

Tropical Timber Market Report since 1990

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Snapshot

Markets in South East Asia were quiet as the annual Chinese Lunar New Year celebrations took place. Log and sawn timber prices remained unchanged in West Africa, although some exporters feared the timber trade would be impacted by a full-fledged economic downturn. Despite the current uncertain economic outlook, Myanmar and PNG's timber markets showed resilience over the past year.

On the other hand, Latin American markets exhibited less resiliency, since Brazil's furniture sector and Peru's 2007 exports showed weaker results as a result of the falling US dollar. However, Brazil's 2008 outlook for the furniture sector was more upbeat. Similarly, importing countries such as Japan were also positive about the timber sector's prospects for 2008 and expected import trends to reverse with the recovery of housing starts.

China continued its stronghold in the global timber trade during 2007. However, shifting supplier preferences and increasing competition from other Asian nations may weaken the future dominance of China in the world timber market.

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Report from Central/West Africa

West Africa prices unchanged despite market concerns

No changes were reported for West African log export prices, which have now held steady over the past few weeks. China and India continue as the major buyers and apart from a few relatively minor recent adjustments due to demand pressures, prices for the main species have remained remarkably steady over recent months. Despite the rather gloomy forecasts for the US and European economies, the timber trade has not so far discerned any major effects, though West African exporters are expressing some concern that sawn lumber prices may be vulnerable should signs of real economic downturn begin to impact construction and associated trades through the second quarter. Log prices are more likely to remain steady as supply is curtailed through the full implementation of the quota system in Gabon. The latest reports are that the quota is now in place and producers and exporters are subject to the quotas being finalized.

The quota system in Congo Brazzaville has been in force for some months and affected the total supply available for export from the region. Equatorial Guinea recently announced a total ban on log exports from its much depleted forest resources. However, there are reports that logs are still being exported. It is not yet clear whether this is only the completion of existing contracts or if the ban is being flouted.

For sawn lumber, prices are also unchanged. Exporters nervous over competition from lower priced Malaysian meranti have not seen their fears realized and demand from Europe for the favorite species is within the normal range for the winter season. Sapele supply is still very much tighter than in the past because of the lower availability in recent months from Central African Republic, while sipo is in normal high demand, especially from German buyers.

House sales in the UK have slowed but the overall shortfall in the number of new houses being constructed is to be addressed by government plans for up to 3 million new houses to be built, some on controversial Greenfield sites over the next few years. Though this would benefit mainly the suppliers of structural softwoods, there would be demand for new furniture and fittings in hardwoods, including the fashionable solid wood flooring. There are some signs that the hardwood flooring market in the UK has slowed recently, with stronger competition forcing prices lower. This far down the product line it could be quite some time before any major effect was felt in the West African supply countries.

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 Sawnwood Prices

West Africa sawnwood, FOB		€ per m ³
Ayous	FAS GMS	396
	Fixed sizes	427
Okoumé	FAS GMS	375
	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	620
	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 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		
Afromosia	855	-
Asanfina	480	560
Ceiba	205	260
Dahoma	310↓	385↓
Edinam (mixed redwood)	390	450
Emeri	430↑	460↑
African mahogany (Ivorenensis)	580	670↑
Makore	510	620↑
Niangon	490↓	-
Odum	650	740↑
Sapele	540↑	575
Wawa 1C & Select	255	280

Ghana sawwood, 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
Afromosia	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	€ per m ³			
	Redwoods		Light Woods	
B/BB, Thickness	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/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
Afromosia	13.25	15.70	17.82

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

Report from Malaysia

Prices steady as market lulls during Chinese New Year

Prices of Malaysian timber products steadied as the market closed for the annual Chinese Lunar New Year. Exporters continued to be optimistic about price stabilization in the near future as the next general election would take place early next month. However, experts in Asian markets expressed concern over stock prices on Wall Street and were of the opinion that the US may indeed be heading toward a recession.

In addition, Weyerhaeuser Co., the largest US lumber producer, chalked up a fourth quarter loss of USD63 million after shutting down lumber mills and slashing output as a slump in residential real estate deepened. This adds fuel to the fire that the US market for Malaysian timber products such as wooden furniture may be in serious trouble.

Malaysia Log Prices

Sarawak log, FOB	US\$ per m ³
Meranti SQ up	295-315
Small	270-292
Super small	256-266
Keruing SQ up	269-280
Small	232-262
Super small	223-232
Kapur SQ up	243-260
Selangan Batu SQ up	268-294

Pen. Malaysia logs, domestic (SQ) US\$ per m ³	
DR Meranti	350-392
Balau	285-315
Merbau	413-435
Rubberwood	233-251
Keruing	278-294

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

Malaysia Sawwood Prices

Malaysia Sawwood, FOB	US\$ per m ³
White Meranti A & up	428-451
Seraya Scantlings (75x125 KD)	708-747↓
Sepetir Boards	321-333
Sesendok 25,50mm	444-474
Kembang Semangkok	426-442

Malaysian Sawwood, domestic	US\$ per m ³
Balau (25&50mm, 100mm+)	343-363
Merbau	560-580↓
Kempas 50mmx(75, 100 & 125mm)	286-302
Rubberwood 25x75x660mm up	277-305↓
50-75mm Sq.	299-323
>75mm Sq.	315-345

Malaysia Plywood Prices

Malaysia ply MR BB/CC, FOB	US\$ per m ³
2.7mm	478-504
3mm	455-480
9mm & up	410-433

Meranti ply BB/CC, domestic	US\$ per m ³
3mm	454-464
12-18mm	390-398

Other Malaysia Panel Prices

		US\$ per m ³
Malaysia, Other Panels, FOB		
<i>Particleboard</i>	Export 12mm & up	225-243
	Domestic 12mm & up	212-229
<i>MDF</i>	Export 15-19mm	293-318
	Domestic 12-18mm	266-287

Malaysia Added Value Product Prices

		US\$ per m ³
Malaysia, Mouldings, FOB		
Selagan Batu Decking		680-697↓
Red Meranti Mouldings 11x68/92mm x 7ft up		
Grade A		719-738↓
Grade B		630-648↓

Malaysia Furniture and Parts Prices

		US\$ per piece
Malaysia, Rubberwood, FOB		
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		
22x760x1220mm sanded & edge profiled		
Top Grade		616-626
Standard		583-601

Report from Indonesia

Indonesia lowers economic growth forecast

According to various news sources, the Indonesian government has lowered the country's projected economic growth for 2008. In 2007, the government suggested that the economic growth rate may be as high as 6.8%, although figures are now expected to be in the range of 6.4-6.7%. The expectations were revised amid soaring global prices for crude oil and staple food commodities. The Indonesian Finance Minister Sri Mulyani Indrawati said inflationary pressure due to global commodity price increases would have an impact on the country's macroeconomic situation. Additionally, Indonesian plywood manufacturers are watching the Japanese market closely as the latest data showed a continual drop in the Japanese market for imported plywood.

Indonesia Log Prices (domestic)

		US\$ per m ³
Indonesia logs, domestic prices		
Plywood logs		
Face Logs		233-273
Core logs		175-205
Sawlogs (Meranti)		230-270
Falcata logs		176-192
Rubberwood		210-233
Pine		204-229
Mahoni (plantation mahogany)		604-653↓

Indonesia Sawnwood Prices

		US\$ per m ³
Indonesia, construction material, domestic		
Kampar (Ex-mill)		
AD 3x12-15x400cm		244-253
KD		327-340
AD 3x20x400cm		348-369
KD		370-382
Keruing (Ex-mill)		
AD 3x12-15x400cm		280-290
AD 2x20x400cm		269-279
AD 3x30x400cm		275-284

Indonesia Plywood Prices

		US\$ per m ³
Indonesia ply MR BB/CC, FOB		
2.7mm		470-500
3mm		412-471
6mm		389-411

		US\$ per m ³
MR Plywood (Jakarta), domestic		
9mm		327-340
12mm		302-324
15mm		300-331

Other Indonesia Panel Prices

		US\$ per m ³
Indonesia, Other Panels, FOB		
<i>Particleboard</i>	Export 9-18mm	234-244
	Domestic 9mm	197-215
	12-15mm	185-200
	18mm	181-187
<i>MDF</i>	Export 12-18mm	308-320
	Domestic 12-18mm	250-272

Indonesia Added Value Product Prices

		US\$ per m ³
Indonesia, Mouldings, FOB		
Laminated Boards Falcata wood		
Red Meranti Mouldings 11x68/92mm x 7ft up		
Grade A		674-698↓
Grade B		596-637↓

Report from Myanmar

Myanmar timber prices reflect market's resiliency

Current export demand for teak is reported to be good. However, prices for sawn quality log grades (SG4, SG5, SG6 and SG7) have been going down steadily. A marked drop can be seen in the SG4 and SG6 grades starting in September 2007, with SG7 showing similar strains. SG4 logs serve a dual purpose: the first is to produce higher quality sawn timber such as boards and planks, and the second is for cutting veneer flitches. Veneer sheets are then produced from the flitches and used as overlay on other species of timber.

Some analysts presume that difficulties and the extra costs associated with shipping sawn teak to Europe may be instrumental in bringing down log prices. One experienced trader said it would be difficult to ascertain where prices are headed. Although prices have been on an upward trend since the mid-1990s, erratic trends in prices are often seen. Nevertheless, the market has shown resiliency over the last decade and demand for timber continues to be steady.

Table 1: Myanmar log prices, June 2007 – January 2008

Grade	Jun 07	Jul 07	Aug 07	Sep 07	Oct 07	Nov 07	Dec 07	Jan 08
G4	1,512*	2,237	2,129	2,282	2,197	2,148	2,217	1,931
G5	1,352	1,515	1,655	1,839	1,754	1,725	1,636	1,629
G6	1,069	1,223	1,374	1,519	1,567	1,382	1,215	1,395
G7	809	951	1,086	1,064	1,139	1,045	1,008	1,018

* All prices are in EUR

Myanmar Log Prices (natural forests)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)		
	Dec	Jan	6 mo. Avg
<i>Veneer Quality</i>			
2nd Quality	5,287 (5 tons)	5,555 (5 tons)	5,296
3rd Quality	5,301 (6 tons)	5,001 (6 tons)	4,936
4th Quality	4,423 (36 tons)	4,538 (31 tons)	4,211
<i>Sawing Quality</i>			
Grade 1 (SG-1)	2,688 (392 tons)	2,614 (364 tons)	2,711
Grade 2 (SG-2)	2,198 (511 tons)	2,163 (588 tons)	2,329
Grade 3 (SG-3)	1,527 (56 tons)	1,961 (13 tons)	1,810
Grade 4 (SG-4)	2,127 (401 tons)	1,931 (371 tons)	2,136
Grade 5 (SG-5)	1,636 (435 tons)	1,629 (475 tons)	1,706
Grade 6 (SG-6)	1,215 (426 tons)	1,395 (547 tons)	1,409
Grade 7 (ER-1)	1,008 (330 tons)	1,018 (306 tons)	1,060
Grade 8 (ER-2)	1,168 (32 tons)	1,239 (13 tons)	1,124

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	--
Gurjan (keruing)	--
Tamalan	2426 (51 tons)
Taungthayet	152 (108 tons)

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

Report from Papua New Guinea

PNG forest economist highlights export successes in 2007

A forest economist from the PNG Forest Authority recently issued a report analyzing key export trends in PNG log exports for 2007. Included in the analysis were the following main points: the volume of log exports in 2007 increased by 7.5% (or 196,800 m³) compared to 2006; the value of log exports was 20% higher than in 2006 and amounted to USD203.9 million in 2007; the log export tax benefit to the government was lower by 7.7% compared to 2006 but still at record levels compared to those achieved prior to 2006; and a new log export development levy, implemented in November 2007, was instituted at PNG K21.7 million.

The key reasons for the increased exports were the commencement of new logging projects under Forest Management Agreements and the reactivation of old non-operational projects. The value of logs had risen due to higher prices charged for logs, which increased in value by 11.4% from the previous year's levels. The higher prices were a result of higher demand for raw materials from fast growing East Asian economies such as China and India. Although the report mainly presented positive trends for 2007, it noted that the supply of timber from natural tropical forest will continue to be an issue due to international pressure to curb natural forest logging, forest law enforcement and governance, forest certification requirements and diminishing natural forest resources.

Log Prices (average unit values)

Saw/veneer log grade	\$ Avg unit value FOB per m ³	
	Jan	Feb
Malas	67	65↓
Calophyllum (bintangor)	90	83↓
Taun	73	84↑
Terminalia	68	68
Pencil Cedar	90	90
PNG Mersawa	90	94↑
Red Canarium	67	68↑
Erima	63	64↑
Dillenia	69	70↑
Burckella	66	70↑
Kwila/Merbau	175	155↓

Plantation kamarere logs	\$ Avg unit val. FOB per m ³	
	Jan	Feb
Diameter 60+cm (Vietnam market)	60	-

Report from Brazil

Members of timber sector fear stagnation in the markets

Só Notícias has reported that timber companies in Northern Brazil are anxiously waiting for the government to enact measures to halt deforestation in the Amazon. There are currently 100 mills operating in the Alta Floresta region, a major logging cluster in the Amazon, and are among those responsible for the Amazon's deforestation over the last five years. According to the Timber Company Union of the Far North (SIMENORTE), the sector awaits new regulations and sector members fear stagnation. Although cattle ranching and agricultural activities are the major causes of deforestation, sector representatives also suggest that if the new rules were to include prohibition of forest management plans, the sector's prospects would worsen.

In late January 2008, the Ministry of Environment started a survey of legal reserves and permanent preservation areas of properties in 36 municipalities with the largest deforestation rates in Brazil. Alta Floresta and another nine municipalities of the state of Mato Grosso are on the list. The federal government has prohibited the opening of new logging areas in 19 municipalities of Mato Grosso, and announced the inspection of these areas will intensify after mid-February, with 800 federal policemen to be sent to the region. Some municipalities, such as Alta Floresta, have not agreed with their inclusion in the list and officials from the municipalities have denied any knowledge about deforestation in their regions.

Outlook positive for furniture sector in 2008

Portal Moveleiro reported that the Brazilian furniture sector faced difficulties in 2007 due to changes in financial markets. Exports suffered because of the weakening US dollar, reorienting sales to the domestic market. Projections for the furniture sector for 2008 suggest low inflation and a continuous decline of the prime interest rate. According to the Sao Paulo Industry Federation (FIESP), it is expected that the prime interest rate (SELIC) will be reduced at least 2.0 percentile points by the end of 2008 (and it is currently at 11.25% annually). A reduction in the rate will have a direct impact on credit lines for consumers as well. The potential growth of the civil construction and real estate markets will also have a strong

positive impact on the furniture sector since new or remodeled houses encourage consumption of new furniture, noted FIESP. Consequently, the prospects for the sector are promising.

Southern Brazilian furniture cluster faces crisis

O Regional discussed developments in the Brazilian furniture sector. Furniture exports in Brazil have been facing a severe economic crisis in the last three years, with a strong impact on the producing clusters in the Southern region. The main reason is the falling US dollar that makes profits for furniture companies relatively unattainable, since export contracts of companies in the furniture sector are set mainly in US dollars. The crisis in the sector has evolved relatively fast, so as not to allow adequate time to develop strategies to avert the problem. However, experts are now working to devise strategies to counter the effects of the falling US dollar on the furniture sector (see story below).

Furthermore, there is a fierce competition between furniture manufacturers around the world. According to the Furniture Company Union of Bento Goncalves (SINDMOVEIS), the trend seems clear and irreversible as furniture exports by Chinese, Indian and European manufacturers have gradually increased. Some actions to make Southern Brazilian producers more competitive include design innovation and use of alternative raw materials and investing in new technology.

FIESP devises strategy to avert furniture export crisis

In November 2007, the Sao Paulo Industry Federation (FIESP) presented a study suggesting measures to increase competitiveness of the timber and furniture production chain, said *Portal Moveleiro*. One recommendation in the reports is to increase demand for furniture products and reduce the offer of products in US dollars, which would minimize the impact of the weakening US dollar. The report's recommendations of the study are still under consideration in the Central Bank of Brazil and the Ministry of Finance.

Brazil Log Prices (domestic)

Brazilian logs, mill yard, domestic	US\$ per m ³
Ipê	137
Jatoba	98
Guariuba	66
Mescla (white virola)	73

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
<i>Northern Mills</i> (ex-mill)	
Ipê	637
Jatoba	487
<i>Southern Mills</i> (ex-mill)	
Eucalyptus (AD)	196
Pine (KD) 1st grade	259

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	
	Face	Core
White Virola	258	216

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	883
White Virola 15mm	645

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	576
Particleboard 15mm	362

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	
Cambara	603
Ipê	1670

Report from Peru

Peru's November 2007 exports fall

Peru's wood products exports in November 2007 decreased USD11.56 million when compared to the same month in 2006. The drop in exports was due mainly to the reduction of mahogany exports, the difficulty of exporting to Chinese markets, and the US subprime mortgage crisis and its impact on the markets, since Peru's main market is the US. Peru's wood products exports also fell 4.84% during January – November 2007, dropping in value from USD197.25 million in 2006 to USD187.71 million in 2007.

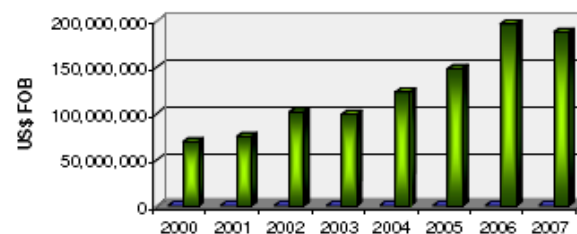


Chart 1: Peru's Timber Exports from January–November, 2000–2007

Items with the largest rise during the period January – November 2007 period were furniture and components, jumping 14.14%. Wood parquet and plywood items gained 12.98%. The growth of the furniture and components subsector was caused by the growing amount of pieces and components for furniture in the US market. On the other hand, sawnwood exports decreased 11.71%. Exports of fiberboard, chipboard, and veneer also fell since these products were targeted to the domestic rather than the export markets. Wood parquet and plywood rose slightly

in the period due to increased exports to Venezuela, Puerto Rico and Ecuador.

Sawnwood was the main exported item, representing 20.86% of exports. However, the value of sawnwood exports in 2007 fell by 11.71% from 2006 levels. In November 2007, semi-manufactured products represented 26.5% of wood products exports and fell 4.36% in value from the previous year's levels.

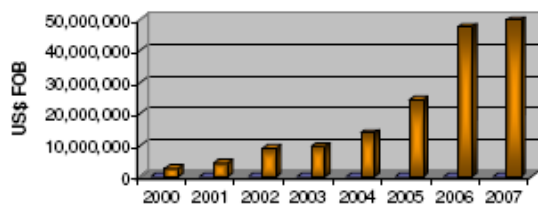


Chart 2: Semi-manufactured products exports, January–November 2000-2007

Exports of furniture and components jumped 14.14% from January –November 2007 from the previous year's levels, although exports in November 2007 decreased in value USD231,357 compared to the same month in 2006. Exports of wood parquet and plywood were up 12.9% during the January- November 2007 period in contrast to the same period in 2006.

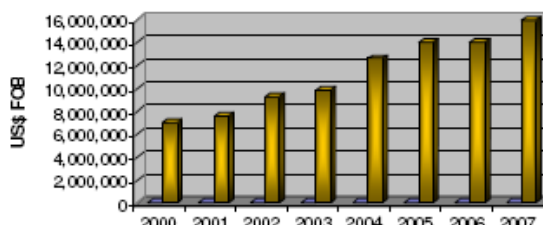


Chart 3: Furniture and Components Exports, January–November 2000-2007

The US, Mexico and China continued to be the most important destination markets of Peru's wood products exports in both 2006 and 2007. Exports to the US and China fell 23.35% and 9.55% respectively. Mexico's imports from Peru increased 17.88% during 2007. While the US, Mexico and China continued their strength as Peru's main export markets, EU markets are gaining importance, mainly due to the stronger Euro.

Peru Sawnwood Prices

Peru Sawnwood, FOB Callao Port	US\$ per m ³
Mahogany S&B KD 16%, 1-2" random lengths (US market)	1847-1875 ↓
Spanish Cedar KD select	
North American market	938-985 ↓
Mexican market	960-988 ↓
Pumaquiuro 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	310-369 ↑
Grade 2, Mexican market	270-298 ↑
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	939-978
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	310-345 ↑
Grade 2, Mexican market	274-285 ↑
Grade 3, Mexican market	179-192 ↑
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	250-263 ↑

Peru sawnwood, domestic	US\$ per m ³
Mahogany	1295-1331 ↓
Virola	101-116 ↓
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	920-945
Cumaru decking, AD, S4S E4S, US market	930-950
Pumaquiuro 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 Sawnwood Prices

Sawnwood 1-3"x3x5"x7-19', FOB Arica Port	\$ Avg un. val. per m ³
Mahogany (US market)	1615-1800
Spanish Cedar (US market)	535-965
Oak (US and EU market)	615-775

Bolivia Added Value Product Prices

Doors 13/4"x36"x96", FOB Arica Port	Avg \$ per piece
US market Mara macho/Tornillo (FSC)	100-405
Yesquero	125-490
Ochoó	120-495

Report from Guyana

Guyana Log Prices

Logs, FOB Georgetown	SQ - \$ Avg unit value per m ³		
	Std	Fair	Small
Greenheart	130	120	115
Purpleheart	130-190	145-185	135-180
Mora	-	-	-

*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	- 424-760
Select/Standard	530-551 -
Purpleheart Prime	- 594-657
Select/Standard	- 487-602
Greenheart scantlings	- -

Guyana Plywood Prices

Plywood, FOB Georgetown Port	\$ Avg unit val. per m ³
Baromalli BB/CC 5.5mm	-
12mm	335
Utility 5.5mm	-
12mm	-

Report from Japan

Sumitomo GM discusses uncertain wood products market in 2008

The *Japan Lumber Journal* discussed the prospects for the wood products market for 2008 with the General Manager of the Wood Products Trading Division of Sumitomo Forestry Co. Ltd, Mr. Akira Sekimoto. On housing starts, Mr. Sekimoto said the company estimates that new housing starts will be around 1.2 million units in 2008, just higher than 2007 levels. Although he noted that housing starts had been adversely affected by the implementation of the revised Building Standard Laws in July 2007, he expected housing starts to recover more than 10% in 2008. Nevertheless, he expected weak housing starts to continue from January until March 2008.

Mr. Sekimoto said that three major factors had contributed to problematic log imports in 2007: an increase in Russian export duties on logs, freight rate increases and problems of Southsea log transportation. He noted that these problems would continue to impact log imports in 2008. Regarding the difficulties experienced with shipments from Malaysia under the Southsea Lumber Transport Agreement (NFA, see TTM: 13:2), Sekimoto was concerned that if the problem were prolonged, transport capacity for Sarawak logs in 2008 would nosedive.

Sekimoto discussed the upswing in arrivals of wood products since autumn 2007, explaining that port inventories had returned to normal levels. He said that for Chinese products, import levels of furnishing laminated

wood, glulam, poplar plywood, laminated veneer lumber and others would not change much in 2008. However, he said that due to tax increases imposed by China and rising raw material prices, China was looking like a less attractive production base compared to previous years and that Japan should reconsider its 'standing' towards China. Finally, he noted that rises in housing starts and lumber demand levels would surely impact wood products imports in 2008.

Recent timber imports conference forecasts lower demand for 2008

The Japan Foreign Timber General Supply and Demand Liaison Conference, comprising a number of associations for timber imports, met to announce its estimates for year 2008, said the *Japan Lumber Journal*. The Conference expected demand for logs in 2008 to be 6.3% lower than that for 2007. Sawn lumber estimates were expected to be about 0.6% higher than in 2007. Many members of the Conference expected the actual results to be impacted by housing starts in 2008, and predicted the number of starts to be between 1.1 and 1.15 million units. Details were also provided on demand for Southsea logs used for plywood, which was expected to be reduced by 6.9% from 2007 levels, and Southsea logs used for lumber, which was expected to fall 6.8% from 2007 levels.

Table 3: Demand forecast for Southsea imported wood products (000 m³)

	2007	% change (2006/2007)	2008 est.	% change (2007/2008 est.)
Southsea logs (plywood)	945	(20.5)	880	(6.9)
Southsea logs (lumber)	118	(9.2)	110	(6.8)
Southsea lumber	441	(14.4)	450	2
Total	1504		1440	(4.3)

Tokyo wholesale market upbeat on strong January results

Wholesalers in Tokyo were more upbeat about the movement of goods in January, said the *Japan Lumber Journal*. Traders have indicated that the 'worst was behind' them since some prices had rebounded in the markets. It was noted that business in the first quarter would be difficult, but the market was expected to recover later in 2008 (note: this is in contrast to forecasts stated in story above). Prices for Southsea products such as seraya planks and merkusi pine were falling, and movement of Southsea products were rising due to increased demand for public construction and shop related work. Although the situation for plywood was poor in December 2007, its supply and demand situation balance was reported to be good. However, some items of thin and mid-thick products were running short.

Log and Sawnwood Prices in Japan

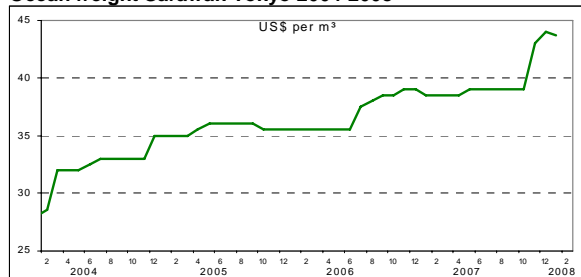
Logs for Ply Manufacture, CIF	Yen per Koku (Koku=0.278 m ³)
Meranti (Hill, Sarawak)	8,500
Medium Mixed	8,600
Standard Mixed	7,600
Small Log (SM60%, SSM40%)	7,850
Taun, Calophyllum, others (PNG)	-
Mixed light hardwood, G3/4 grade (PNG)	14,000
Okoumé (Gabon)	9,900
Keruing MQ & up (Sarawak)	9,400
Kapur MQ & up (Sarawak)	9,400

Logs for Sawmilling, CIF Melapi (Sarawak) High Select Agathis (Sarawak) High Select	Yen per Koku 11,000 -
Lumber, FOB White Seraya (Sabah) 24x150mm, 4m, Grade 1 Mixed Seraya, Sangi 24x48mm, 1.8-4m, S2S	Yen per m ³ 150,000 53,000

Wholesale Prices (Tokyo)

Indonesian & Malaysian Plywood	Size (mm)	Jan	Feb
		¥ 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	950 ↓	960 ↑
12mm concrete-form ply (JAS)	900 X 1800	930	930
12m coated concrete-form ply (JAS)	900 X 1800	1050 ↓	1050
11.5mm flooring board	945 X 1840	1350 ↓	1300 ↓
3.6mm baseboard for overlays (OVL)	1230 X 2440	900 ↓	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 2004-2008



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

Report from China

China reports strong timber trade data for 2007

According to the Director General of the State Statistical Bureau, Mr. Xie Youzhan, China's GDP reached RMB 24.66 billion yuan (roughly USD3.52 billion) in 2007, up 11.4% from last year. In 2007, the total import and export trade value rose 23.5% to USD2.17 trillion over the last year, the trade balance was USD262.2 billion, up 47.7% over the last year. Given these strong economic results, China's forest products trade extended considerably in 2007.

1.1 Imports

1.1.1 Logs

Log imports totaled 37.1 million m³ valued at USD5.35 million in 2007, up 15.4 % and 36.2 % respectively over the last year.

Russia remained the most important supplier in 2007. China imported 25.40 million m³ of logs from Russia valued at USD2.706 million, up 16.4% in volume and 37.6% in value over the last year. Major suppliers of logs (over 1 million m³) to China were as follows:

Table 4. China imports of logs by main country of origin, 2007

Country	Import volume (000 m ³)	Proportion of total China imports (%)	Increase over 2006 (%)
Russia	25 396	68.5	16.4
PNG	2 341	6.3	14.4
Malaysia	1 331	3.6	(5.7)
New Zealand	1 270	3.4	40.3
Gabon	1 150	3.1	20.0
Solomon Islands	1 049	2.8	35.4

Tropical log imports in 2007 were 8.40 million m³, up 8.5% over the last year, but the proportion to the total log imports was 22.6% by volume, compared with 24.1% in 2006.

1.1.2 Sawnwood

Sawnwood imports totaled 6.55 million m³, valued at USD1.77 million in 2007, up 6.5% in volume and 4.4% in value over the last year. Imported sawnwood came from a number of countries. Russia and the US were two of the traditional major suppliers. China imported 1.58 million m³ of sawnwood from Russia and 1.07 million m³ from the US in 2007, accounting for 24.2 % and 16.4 % of the total sawnwood imports respectively. Table 5 shows the major sawnwood suppliers to China.

Table 5. China imports of sawnwood by main country of origin, 2007

Country	Import volume (000 m ³)	Proportion (%)	Increase over 2006(%)
Russia	1 585	24.2	35.0
USA	1 073	16.4	5.0
Canada	675	10.3	69.6
Malaysia	310	4.7	(17.6)
Brazil	279	4.3	(18.2)
Myanmar	260	4.0	46.1
Indonesia	258	3.9	(42.7)
New Zealand	252	3.8	(10.3)

1.1.3 Wood-based panels

Plywood imports were 306,000 m³ and valued at USD170 million in 2007, down 26% in volume and 13.6% in value from last year. Imported plywood mainly came from Indonesia and Malaysia. China imported 140,000 m³ of plywood from Indonesia, valued at USD 81.40 million, down 37.8% in volume and 28% in value from last year. Plywood imports from Malaysia totaled 100,000 m³, valued at USD 46.93 million, down 13.8% in volume and up 14% in value from last year. Of the total volume of imported plywood, Indonesian plywood accounted 45.8%, while Malaysian plywood amounted to 32.7%.

Regarding other wood-based panels, fiberboard imports totaled 900,000 m³, valued at USD 169 million in 2007, down 5.5% in volume and 13.7% in value from last year. Particle board imports amounted to 525,000 m³, valued at USD 106 million in 2007, down 3% in volume and 4.5% in value from 2006 levels. Finally, veneer imports were 98,000 tons and valued at USD135 million in 2007, down 2.9% in volume and up 14.7% in value from last year.

1.1.4 Pulp and waste paper

In terms of value, pulp is the largest imported forest products. Pulp imports totaled 847 million tons, valued at USD 5.55 million in 2007, up 6.5% in volume and 26.3% in value from last year.

China is the largest importer of waste paper in the world. Waste paper imports totaled 22.56 million tons in 2007, accounting for 45% of the world total imports, valued at USD 4.042 million, up 15% in volume and 47.1% in value from 2006.

1.1.5 Paper, paperboard and waste paper

Paper and board imports totaled 3.99 million tons, valued at USD 3.52 million in 2007, down 9.5% in volume and up 2.9% in value from last year; paper product imports totaled 214.7 thousand tons, and valued at USD764 million in 2007, down 7.3% in volume and up 6.1% in value the previous year.

1.1.6 Wooden furniture

China imported a total of 2.48 million pieces of wooden furniture in 2007, valued at USD220 million, up 92.3 % and 87.4 % respectively over the last year.

1.2. Exports

1.2.1 Sawnwood

Sawnwood exports were 747,500 m³, valued at USD389 million in 2007, down 7.5 % and up 10.2 % respectively from last year. In addition, 16,000 m³ of sleepers were exported, valued at USD2.74 million in 2007. Sawnwood was mainly exported to Japan, Korea and the US.

Table 6. China exports of sawnwood by main country/region of destination, 2007

Country /region	Volume (000 m ³)	Proportion (%)	Value (USD 000)	Proportion (%)
Japan	402.6	53.9	223 396	57.3
Korea	86.3	11.5	32 953	8.5
US	65.1	8.7	29 751	7.6
Taiwan (PRC)	32.2	4.3	11 567	3.0
Vietnam	30.9	4.1	11 238	2.9

China's sawnwood was exported mainly through such ports as Dalian (283,000 m³), Qingdao (169,000 m³) and Nanjing (142,000 m³), which accounted for 79.3% of the total exports.

1.2.2 Plywood

Plywood exports totaled 8.78 million m³, valued at USD3.58 million in 2007, up 5.8% in volume and 23% in

value from last year. Plywood was mainly exported to the USA, Japan and UK, etc.

Table 7. China exports of plywood by main country/region of destination, 2007

Country/region	Volume (000 m ³)	Proportion (%)	Value (USD 000)	Proportion (%)
US	1 997	22.7	974 062	27.2
Japan	701	8.0	247 317	6.9
UK	486	5.5	181 449	5.1
UAE	387	4.4	127 696	3.6
Taiwan (PRC)	387	4.4	101 285	2.8
Germany	277	3.2	118 878	3.3
Hong Kong, SAR	258	2.9	64 603	1.8
Egypt	230	2.6	73 538	2.1

Plywood was exported mainly through Nanjing, Qingdao and Shanghai ports, other ports like Guangdong, Tianjin and Dalian were also the important ports to export plywood.

1.2.3 Fiberboard

Fiberboard exports totaled 2.29 million tons, valued at USD1.08 million in 2007, up 56.3 % and 70.7 % respectively from last year. Fiberboard was mainly exported to Middle East countries such as Saudi Arabia. North America, Korea and Russia were also the important destination areas.

Table 8. China exports of fiberboard by main country of destination, 2007

Country	Volume (000 m ³)	Proportion (%)
Saudi Arabia	254.9	11.2
USA	219.1	9.6
UAE	171.4	7.5
Korea	169.8	7.4
Yemen	147.5	6.5
Canada	133.9	5.9
Russia	123.4	5.4
Syria	121.3	5.3

1.2.4 Wooden furniture

China exported a total of 284.2 million pieces of wooden furniture in 2007, valued at US\$10.685 billion, up 14.5 % and 21.7 % respectively over the last year.

The US is the major importer of China's wooden furniture, with China's exports to the US valued at USD5.14 billion in 2007, accounting for 48.1% of China's total exports. Other important countries and regions which imported China's wooden furniture in 2007 were the UK (USD873 million, 8.2%), Hong Kong SAR (USD752 million, 7%) and Japan (USD713 million, 6.7%).

1.2.5 Paper, paperboard and paper products

Paper and board exports totaled 4.23 million tons, valued at USD3.16 million in 2007, up 38.5% and 41% respectively from last year. Paper products export totaled 2.58 million tons, valued at USD3.94 million, up 19.9 % in volume and 24.8 % in value over the last year.

Guangzhou City Imported Timber Market

Logs		Yuan per m ³
Radiata 6m, 30cm diam.		1300
Luan		1900-2400↓
Kapur		1900-2500
Merbau 6m, 60cm diam.		5000-5300↓
Keruing 60cm+ diam.		1900-2350↑
Beech 6m,30cm veneer Qual.		3300-3600
Sawnwood		
Teak sawn grade A		7400-7500↓
US Maple 2" KD		8800-12500
US Cherry 2"		14800-15000
US Walnut 2"		12500-14500
SE Asian Sawn 4m+, KD		3700-3900
Plywood*note, dimensions have changed		Yuan per sheet
4x8x5mm		87
4x8x15mm		219-223

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		1800↑
Mongolian Scots Pine	4m, 30cm diam.	1350
	6m, 30cm+ diam.	1400↓
Sawnwood		
Mongolian Scots Pine	4m, 5-6cm thick	1550↓
	4m,10cm thick	1600↓

Tian Jin City Huan Bo Hai timber Market

Logs		Yuan per m ³
Okoume 80cm+		3000
Sapele 80cm+		5350
Padauk 40cm+		6000
Sawnwood		
US Black Walnut 2.2-4m, 5cm thick		16000
Padauk 2.2-3.2m, 5cm thick		11000
Sapele 2.2-2.6m, 5cm thick		6800
Ash 4m, 5cm thick		4300

For more information on China's forestry see: www.forestry.ac.cn

Report from Europe and the UK

China may be weaker competitor in EU plywood markets

EU imports of Chinese plywood have risen dramatically over the last two years, driven by highly competitive pricing. However, European importers report that supply problems have been mounting and prices rising from China in recent months.

Some causes of tightening supply and rising prices for Chinese plywood may be short-term. For example, the glues used for plywood manufacturing react badly to cold and damp conditions that prevail in China during the winter months, so there is less product of a quality suitable for export to the European market. In addition, the recent strengthening of the Chinese yuan against the dollar has been eroding China's price competitiveness on the European market.

But EU importers also suggest that there are structural changes underway implying a slowdown in the rate of growth of European imports of plywood from China. The Chinese government has progressively removed export credits available to plywood manufacturers, removing one significant source of competitive advantage. At the same time labor, energy and raw material costs have been rising.

Furthermore, with numerous smaller plywood manufacturers, often with limited market knowledge, trying to sell product into the European market, there have been many questions raised over the quality of supply. There is a feeling amongst European importers that Chinese plywood supply is likely now to consolidate around a few of the larger exporting companies that are well informed of European market requirements and that can guarantee a high quality reliable service.

Malaysia is likely to be a major beneficiary of emerging supply problems from China. Malaysia's share of the European hardwood plywood market has been rising, boosted by supply problems in Indonesia. Malaysia has also benefited in the European market from its ability to supply significant volumes of FSC and Malaysian Timber Certification Council (MTCC) certified plywood products. The large distributors and merchants, which account for around 20% of all plywood sales in the leading UK market, are now very committed to sourcing certified product. This reflects the UK government's timber procurement policy and the merchant's desire to gain access to high profile projects, notably the developments for the London Olympics.

Malaysian shippers are now supplying significant volumes of FSC certified plywood into the UK combining a New Zealand radiata pine core with a tropical hardwood face. Although this product is not as durable as tropical hardwood plywood throughout, it is being supplied as a "CE2+" product, meaning it is tested and fit for structural use. It therefore meets the requirements for a large proportion of UK applications. A large section of the UK hardwood plywood market now seems content to accept the lower performance associated with a softwood core.

Availability of MTCC certified plywood from Malaysia has also been improving in recent times and can be obtained by European importers on payment of a small premium of perhaps 2% on the uncertified price.

However, it would be premature to predict any significant reduction in the volume of Chinese plywood imported into the EU. The price advantages of Chinese plywood remain significant, while Chinese manufacturers are demonstrating a willingness and ability to adapt to European market demands. UK delivered prices for Chinese tropical hardwood plywood are still 15%-20% cheaper than comparable Malaysian product. And at least one area of uncertainty hanging over the European trade in Chinese plywood market has been lifted in recent weeks. The European Commission has announced it does not intend to extend duties on imports of Chinese plywood. According to the EC Directorate General for Trade, the

original request by the European Plywood Industry Federation (FEIC) for a widening of the duties to cover other tropical hardwood species in addition to okoume had been withdrawn allowing the EC's investigation to be terminated.

Chinese plywood manufacturers are also beginning to respond to Europe's emerging demand for environmentally certified product. A few operators are now offering small volumes of FSC certified plywood from China.

Indonesian plywood has suffered significantly in the EU market from its inability to compete on price with China or to offer significant volumes of "legally verified" product to the larger distributors at prices comparable to Malaysia. This fact has been compounded by tightening log supplies in Indonesia and the imposition of a 7% GSP duty on Indonesian plywood in the EU market. Malaysian shippers are only subject to a 3.5% duty.

Brazil remains an important player in the European hardwood plywood sector, offering comparable products to Malaysia at similar prices. However Brazil, like Indonesia, has suffered severely from Chinese competition. Furthermore, the Brazilian hardwood plywood sector has been beset in recent times by dramatic rises in production costs and a strengthening currency which has undermined export competitiveness.

Importers and plywood traders report that underlying consumption of tropical hardwood plywood in the European market has remained sluggish at the start of 2008, a reflection of slowing activity in the construction sector in several key markets, including the UK and Germany.

Meanwhile, after a period of tight supply in the first half of 2007, stocks of okoume plywood on the European continent gradually improved during the second half of last year. This reflected an improvement in the log supply situation at a time when European consumption was easing, particularly in the Netherlands and France. Traders report that the European market for okoume plywood is now reasonably well balanced and prices are stable. Nevertheless there are uncertainties, particularly over the long term availability of okoume logs to European manufacturers. While those manufacturers with their own forest concessions can be reasonably confident about future log supplies, those that have to compete for logs on the open market with Chinese buyers have been struggling.

Another factor that will impact on Europe's hardwood plywood market during 2008 is a rise in regional production capacity for birch plywood. Investments in this new capacity followed on from short-falls in European supply of birch plywood during 2006 and 2007. A lot of inward investment has focused on western Russia and has flowed both from domestic manufacturers and from European companies. For example, the Moscow-based Sveza group, one of the largest plywood producers in

Russia, has announced its intent to increase production capacity during 2008. Despite these investments, there are already signs that supply of birch plywood to key buyers in the European shuttering, automotive and packaging industries will fall short of demand during 2008.

German window sector growth to slow

According to the Germany-based trade journal *EUWID*, sales revenue in the German building industry is expected to grow by 3% during 2008. Much of this growth will come from the commercial sector, particularly factories and workshops. Public sector construction is also expected to grow strongly this year. However, judging from the numbers of building permits issued in 2007, residential construction is likely to remain static at a low level.

Slow activity in the residential sector is feeding through into the German window manufacturing sector, a key niche market for tropical hardwoods. According to *EUWID*, German window manufacturers have significantly reduced production over recent weeks, some working only a three or four day week. A 2007 market study by the German window industry association VFF indicates that sales of German manufacturers into the residential sector were down by over 10%. This was only partially off-set by some gains made in the commercial sector. Most German window manufacturers forecast at best a static, and probably a slight weakening, of the market during 2008.

European wood flooring sales show marginal rise

The European Federation of the Parquet Industry (FEP) reports that sales of wood flooring in the FEP countries increased by 4% during 2007, driven mainly by production increases in central and eastern Europe. Sales are estimated to have reached over 120 million m² last year. FEP is cautiously optimistic of continuing growth in 2008, although FEP also point to increasing competition in the market as construction sector activity is slowing across the continent. Wood flooring manufacturers will have to work hard to build sales by taking an increasing share of a tightening market. Manufacturers must also cope with increases in raw material costs at a time when it is difficult to squeeze higher prices out of the market.

Of the various wood flooring products, engineered wood flooring has been performing well, solidifying its position as market leader. Solid and mosaic flooring have been struggling but FEP point to "some small but positive indicators [that] give cause for hope in a better future".

FEP is seeking to boost consumption of wood flooring through its "Living on Wood/Real Wood" project which now boasts a membership of 45 companies. The aim is to ensure that wood flooring becomes an essential component of interior design rather than just an auxiliary construction item.

Meanwhile, the European Commission agreed in December 2007 that the co-existence phase for CE-marking of wood flooring under the harmonized standard NS-EN 14342 "Wood flooring - Characteristics, evaluation of conformity and marking" would be extended

for another year. Therefore the CE Mark for wood flooring will not become obligatory until 1 March 2009. CE marks may be applied to wood flooring sold in the EU during the co-existence phase, but it is not obligatory. The postponement is designed to give wood flooring manufacturers more time to satisfy the CE marking regulations. According to NS-EN 14342, in order to CE-mark wood flooring, a manufacture must have documented conformity to an internal production control system and must perform an initial type testing.

The Netherlands Sawnwood Prices

	USD per m ³
FOB (Rotterdam)	
Sapele KD	1204
Iroko KD	1024
Sipo KD	1292
DRM Bukit KD	1137
DRM Seraya KD	1141
DRM Meranti KD Seraya MTCC cert.	1176
Merbau KD	1179
Sapupira (non FSC) KD	946
Sapupira (FSC) KD	1367
Anti-slip decking AD C&F Rotterdam	
Selangan batu	1100

UK Log Prices *note: sources for UK prices have changed

	€ per m ³
FOB plus commission	
N'Gollon (khaya) 70cm+ LM-C	330-350
Ayous (wawa) 80cm+ LM-C	220-230
Sapele 80cm+ LM-C	365-375
Iroko 80cm+ LM-C	297-310

UK Sawnwood Prices

	Pounds per m ³
FOB plus Commission	
Teak 1st Quality 1"x8"x8"	-
Tulipwood FAS 25mm	220-250
Framire FAS 25mm	450-470
DR Meranti Sel/Btr 25mm	440-450
Sipo FAS 25mm	620-660
Sapele FAS 25mm	600-620
Iroko FAS 25mm	550-570
Wawa No.1 C&S 25mm	250-260
Balau/Bangkirai Decking	600-620
White Oak	430-440

UK Plywood and MDF Prices

	US\$ per m ³
Plywood Panels 8x4", CIF	
Brazilian WBP BB/CC 6mm	545-555
Malaysian WBP BB/B 6mm	545-555
China (hardwood throughout) 18mm	430-440
China (hard face, poplar core) 18 mm	400-410

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.

Environmental and economic damages caused by the alarming loss of mangroves in many countries should be urgently addressed, FAO has said and called for better mangrove protection and management programmes.

http://africasciencenews.org/asns/index.php?option=com_content&task=view&id=156&Itemid=1

Finance leaders from the world's richest nations pledged to work together to stabilize world financial markets shaken by the U.S. housing debacle. The Group of Seven finance ministers and central bank chiefs took on a somewhat more conciliatory tone than they had in the days leading up to the meetings, acknowledging that they all had a vested interest in shoring up the global financial system.

http://www.globeinvestor.com/servlet/story/ROC.20080208.2008-02-09T025235Z_01_T293569_RTRIDST_0_BUSINESS-G7-COL/GIStory/

Forget steel and concrete. The building material of choice for the 21st century might just be bamboo. This hollow-stemmed grass isn't just for flimsy tropical huts any more - it's getting outsized attention in the world of serious architecture. From Hawaii to Vietnam, it's used to build everything from luxury homes and holiday resorts to churches and bridges.

<http://thestar.com.my/news/story.asp?file=/2008/2/5/apworld/20080205082343&sec=apworld>

Ghana's forests have been vanishing at alarming rates. But it appears Ghana's major stakeholders, particularly the politicians, lack the political will to act to save the forests.

<http://www.myjoyonline.com/features/200802/13322.asp>

Global stock markets were hit with a loss of \$5.83 trillion in January as investors panicked in the face of economic uncertainty. Standard & Poor's, a US credit rating agency that manages a number of global stock indexes, said 50 of the 52 main global equity markets lost ground in January.

<http://www.news.com.au/couriermail/story/0,23739,23184835-3122,00.html>

The head of the Asian Development Bank, Haruhiko Kuroda, warned that the US economic downturn will take its toll on emerging Asian economies. But he stressed that rising inflation in the region is currently more of a threat than worries about a slowdown.

<http://news.bbc.co.uk/2/hi/business/7234184.stm>

The Heart of Borneo (HoB) — three countries — with one conservation vision initiative was officially launched on 12 February 2007 in Bali, Indonesia where its declaration was signed by the responsible Honorable Ministers from

the three countries, Brunei Darussalam, Indonesia and Malaysia.

<http://www.brudirect.com/DailyInfo/News/Archive/Jan08/310108/nite10.htm>

India's foreign-exchange reserves rose USD4.36 billion to a record USD292.7 billion in the week ended February 1, the central bank said. Foreign-currency assets increased by USD3.5 billion to USD283 billion, the Reserve Bank of India said in an e-mailed release in Mumbai.

http://www.business-standard.com/common/news_article.php?leftnm=2&subLeft=1&chklogin=N&autono=313071&tab=r

Russian President Vladimir Putin outlined a series of new development strategies for the country at a State Council session. The president, who will step down after eight years in office following the March 2 presidential elections, said that Russia has so far failed to get rid of an 'inert' dependence on natural resources, the RIA news agency reported.

http://www.chinadaily.com.cn/world/2008-02/09/content_6446488.htm

The world's largest banks and brokerage firms have written down the value of debt and related products on their books by USD146 billion since the beginning of 2007, according to data compiled by Bloomberg. The charges stem from the collapse of the U.S. subprime mortgage market.

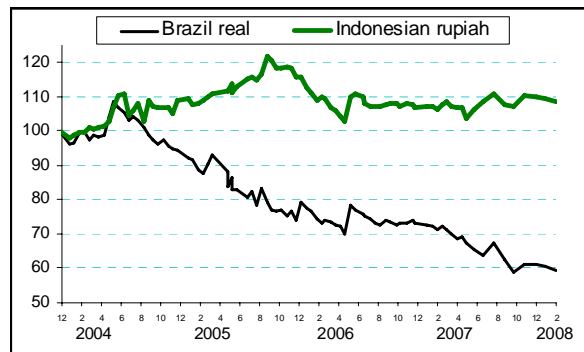
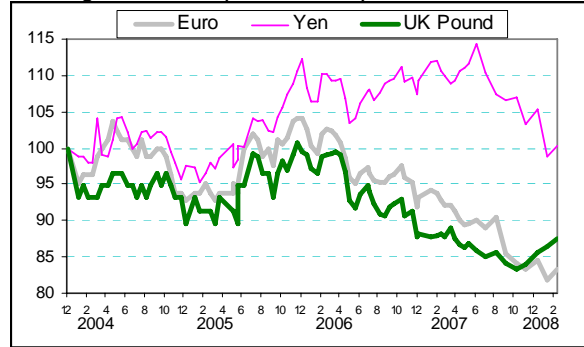
<http://www.bloomberg.com/apps/news?pid=20601103&sid=alGMCy7eQAYa&refer=news>

Main US Dollar Exchange Rates

As of 15 Feb 2008

Brazil	Real	1.748	↓
CFA countries	CFA Franc	448.150	↑
China	Yuan	7.190	
EU	Euro	0.6832	↑
Indonesia	Rupiah	9,217.00	↓
Japan	Yen	107.98	↑
Malaysia	Ringgit	3.2342	↑
Peru	New Sol	2.9028	↓
UK	Pound	0.5080	↑

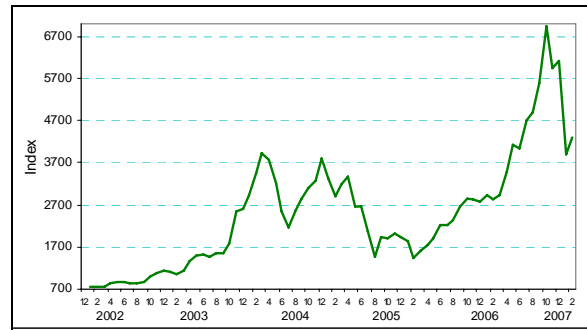
Exchange rates index (Dec 2003=100)



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
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

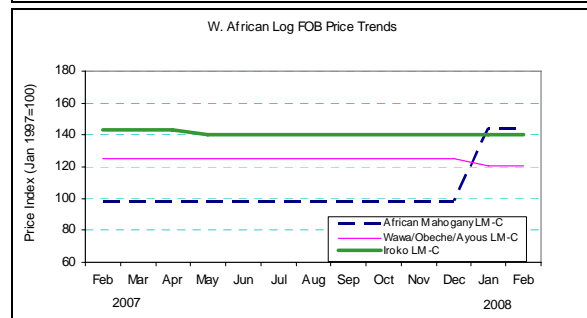
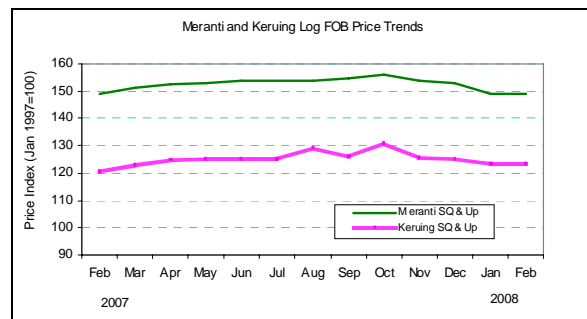
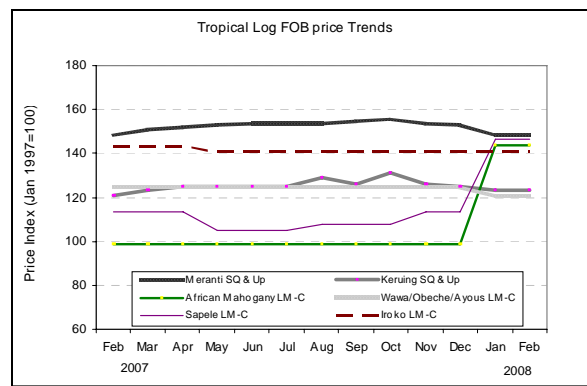
Ocean Freight Index



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.

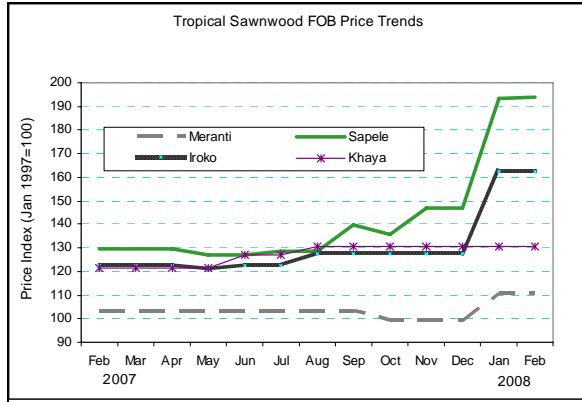
Appendix. Tropical Timber Price Trends

Tropical Log Price Trends



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

Tropical Sawwood Price Trends



Tropical Plywood Price Trends

