last three years, the three main destination markets for exports of Peruvian wood products were the US, Mexico and China. Exports to the US fell 17.8% compared to the same period in 2006 and US share of Peru's wood exports dropped 40.64% in 2006 to 32.93% in 2007. Mexico, the second largest destination of Peru wood products, increased its imports by 26.6% and held 31% of Peru's exports. Exports to China, the third largest importer of Peru's wood products exports, dropped 5.64% and held a market share of 19.5%.

Peru Sawnwood Prices

Peru Sawnwood, FOB Callao Port	US\$ per m ³
Mahogany S&B KD 16%, 1-2" random lengths (US market)	1850-1881↓
Spanish Cedar KD select	
North American market	948-1000↓
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	940-981↓
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	280-334
Grade 2, Mexican market	255-265↑
Grade 3, Mexican market	153-176
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	248-258↑

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 (Iquitos mills)	US\$ per m ³
122 x 244 x 4mm	426
122 x 244 x 6mm	397
122 x 244 x 8mm	403
122 x 244 x 12mm	398
(Pucallpa mills)	
122 x 244 x 4mm	450
122 x 244 x 6mm	439
122 x 244 x 8mm	427
122 x 244 x 12mm	419

Other Peru Panel Prices

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

Peru Added Value Product Prices

Peru, strips for parquet	US\$ per m ³
Cabreuva/estoraque KD12% S4S, Asian market	1445-1500
Cumaru KD, S4S Swedish market	650-695
Asian market	890-930
Cumaru decking, AD, S4S E4S, US market	930-950
Pumaquiro KD # 1, C&B, Mexican market	492-534▲
Quinilla KD, S4S 2x10x62cm, Asian market	590-620
2x13x75cm, Asian market	700-730

Report from Bolivia

Bolivia Sawwood 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

Marginal rise in forest products exports value despite lower volume

In 2007, the export of forest products from Guyana increased by 3%, or approximately USD2 million when compared to 2006. Total value of exports for 2007 was USD61.5 million. This is despite of a 33,500 m³, or 18%, decrease in the volume of logs exported. Sawn timber, round logs and plywood accounted for the bulk of the products exported. Other important products included garden furniture, shingles and doors.

Table 1: Guyana forest products exports, 2007

Product	Volume	Unit	Total Value, USD	% of Value
Sawn Timber	43,859.73	m ³	21,862,298	36
Hardwood logs	157,097.26	m ³	20,847,245	34
Plywood	24,314.44	m ³	8,877,001	14
Outdoor/Garden Furniture	37,459.00	pieces	2,962,176	5
Round timber piles	12,189.19	m ³	2,462,835	4
Shingles	3,065.39	m ³	1,723,944	3
Doors	8,715	pieces	968,597	2
Indoor Furniture	6,065.00	pieces	523,627	1
Others			1,247,394	2
Total			61,475,117	100

Guyana Log Prices

Logs, FOB Georgetown	SQ - \$ Avg unit value per m ³
	Std Fair Small
Greenheart	105-145 145 100-110
Purpleheart	155-170 160 110-145
Mora	- - 100

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

Guyana Sawwood Prices

Sawnwood, FOB Georgetown	\$ Avg unit val. per m ³
EU and US markets	Undressed Dressed
Greenheart Prime	466-795 445-848
Select/Standard	466 424-784
Purpleheart Prime	- 466-784
Select/Standard	- 530-600
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 -

Report from Japan

Sumitomo Forestry expands log distribution capability

Japan Lumber Reports indicated that Sumitomo Forestry Timberland Management Company's Kyushu office will now have greater domestic log distribution capabilities. By adding a new log yard, the office will now be able to hold a volume of 110,000 m³ in 2008. It will also be able to handle an increased amount of Sustainable Green Ecosystem Council Forest Certification logs, which it gathers and sells to makers and builders.

The office also intends to change its sorting and decking system as a result of the new log yard. It will help stabilize supply of logs to large mills and increase recovery for KD lumber manufacturers.

Plywood market shows no sign of rebound

At the end of 2007, the Japanese plywood market reached price lows, according to *Japan Lumber Reports*. Additionally, the market did not seem to be rebounding in early January due to weak demand and a reflection of the low stability of housing starts. As a result, South East Asian countries were not able to obtain higher prices from Japan for exports.

The *Japan Lumber Journal* also noted that plywood imports had decreased in October 2007, continuing a five month trend in 2007. Malaysia was the major exporter to Japan (178,000 m³), while Indonesia's shipments to Japan decreased by nearly half from the previous month (reaching a total of 86,000 m³). China's plywood exports to Japan also fell for the third consecutive month by 10.7% (to 56,000 m³).

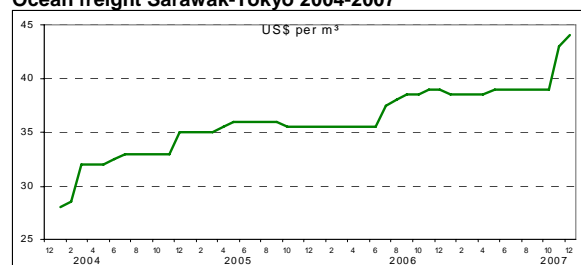
Log and Sawwood Prices in Japan

Logs for Ply Manufacture, CIF Meranti (Hill, Sarawak)	Yen per Koku (Koku=0.278 m ³)
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 m ³
White Seraya (Sabah) 24x150mm, 4m, Grade 1	150,000
Mixed Seraya, Sangi 24x48mm, 1.8-4m, S2S	52,000↓

Wholesale Prices (Tokyo)

Indonesian & Malaysian Plywood	Size (mm)	Nov (¥ per sheet)	Dec
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 2004-2007



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

Report from China

China sees rapid development of bamboo and rattan industries

China currently has more than five hundred species and a forest area of 4.84 million hectares of bamboo forest area, accounting for one-fifth of the world's total area of bamboo. In recent years, the bamboo and rattan industry has developed rapidly and an integrated industrial system combining resource cultivation, processing of products, research and development and international trade has been gradually formed. Bamboo and rattan are used in various housing components. Statistics show that the output value of bamboo and rattan in China was RMB66 billion yuan in 2006, with export value being USD1.1 billion. The total volume of bamboo flooring and bamboo plywood was 6.12 million m² and 6.27 million m² respectively in the same year.

Wooden furniture trade grows 10.5% in the first three quarters of 2007

According to data from the China Customs Agency, imports and exports of wooden furniture achieved sound

results in the first three quarters of 2007. The total export volume of wooden furniture was 139.28 million pieces during this period, up 10.5% over the same period last year. Total export value was USD4.78 billion, up 15.5% over 2006 and rising 4.51% over the same period last year. Among the total exported wooden furniture, kitchen furniture amounted to 13.08 million pieces, up 28.1% over the same period last year. The total import volume was 1.41 million pieces during the first three quarters of 2007, up 82.5% over the same period of last year, while the import value reached USD110.19 million, up 62.9% over the last year. The average unit price was USD78.25 per piece, down 10.8% from the same period of last year.

During the same period, China imported 35,000 pieces of rosewood furniture, up 151.8% over the same period last year. The import value during the first three quarters of 2007 was USD6.13 million, up 206.8% over the same period last year and the unit price of the imported furniture was USD175.00 per piece, 21.8% higher compared to the same period in 2006. In 2006, 96.2 thousand pieces of rosewood furniture were exported, 17.4% lower from the same period in 2006. The exported value decreased by 6.7% to USD9.07 million but the average unit price was USD98.26, up 12.96% from 2006.

It is likely that the situation had been brought about by the reduced tax refund rate (where the State readjusted tax refunds down 2% twice between the end of 2006 and June 2007), causing the slowing of exports; the marginal difference of unit price between imports and exports; zero taxes levied on imported wooden furniture, since the government encouraged importation of resources; and the policy that prohibits exports of rosewood manufactured with domestic resources.

China's wooden door exports expand at a lower rate

According to *China Wood Monthly*, China's exports of wooden doors has grown rapidly at the speed of over 30% annual both in volume and value since 2003. However, the rate of growth has slowed in 2007. According to statistics from customs officials, the export volume of wooden doors reached 284.8 thousand tons and export value was USD465 million, up only 9.59% and 15.39% over the same period in 2006, respectively. On the other hand, exports greatly exceeded imports, presenting a favorable balance of trade. The average unit value of exported wooden doors was considerably less than that of imports, with the price difference per ton being over USD700.

Timber imports through Erlianhot continue to increase steadily

Since early 2007, imports of timber in Erlianhot Port of Inner Mongolia Autonomous Region have increased considerably, reported *China Wood Monthly*. The growth rate of imports by volume reached 2.89 million m³ and USD317.79 million in value, up 13.8% and 33.8% over the same period of 2006 respectively. Of the total timber imports, the import of logs by volume was 2.57 million m³ and valued at USD272.34 million, up 11.2% and 31.1% over the same period of 2006 respectively. Lumber imports by volume increased 318,000 m³ and worth

USD45.45 million, up 40.5% and 52.2% over the same period of 2006.

Exports of Chinese furniture reach US\$17 billion in 2007

According to Mr. Chen Guoguang, Vice Director of the Chinese Furniture Association, the total export value of furniture in China reached USD17 billion during the period of January to October 2007 and was expected to exceed USD20 billion by the end of 2007. Five manufacturing areas for furniture have now been formed in the northeast, north, east, south and west of China. The export-oriented enterprises are concentrated along the coast of eastern China and the enterprises in the western part are mainly serving the domestic markets. A large proportion of furniture production and export comes from the south (mainly Guangdong Province) and the east (mainly Zhejiang and Jiangsu provinces).

Guangzhou City Imported Timber Market

Logs	Yuan per m ³
Radiata 6m, 30cm diam.	1300
Luan	2200-2400
Kapur	1900-2500▲
Merbau 6m, 60cm diam.	5300-5700▲
Keruing 60cm+ diam.	1900-2300
Beech 6m, 30cm veneer Qual.	3300-3600
Sawnwood	
Teak sawn grade A	7400-8800↓
US Maple 2" KD	8800-12500↓
US Cherry 2"	14800-15000▲
US Walnut 2"	12500-15400▲
SE Asian Sawn 4m+, KD	3700-3900↓
Plywood	Yuan per sheet
4x8x3mm	20-34
4x8x18mm	149-188

Shanghai Furen Wholesale Market

Sawnwood	Yuan per m ³
Beech KD Grade AB	2500-3200
US Cherry, 25mm	10500-11000
US Red Oak, 50mm	9800-10500
Sapele 50mm FAS (Congo)	AD 8200-9000▲
	KD 7500-7800

Shandong De Zhou Timber market

Logs	Yuan per m ³
Larch 6m, 24-28cm diam.	1220↓
White Pine 6m, 24-28cm diam.	1280↓
Korean Pine 4m, 30cm diam.	1500
6m, 30cm diam.	1550

Hebei Shijiazhuang Wholesale Market

Logs	Yuan per m ³
Korean Pine 4m, 38cm+ diam	1750▲
Mongolian Scots Pine 4m, 30cm diam.	1350
6m, 30cm+ diam.	1450↓
Sawnwood	
Mongolian Scots Pine 4m, 5-6cm thick	1600↓
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

EU unlikely to expand Chinese plywood duties to UK

TTJ reported that the European Commission had published a letter indicating anti-dumping duties on Chinese plywood were not likely to be extended to other Chinese plywood products with non-okoume faced veneers. The European Federation of the Plywood Industry (FEIC) proposed that duties applied to okoume-faced poplar plywood should also be applied to bintangor, red canarium, kedondong and other face veneers. The EC was considering a final decision on the case. However, the Timber Trade Federation in the UK welcomed the EC's initial announcement, saying that the clarification would help buyers to place new orders and expected orders to be on the rise.

Particleboard capacity largest in EU15

Wood Based Panels International analyzed the growth of the particleboard industry until 2009, concluding that the EU15 will continue to be the single largest region producing particleboard. Based on the information gathered, areas outside Europe and North America grew 8.9% in 2006, holding a capacity of 2.1 million m³. However, the overall capacity of mills and operating lines in the EU15 were larger and in 2006 had a capacity of over 31.6 million m³ while non-EU countries had 16.2 million m³. However, non-EU countries and regions other than Europe and North America were determined as the primary engines for growth by 2009, and it is anticipated that these regions will add nearly 10.5 million m³ in new capacity by 2009.

Norway pledges USD100 million to tropical rainforests

The National/Pacnews has indicated that tropical rainforest countries will receive USD100 million from Norway for environment and conservation programmes. The funding would primarily be dedicated to education and forest conservation activities. PNG has already requested Norway to dedicate some of the funding to its projects focused on capacity building, technology transfer, education, reforestation, data collection and other pilot projects.

Report from the UK

Manufacturers likely to raise prices in Q1

The Confederation of British Industry has surveyed over 557 companies to determine first quarter prospects for the UK economy, according to *TTJ*. The survey showed that output would grow modestly in the first quarter of 2008 and demand was likely to weaken. Additionally, it was reported that manufacturers would raise prices in the first quarter of 2008 due to higher energy and commodity costs. The trend points to a slowdown in the UK economy.

Latham's sales rise to 21%

Despite the less than positive year for the timber trade in 2007, *TTJ* reports that James Latham Group has gained a 21% jump in sales. From April to September 2007, the company's pre-tax profits rose 56% to GBP4.5 million in comparison to the same period in the previous year. Peter Latham, chairman of the Latham Group, noted that merchant demand had slowed but demand from other consumer groups had grown.

UK researcher claims deforestation data flawed

BBC News and Mongabay.com have reported on the work of a Leeds-based researcher, Dr. Alan Grainger, who has pointed to flaws in UN data on tropical deforestation. Dr. Grainger analyzed data from the UN Food and Agriculture Organization's (FAO) Forest Resource Assessments (FRA) to determine trends in tropical deforestation. Grainger could not point to clear trends in deforestation, saying that deforestation was clearly occurring but there was no net decline in tropical forest cover. He noted that the consistency between the FRAs was low and each assessment revised previous FRA data, leading to difficulty in determining medium and long term trends. The FAO acknowledged the difficulty of collecting data on and from tropical countries, but noted that the next FAO survey would use current and historical satellite data and improve data consistency between countries. Dr. Grainger said that actions should be taken to further improve data collection and advocated for establishing a Wood Forest Observatory to provide more accurate measurements of tropical forest cover.

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

Burmese timber legislation may be redundant

The International Wood Products Association (IWPA) recently said the U.S. Senate passed an amendment before the holiday break to ban imports of Burmese timber and gemstones. The amendment replaces a previous House resolution that did not include teak. However, IWPA noted that the recent Lacey Act amendment compromise proposed by Senator Wyden already addresses timber from Burma, thus making the additional measure on Burmese timber unnecessary.

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	Sept
<u>By species (all countries)</u>		
Meranti	11.5	12.2↑
Non-meranti	1.3	1.3
<u>By country (all tropical species)</u>		
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
<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.

Fiji and PNG will, over the course of the next 15 years, eliminate tariffs on over 80 % of imports by value, with some farm, forestry and industrial products exempt from liberalization. The plans are part of new economic partnership agreements signed with the EU on 29 November.

<http://www.ictsd.org/weekly/07-12-05/inbrief.htm>

Australia's services sector last month had its strongest growth in more than four years, showing confident consumer and business spending despite November's official interest rate hike, data show. The data reinforced concerns over inflationary pressures building in a red-hot economy and showed the increasing toll in the financial services sector from the global liquidity shortage.

<http://www.news.com.au/heraldsun/story/0,21985,230077,23-664,00.html>

China began building a railway linking China's two economic zones, the Xiamen Economic Zone in Fujian Province and Shenzhen Economic Zone in Guangdong Province. The railway starts from Xiamen, a port city facing Taiwan, and runs 502.4 kilometers southwest along the coast to Shenzhen, a booming city bordering Hong Kong.

http://news.xinhuanet.com/english/2008-01/06/content_7373953.htm

China's property market has chilled, just like the weather in many cities across the country. In Beijing and Shanghai, property transaction has dropped for three consecutive months as of December, some by as much as 20 to 30 percent.

<http://www.cctv.com/program/bizchina/20080106/101062.shtml>

Despite predicted robust growth in 2008, the risks for the Asia-Pacific economies are "tilted to the downside" as they await an "unraveling of the United States sub-prime mortgage problem and a slowing U.S. economy". So far the economies have been "undaunted" despite global uncertainties but need to tread carefully amid signs of financial market volatility in the coming months.

<http://www.stockhouse.ca/MediaScan/news.asp?newsid=9919316>

The Japanese government has selected 41 priority countries for assistance under its "financial mechanism" on climate change for developing countries in a bid to take a lead in the battle against global warming, government sources said.

<http://www.japantoday.com/jp/news/424324>

Higher petrol prices and the flow-on effects of union wage demands could push up home building costs, Australian housing industry economists say.

<http://www.news.com.au/business/story/0,23636,2300617,8-462,00.html>

Humans can now officially be called an urban species. More than half of the global population now live in cities and the United Nations says that by 2030, 60 percent of us will live in them. Yet according to U.N. Habitat, the world's cities emit almost 80 percent of global carbon dioxide as well as "significant amounts of other greenhouse gases."

<http://edition.cnn.com/2007/TECH/12/31/eco.cities/index.html>

OPEC, the producer of more than 40 percent of the world's oil, is supplying the international market with enough crude and can't be blamed for record prices, the group's new president, Chakib Khelil, said.

<http://www.bloomberg.com/apps/news?pid=20601086&sid=awRI2S4bMVOE&refer=news>

Some 700,000 board feet of illegal wood was seized by authorities in the Philippines between 2002-2007, according to media reports in the country.

<http://www.ttjonline.com/story.asp?sectioncode=17&storycode=53798&c=1>

Sierra Leone has re-imposed a timber export ban because of what it says is indiscriminate plundering of forests by Chinese and other foreign companies.

<http://news.bbc.co.uk/go/pr/fr/-/2/hi/africa/7189204.stm>

The South African property market is rapidly cooling after more than five years of double-digit house price increases, and political uncertainty could dampen things further, says an international review.

http://www.iol.co.za/index.php?set_id=1&click_id=594&art_id=vn20080106081542528C230019

Three new species of salamander have been discovered in a remote forest reserve in Costa Rica. They were among some 5,000 plants and animals recorded by scientists from London's Natural History Museum during three expeditions to Central America.

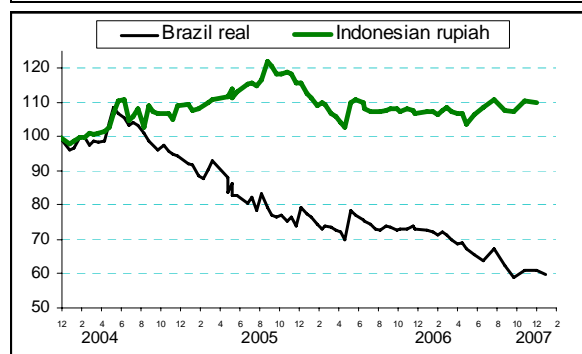
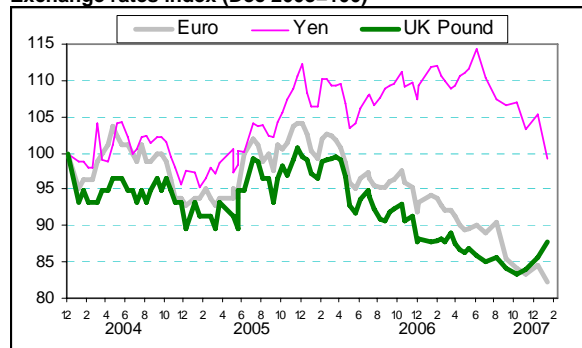
<http://news.bbc.co.uk/2/hi/science/nature/7170205.stm>

Main US Dollar Exchange Rates

As of 15 Dec 2007

Brazil	Real	1.753	↓
CFA countries	CFA Franc	442.377	↓
China	Yuan	7.242	↓
EU	Euro	0.6744	↓
Indonesia	Rupiah	9,434.00	↑
Japan	Yen	106.83	↓
Malaysia	Ringgit	3.2573	↓
Peru	New Sol	2.9308	↓
UK	Pound	0.5089	↑

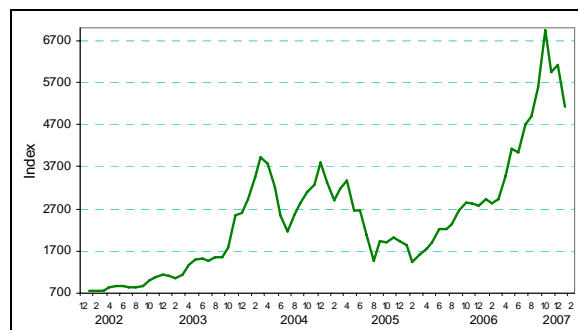
Exchange rates index (Dec 2003=100)



Abbreviations and Equivalences

LM	Loyale Merchant, a grade of log parcel
QS	Qualite Supérieure
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
GSP	Guiding Selling Price
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

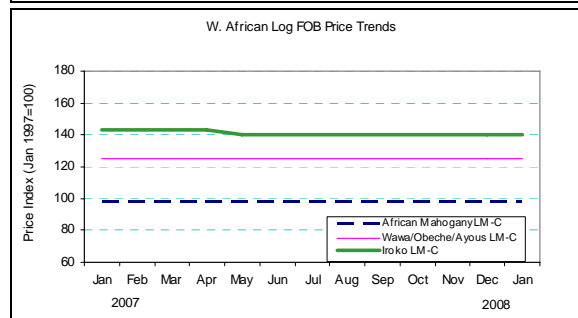
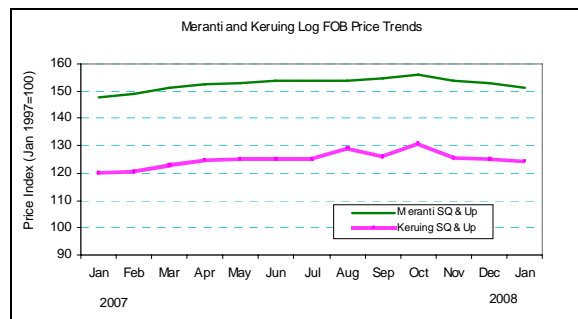
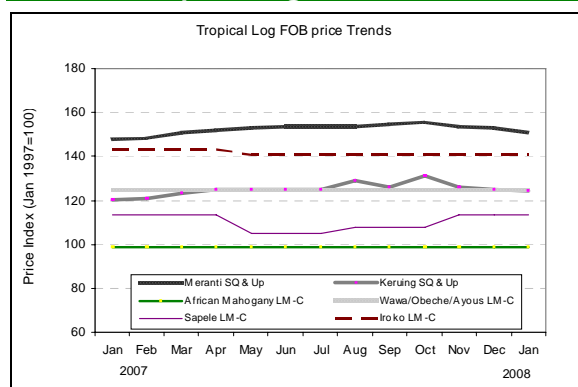
Ocean Freight Index



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.

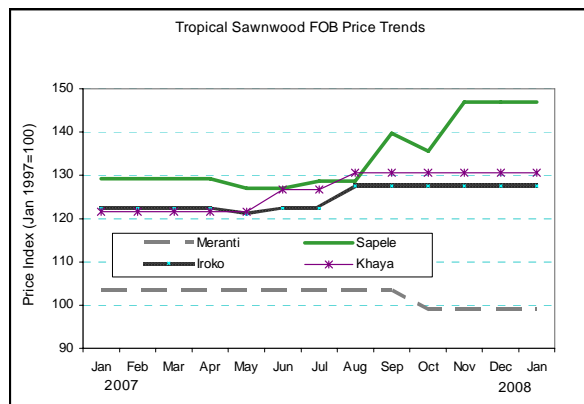
Appendix. Tropical Timber Price Trends

Tropical Log Price Trends



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

Tropical Sawnwood Price Trends



Tropical Plywood Price Trends

