Tropical Timber Market Report since 1990

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Snapshot

Gabon's log quota has now been fully implemented, although there has yet to be an impact on prices in W. Africa. Nevertheless, experts predict that competition from Brazilian timber soon might impact W. African prices.

Brazil experienced a 7.7% gain in the value of timber exports in January 2008. However, conflicts over legal assessments by IBAMA in logging areas have caused tension, with some loggers contending that the delay in the approval of forest management plans has caused logging activity to be perceived as illegal.

In Asia, China has begun to account for the losses from recent blizzards and icy conditions. Many expect the effects of the harsh winter weather will continue to impact demand and supply of China's wood products in the medium-term.

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

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

Report from Central/West Africa

Gabon implements log quotas

Once again, exporters managed to hold prices for both logs and lumber mostly unchanged through the second half of February. LM grade afrormosia for Europe gained around EUR40 m³ but as volumes are very small for this rare species, this may be just a one-off transaction. Azobe also was back in demand from Europe and triggered a rise of EUR15 for LM and B grades.

The most important news from the region was the announcement from Gabon of quota volumes for qualifying timber companies. There were mixed reactions from the companies, as a number felt their volume allocation was insufficient, while others were resigned to workable volumes. Excluding January, the planned export log volume for the remaining 11 months of 2008 is just under 1.6 million m³. Of this, 350,000m³ was allocated to the State owned SNBG, the enterprise that previously held the monopoly for export of logs. All the exporting companies with the exception SNBG now have to be equipped with or be advanced in building processing facilities. More stringent controls are proposed on checking volumes by a technical facility that was separated from SNBG and the customs department.

Although the government of Equatorial Guinea recently banned the export of logs, it is understood that substantial volumes are still being shipped out of the country. Exports as much as 30,000m³ per month are rumored. Reports also say that log exports from Congo Brazzaville can be in excess of the planned quota for those companies involved in reforestation projects.

Lumber prices also have remained steady and unchanged. As mentioned in mid-January (TTM 13:1), some exporters thought Malaysian prices for meranti and other timbers would undercut current West African price trends, but this has not occurred. In fact, more active competition may well once again be from Brazilian timber, which is priced in US dollars. The euro has been rising strongly against the dollar in the past few weeks and this may well influence European importers to try some of the less familiar South American species. However, many of these are not alternatives for the medium-density prime West African mahogany-type species. There is risk in a general slowdown in the market, although so far the construction industries in UK and continental Europe have kept busy, helped by the relatively mild winter weather.

West Africa Log Prices

West Africa logs, FOB	€ per m³		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	221	190	175
Ayous/Obéché/Wawa	221	205	168
Azobe & Ekki	167⬆	167⬆	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 m³	
		Asia	Europe
Grade	QS	213	219
	CI	171	171
	CE	146	150
	CS	108	111

*Based on SNBG official prices

West Africa Sawnwood Prices

West Africa sawnwood, FOB		€ per m³
Ayous	FAS GMS	396
	Fixed sizes	427
Okoumé	FAS GMS	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

Minister revokes timber company license

Mrs. Esther Obeng Dapaah, Ghana's Minister for Lands and Forestry and Mines, has directed the Forestry Commission (FC) to revoke the license granted to Messrs Royal Visage, a timber company, which harvests teak in the Bomfobiri Wildlife Sanctuary. Revocation of the timber license will take immediate effect. She explained that the granting of timber harvesting rights to Messrs Royal Visage by the FC had no legal justification and did not follow legal procedures, which ran contrary to the provisions of the existing management plans for the Sanctuary.

According to the Minister, the decision to revoke the license is part of recommendations made by a committee established by the Ministry to investigate the circumstances under which the permit was granted to Messrs Royal Visage to harvest timber from the Bomfobiri Sanctuary. The committee found that statistics provided from a field assessment, which formed the basis for the granting of the quantity teak harvesting allowances to Messrs Royal Vintage, had serious errors because of the low-level of competency of the field staff.

In a press statement on the harvesting of teak from the Sanctuary, the Minister announced the license revocation and directed the Chief Executive of the FC present a detailed report of all harvesting permits issued over the last twelve months. The report is expected to include the names, addresses and locations of all recipient companies, the extent and location of the permit area, the extent of total stock of timber harvested and all associated financial obligations. The FC has also been tasked to identify all potential harvestable plantation sites so they can be documented and advertised periodically for prospective bidders. The Minister has also placed a ban on the granting of timber harvesting rights in buffer zones of protected areas such as those in globally significant biological areas (GSBAs) and other special biological areas or any wildlife protected areas.

Ghana's timber exports jump 17% in 2007

Ghana's timber and wood products exports during the period January to December 2007 were 528,570 m³ in volume and valued at EUR 184.17 million. Compared to the same period in 2006, this represented an increase of 17% in volume and 8.3% in value. Secondary products altogether amounted to EUR167.92 million from January to December 2007 compared to EUR152.07 million during the same period in 2006. The following chart outlines the major trends of Ghana's cumulative total export volume and value data for the period under review:

	<<Jan-Dec 2006>>		<<-Jan-Dec 2007->>			
PRODUCT	Vol(m³)	Val(Euro)	Vol(m³)	Val(Euro)	<-----% Change------>	
Sawn Timber	('000)	(million)	('000)	(million)	Vol.(m³)	Value(Euro)
Lumber (AD)[1]	96.04	30.26	85.17	25.31	(11.3)	(16.4)
Lumber(KD)	113.52	44.12	120.48	47.51	6.1	7.7
NB:	1 – Lumber(AD) includes lumber overland					

Kiln dried lumber exports in 2007 were 120,480 m³, or 22.8% of total export volume. This was a 6.1% increase in volume when compared to 2006 levels. Kiln dried lumber exports generated 7.7% more revenue, rising from EUR44.12 in 2006 to EUR 47.51 million in 2007. For the year 2007, the total volume of air-dried lumber, including overland exports, dropped by 11.3% and registered 85,170 m³ in volume compared to the previous year. Earnings also fell 16.4% from 2006 earnings.

When compared to 2006, the EU continued as Ghana's leading trading partner in wood products for 2007, accounting for 160,278 m³ in volume and EUR 77.70 million in value. This represented 30.32% and 42.19% in volume and value, respectively, of total wood exports for 2007. Germany, France, Italy, Belgium, Spain, the UK, Ireland, and the Netherlands were the key markets for Ghana's wood products. Exports to the US market in 2007 were 10.40% in volume and 13.26% in value of the total export volume, compared to 11.79% and 14.10%, respectively, in 2006.

Ghana's wood exports to states in the West African region were EUR31.96 million, or 81.45% of the total market value for Africa. Plywood and air-dried lumber were mainly for the intra-regional trade to Senegalese and Nigerian markets. Wood products exports to Malaysia, China, Taiwan, India, Singapore and Thailand totaled EUR 33.04 million.

Forest fires cause 3% GDP loss

Forest fires have caused an estimated annual loss of about 3% of the Ghana's GDP over the last 15 years, the Deputy Minister of Lands, Forestry and Mines has recently stated. The Minister explained that wildfires, especially those in transitional and savannah zones caused the most significant deforestation and degradation in Ghana.

Ghana Log Prices

Ghana logs, domestic	US$ per m³	
	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 Sawnwood Prices

Ghana Sawnwood, FOB	€ per m³	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	855	-
Asanfina	480	560
Ceiba	205	260
Dahoma	310	385
Edinam (mixed redwood)	390	450
Emeri	430	460
African mahogany (Ivorensis)	580	670
Makore	510	620
Niangon	490	-
Odum	650	740
Sapele	540	575
Wawa 1C & Select	255	280

Ghana sawnwood, domestic		US$ per m³
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 m³	
	CORE (1-1.9mm)	FACE (<2mm)
Bombax	325	350
Kyere, Ofram, Ogea & Otie	325	360
Chenchen	315	360
Ceiba	235	315
Mahogany	425	460

The above prices are for full sized panels, smaller sizes minus 15%. Thickness below 1mm would attract a 5% premium.

Rotary Veneer, FOB Core Grade 2mm & up	€ per m³
Ceiba	245
Chenchen, Ogea & Essa	295
Ofram	305

Sliced Veneer, FOB	€ per m^2	
	Face	Backing
Afrormosia	1.80	1.00
Asanfina	1.80	0.88
Avodire	1.12	0.75
Chenchen	0.72	0.58
Mahogany	1.50	0.79
Makore	1.70	0.80
Odum	1.54	1.10

Ghana Plywood Prices

Plywood, FOB	€ per m^3			
B/BB, Thickness	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/CC 10% less and CC/CC 15% less.

Ghana Added Value Product Prices

Parquet flooring 1st	FOB € per m^2		
	10x60x300mm	10x65-75mm	14x70mm
Apa	12.00	14.47	17.00
Odum	7.90	10.18	11.00
Hyedua	13.67	18.22	17.82
Afrormosia	13.25	15.70	17.82

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

Report from Malaysia

Malaysian International Furniture Fair to be held in March

The annual Malaysian International Furniture Fair (MIFF 2008) will be held this year at two separate venues, the MATRADE Exhibition and Convention Center (MECC) and the Putra World Trade (PWTC) in Kuala Lumpur, Malaysia, during 4-8 March 2008. The Fair will consist of a total exhibition space of 80,000 m². Last year, MIFF 2007 attracted 7,266 international buyers from 135 countries and generated USD667 million (RM2.33 billion) in sales.

Weak markets make oil palm investments more attractive

The Edge Daily has reported that prices of Malaysian timber products remain steady despite mounting uncertainty in two of Malaysia's biggest export markets, the US and Japan. Recent weakening of timber prices has prompted some Malaysian state governments to intensively utilize more available land for the planting of oil palm. Crude palm oil (CPO) futures surged to a record MYR3,646 (USD1,132) per ton recently as a result of strong demand from China and spiraling soybean and soy oil prices. Analysts have also speculated that palm oil prices will continue to rise.

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	278-290⬇

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	427-450⬇
Seraya Scantlings (75x125 KD)	707-745⬇
Sepetir Boards	321-333
Sesendok 25,50mm	444-473⬇
Kembang Semangkok	424-442⬇

Malaysian Sawnwood, domestic		US$ per m^3
Balau (25&50mm,100mm+)		343-363
Merbau		558-577⬇
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	411-434⬆

Meranti ply BB/CC, domestic	US$ per m^3
3mm	454-464
12-18mm	390-400⬆

Other Malaysia Panel Prices

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

Malaysia Added Value Product Prices

Malaysia, Mouldings, FOB	US$ per m^3
Selagan Batu Decking	677-695⬇
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	716-736⬇
Grade B	629-646⬇

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

China demand and BNI report boost Indonesia prices

Prices of Indonesian timber products were mixed. Demand from China has helped prevent a drastic slide in prices. Prices were further supported by a recent announcement by Bank Negara Indonesia (BNI), which stated that a 40% increase in housing loans was expected this year. The Jakarta Post reported on BNI's forecast, which was based on strong demand for housing loans and a robust housing industry. BNI estimated that housing credits were growing yearly, with a total need for 400,000 units annually.

Indonesia Log Prices (domestic)

Indonesia logs, domestic prices	US$ per m^3
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)	604-650⬇

Indonesia Sawnwood Prices

Indonesia, construction material, domestic		US$ per m^3
Kampar (Ex-mill)	AD 3x12-15x400cm	246-255⬆
	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

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

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

Other Indonesia Panel Prices

Indonesia, Other Panels, FOB		US$ per m^3
Particleboard	Export 9-18mm	234-244
	Domestic 9mm	199-216⬆
	12-15mm	186-201⬆
	18mm	182-188⬆
MDF	Export 12-18mm	308-320
	Domestic 12-18mm	250-272

Indonesia Added Value Product Prices

Indonesia, Mouldings, FOB	US$ per m^3
Laminated Boards Falcata wood	379-398
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	670-694⬇
Grade B	595-635⬇

Report from Myanmar

Business as usual reported in Myanmar

Prices for Myanmar teak logs continue to be relatively strong, although prices have come down in the European market. Nevertheless, January tender prices showed European grades as firm, and Asian (especially Indian) grades falling slightly. The market for sawn teak has not been very strong, but orders for standard sizes have kept coming.

Additionally, at the beginning of March, the Myanmar Timber Enterprise and the Myanmar Timber Merchants' Association will convene the 2008 Myanmar Furniture Fair (MFF '08) from 3-8 March 2008 in Yangon, Myanmar. Over 40 foreign and local furniture-related companies were reported to have participated in the 2006 Myanmar furniture fair.

Myanmar Log Prices (natural forests)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)		
Veneer Quality	Dec	Jan	6 mo. Avg
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
Sawing Quality	Dec	Jan	
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) Assorted	1,636 (435 tons)	1,629 (475 tons)	1,706
Grade 6 (SG-6) Domestic	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=1.8m^3; All grades, except SG-3/5/6, are length 8' x girth 5' &up. SG-3/4/6 are girth 4' &up. SG-3 grade is higher than SG-4 but with lower girth and price.

Logs, FOB	€ Avg per Hoppus Ton (traded volume)
Pyinkado	--
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

Forest Minister announces phase out of log exports by 2010

Forest Minister Belden Namah announced that PNG will phase out exports of logs by 2010 and develop downstream processing, reported *The National*. One potential impact of this action may be a loss of nearly K450 million in export revenue. On the other hand, landowners' income may also rise, as the authorities have instituted a K20 per m³ rise in royalties for landowners. Mr. Namah also encouraged the development of downstream processing in the forestry sector and suggested that logging projects should provide secondary benefits to communities, such as improved roads and other infrastructure. Namah noted that if companies did not comply with logging laws, they would have their timber permits revoked.

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 unt val. FOB per m^3	
Diameter	Jan	Feb
60+cm (Vietnam market)	60	-

Report from Brazil

Timber sector crisis continues in Mato Grosso

Diário de Cuiabá has reported concerns of the Timber Industry Union of the Northern Region of Mato Grosso State (SINDUSMAD) over the potential economic consequences of a recent federal law, 6321/2007. The law, which prohibits the opening of new logging areas in municipalities identified as deforested, may significantly impact regions that depend on timber for their economic returns. The Union is also worried about the abuse of power during inspections by the federal authority in Sinop municipality.

Sinop is a timber manufacturing and trade cluster, but raw material comes from areas where the National Institute for Space Research (INPE) has detected new deforestation. About 70% of Sinop's economically active population works directly or indirectly with timber-related activities. The municipality is a commercial cluster for trade in machinery, equipment and parts for the regional timber industry and the Western part of the state of Pará. The timber sector in Sinop is particularly concerned about the law because sector representatives believe that the environmental and land agencies do not have the operational capacity to meet the demand of those who need to follow the new governmental measure.

Deforestation continues in extractive reserves of Northern Brazil

Deforestation in the Brazilian Amazon continues to be a problem, according to recent news reports in *Estadão Online*. Social activists in the region have claimed that loggers have been illegally harvesting at the 358,000 hectare Renascer Extractive Forest Reserve in the municipality of Prainha of Southeastern Para. Logging has occurred mostly at night, when there is no inspection or control by the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA). Those who claim to have observed illegal logging are often threatened with death and excluded from the reserve.

A letter alleging the illegal harvesting of high quality timber species within the Renascer Reserve was sent to the Environmental Minister and the Secretary of the Environment of Pará State. The letter was signed by 10 members of various local associations of Prainha Municipality, including the rural and urban women's association, farmers, fishermen and two members of the local government.

According to these associations, public consultations carried out during December 2007 to discuss the creation of the Reserve were not able to stop the illegal logging activity. Deforestation was more aggressive during the Carnival holidays in early February 2008. Logging companies' log stocks are piled up on the riverbank of the Rio Uruará, a tributary of the Amazon River. An inspection request to the IBAMA Regional Office of Santarém municipality to control the deforestation did not result in any positive changes.

The IBAMA Santarém Office has reportedly been mapping the areas where the deforestation is taking place in Prainha. Loggers have denied illegal logging within the reserve and blamed environmental agencies for the delay in the approval of forest management plans. They further blame such delay to be causing unemployment in the region.

Community and solidwood producers clash in Pará

Folha de Sao Paulo said solidwood producers and policeman clashed in the municipality of Tailandia in Southeastern Para during a fierce protest against an illegal logging enforcement operation carried out by IBAMA. IBAMA has implemented the 'Guardian of the Amazon Operation' since mid-February, under which illegal logging investigations are conducted. IBAMA has determined that a total of 13,000 m³ of sawnlogs have been illegally harvested and confiscated. The confiscated logs are reported to be worth BRL5 million and around BRL1.5 million was charged in fines.

The uprising over illegal logging investigation resulted in the closure of a bridge on the PA-150 state road, since about 1,000 protesters crossed the bridge and eventually confronted authorities that were confiscating the logs identified by IBAMA as illegal. About 2,000 protesters blocked the exit of IBAMA staff from a sawmill.

Community workers and authorities worry about the risk of unemployment and its effect on the town's economy, 70% of which is based on timber products, if the investigations continue. IBAMA and the State Secretary of the Environment said they interrupted the enforcement operations for safety reasons, although the state governor has signaled that the government will not back off from confiscating and removing any logs identified as illegal.

January exports rise by 7.7%

In January 2008, Brazilian exports of general wood products (except pulp and paper) increased 7.7% compared to the same period in 2007, growing from USD300 million to USD323 million in value. The chart below outlines trends for pine sawnwood, tropical sawnwood, pine plywood, tropical plywood and wood furniture in January 2007 and 2008:

Exported product	Jan 2007 (000 m³)	Jan 2008 (000 m³)	% change	January 2007 (million USD)	January 2008 (million USD)	% change
Wood Products				300.1	323.1	7.7%
Pine Sawnwood	103.6	64.9	(37.3)	19.8	13.2	(33.3)
Tropical Sawnwood	204.0	122.0	(40.2)	71.3	57.4	19.5
Pine Plywood	108.5	165.9	53	27.7	57.7	108
Tropical Plywood	34.2	26.7	(21.9)	16.2	15.6	(3.6)
Wood Furniture				54.2	48.3	10.9

State of Pará shows strong export data for 2007

Recent data on tropical timber exports from the Brazilian Ministry of Development, Industry and Commerce (MDIC) indicate that the value of timber product exports from the Amazon state of Pará was more significant than the total volume of exports in 2007. From 2006 to 2007, the gross value of exports grew 22.9%, from USD645 million to USD793 million, while the volume exported increased only 2.2%. The Association of Timber Exporting Companies of Pará (AIMEX) indicates that the result reflects price adjustment that compensated for the stronger Brazilian real against the US dollar within the period analyzed.

Although the growth of exported volume was small, timber companies needed to be supplied with timber from other regions. Many companies purchased timber from states such as Mato Grosso and Amazonas due to the difficulty in obtaining raw material from Pará. The timber shortage in Pará occurred because of the low number of forest management projects approved last year.

The IBAMA Forest Products Trade and Transportation System (Sisflora) indicates that 3.5 million m³ of raw material were registered in 2007, with 95% of raw material coming from natural forests and 5% from planted forests. According to the Amazon Institute for People and the Environment (IMAZON), 11 million m³ of raw material is necessary to meet the demand of the timber sector. Forest plantations have grown in Brazil and comprise 5% of total tropical logs consumed in 2007. Of this total, BRL 1.6 billion in revenue came from exports and the remaining from sales to other states. At the state level, Sisflora shows that the forest sector engaged in trade worth BRL 3.4 billion of forest products and by-products, including timber and non-wood products such as essential oils, palm hearts, seeds and Brazil nuts.

According to the government, tropical plywood exports slightly decreased in 2007. The weakening US dollar continues to affect the competitiveness of Brazilian plywood in the markets, with China being seen as a more competitive exporter. Another factor that affected tropical plywood exports is the spike in oil prices in 2007, which increased glue prices used in the plywood production process. Railroad ties, sawnwood and veneer corresponded to 44.7% of total exports in 2007 and the remaining 55.2% representing value-added products, which were lower in value compared to 2006.

ITTO funds expansion of seedling production in Pará

The Seed and Seedling Laboratory of the Association of Timber Exporting Companies of Pará (AIMEX) may produce at least 100,000 tropical trees in 2008 if seedling production is continued at its 2007 pace. The laboratory is one of the main producers of local tree species. Besides seedlings, approximately 10 million seeds of mahogany, cedar, paricá, andiroba, Brazil nut, ipe, teak, neem, noni and native fruit species are commercialized. The laboratory completed 10 years of operation in 2007 and expanded its production with the financial assistance of the International Tropical Timber Organization.

The laboratory promotes various environmental education programmes within its 21 hectares. Ten hectares are planted with native and exotic species for seed production. According to the State Secretary of Environment of Pará (SEMA), 13% of the total area of Pará State is degraded. Seeds and seedlings produced by the Laboratory are sold within the state and to other states such as Rio Grande do Sul, Sao Paulo and Minas Gerais. The objective of AIMEX is to stimulate plantations by making available propagules of various tree species at a cost lower than the market price.

Brazil Log Prices (domestic)

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	139⬆
Jatoba	99⬆
Guariuba	66
Mescla (white virola)	73

Brazil Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB		US$ per m^3
Jatoba Green (dressed)		841⬆
Cambara KD		465
Asian Market (green)	Guariuba	265
	Angelim pedra	595⬆
	Mandioqueira	234
Pine (AD)		193

Brazil sawnwood, domestic (Green)		US$ per m^3
Northern Mills (ex-mill)	Ipé	649⬆
	Jatoba	493⬆
Southern Mills (ex-mill)	Eucalyptus (AD)	194⬇
	Pine (KD) 1st grade	256⬇

Brazil Veneer Prices

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

Rotary cut Veneer, domestic	US$ per m^3	
(ex-mill Northern Mill)	Face	Core
White Virola	256⬇	214⬇

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	876⬇
	White Virola 15mm	640⬇

Domestic prices include taxes and may be subject to discounts.

Other Brazil Panel Prices

Belem/Paranagua Ports, FOB	US$ per m^3
Blockboard Pine 18mm 5 ply (B/C)	315
Domestic Prices, Ex-mill Southern Region	
Blockboard White Virola faced 15mm	571⬇
Particleboard 15mm	359⬇

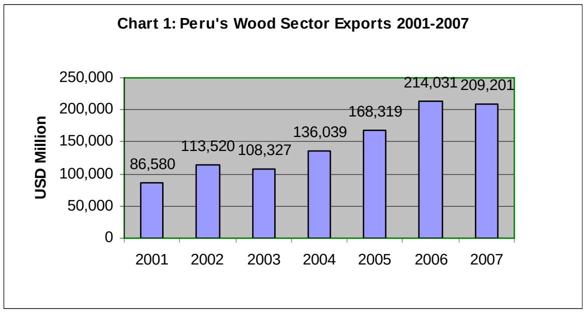
Brazil Added Value Products

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	1672⬆

Report from Peru

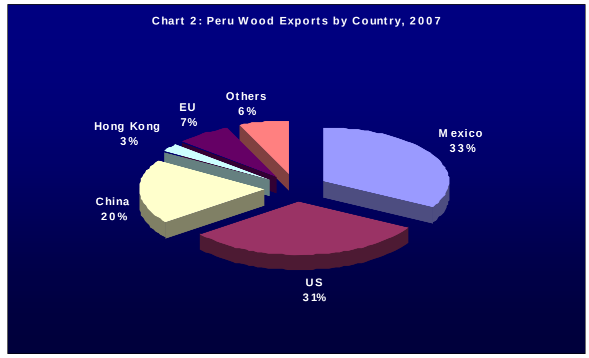
Peru's 2007 exports slide from previous year

The value of Peru's wood products sector exports from January to December 2007 fell 2.25% from 2006 levels. However, the average increase in the value of exports over the period 1995 – 2007 was 16.13%. The value of Peru's exports in December 2007 was USD5.95 million, higher than that during same period of 2006.



The fall in the value of exports during December 2007 was caused by 1) the reduction of mahogany exports, which previously boosted the value of Peru's exports due to its high value; 2) Chinese importers shifting their preferences to kiln dried instead of wet sawnwood; and 3) the weakening US construction sector during the second half of 2007, which softened demand for structural timber from Spanish cedar and walnut. Items with the highest levels of growth in 2007 were plywood (11.21%) and furniture and components (9.16%). Exports decreased for sawnwood (-5.83%) and structural timber (-8.64%). Exports of fiberboard and chipboard (-56.38%) and sheets, parquet and veneer (-92.85%) fell as these products were targeted to the domestic market instead of the export market, where demand has subsided for these products.

Sawnwood was still the main exported item, representing 51.69% of the sector. Sawnwood exports for 2007 were USD108.1 million, falling from USD114.8 million in 2006. Although mahogany sawnwood exports decreased during this time, other species such as tornillo, congona, marupa and Spanish cedar rose slightly in 2007. Semi-manufactured products represented 26.36% of the market share, increasing 5.72% in 2007 from 2006 levels. Growth of semi-manufactured products exports was due to the rise of decking and skirting boards exports to Canada, France, Sweden and Mexico. The US was still the main destination market for furniture and components, even though its market share of Peru's wood products dropped by 10% in 2007. Other destination markets such as Italy, Venezuela, Chile and Ecuador increased their share of Peru's wood products exports in 2007.



The main destination market for Peru's wood products was Mexico, as it received 33% of wood exports. The US fell to second position from its top position in 2006 due to its decrease of sawnwood imports and ongoing economic problems in the country. China held the third position, losing a slight market share due to falling prices for species such as cumaru. Although the US, Mexico and China are still the main destinations for Peru's wood products exports, EU markets are gaining in importance, especially Spain and Italy.

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
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	315-372↑
Grade 2, Mexican market	274-304↑
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	319-349↑
Grade 2, Mexican market	288-296↑
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	US$ per m^3
(Iquitos mills)	
122 x 244 x 4mm	426
122 x 244 x 6mm	397
122 x 244 x 8mm	403
122 x 244 x 12mm	398
(Pucallpa mills)	
122 x 244 x 4mm	450
122 x 244 x 6mm	439
122 x 244 x 8mm	427
122 x 244 x 12mm	419

Other Peru Panel Prices

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

Peru Added Value Product Prices

Peru, strips for parquet		US$ per m^3
Cabreuva/estoraque KD12% S4S, Asian market		1445-1500
Cumaru KD, S4S	Swedish market	650-695
	Asian market	920-945
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

EXPOFOREST 2008 to be held in March

The sixth international forest sector fair (EXPOFOREST 2008), organized by Fexpocruz, the Forest Chamber of Bolivia (CFB) and the Forest Superintendent's Office, will be held from 26-29 March 2008 in the city of Santa Cruz de la Sierra, Bolivia. The exhibition space, which is already 90% full, will host companies from Argentina, Bolivia, Brazil, China, Spain, France, Paraguay and Peru. EXPOFOREST will cover an area of 6,500 m² where furniture, technology, garden and landscape products will be on display. The area will also show new advances in machinery, heavy equipment and portable sawmills.

Business roundtable to be held in conjunction with EXPOFOREST

From 27-28 March 2008, the CFB will convene the Fourth Business Roundtable, where suppliers and consumers of wood will discuss business developments in the sector. The CFB expects that more than 200 participants from over 20 countries will attend. The Roundtable hopes to generate interest in business deals worth over USD20 million.

ITTO and Bolivia to convene national forest investment forum

The Bolivia Chamber of Forestry and ITTO will convene the 'Bolivia Investment Forum' to discuss strategies and information on the potential of tropical forest investment in the country. The Forum, which will take place during 26-27 March, will be held in conjunction with EXPOFOREST 2008. The investment forum will also include an analysis of the major international markets for tropical wood, industrial plantations, bioenergy, carbon markets and investment opportunities within the region.

Bolivia Sawnwood Prices

Sawnwood 1-3"x3x5"x7-19', FOB Arica Port		\$ Avg un. val. per m^3
Mahogany	(US market)	1675-1777
Spanish Cedar	(US market)	602-953
Oak	(US and EU market)	579-735

Bolivia Added Value Product Prices

Doors 13/4"x36"x96", FOB Arica Port		Avg \$ per piece
US market	Mara macho/Tornillo (FSC)	100-403
	Yesquero	100-490
	Ochoó	120-495

Report from Guyana

Sawnwood prices fall on sliding demand from the South Pacific

Prices for logs, sawnwood and plywood remain relatively stable. Prices for purpleheart logs rose 10 percent over the previous fortnight and over 30 percent from the same period last year. However, there were some declines in the prices for sawnwood, most notably undressed purpleheart sawnwood, which fell about 30 percent from the previous fortnight. This decline was the result of lesser exports to higher priced markets in the South Pacific.

GFC holds stakeholder consultations on revised wood processing standards and LUS

The Guyana Forestry Commission (GFC) hosted consultations in several regions of Guyana to further inform operators and stakeholders on revised standards for wood processors and the utilization of a broader range of species. The aim is to improve practices in the industry and raise recovery rates to 70% by 2011, up from the current 35-40% levels. The current revised standards take into consideration recommendations made by producers during 2007. The GFC had been carrying out consultations with forest stakeholders to inform them about the application and properties of a broader range of timber species. This was aimed at making optimal sustainable use of the resources available, especially in areas where transportation costs are high and prime commercial species may not be extensively available.

Guyana Log Prices

Logs, FOB Georgetown	SQ - \$ Avg unit value per m^3		
	Std	Fair	Small
Greenheart	120⬇	120	120⬆
Purpleheart	150-190⬆	150-185⬆	145-180⬆
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	680	500-985⬆
	Select/Standard	400-700⬇	445-945
Purpleheart	Prime	551	487-572⬇
	Select/Standard	340-600	448-575⬇
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	355

Report from Japan

Yearly trends reveal decline of major wood products imports

Japan Lumber Reports provided an analysis on the decrease of Japanese wood imports in 2007. *JLR* noted that declines were sharp during the second half of the year and fourth quarter imports dropped substantially. The initial increase of imports during the first half of the year was stimulated by ample demand for materials, but once the Building Standards Law came into effect, stocks of logs and lumber accumulated and prices dropped. Imports were reduced in third quarter, as a result of the new Law and increased freight prices.

Russian log imports fell nearly 59% and Southsea log imports fell 45% from 2006 levels. Russian lumber also dropped nearly 44%. Plywood imports also declined by 57% in the fourth quarter. The chart below shows the volume of Japan's major wood products imported in 2007:

Chart 3: Japan's Major Wood Products Imports in 2007 (000 m³)

Item	Source	Q1	Q2	Q3	Q4	Total
Logs	**Southsea**	289.2	330.2	209.0	192.3	**1020.8**
	Africa	2.8	2.1	2.4	2.0	**9.4**
	N. America	768.4	851.8	747.9	652.3	**3020.4**
	Russia	1380.5	1421.0	721.4	383.4	**3906.3**
	NZ	223.9	205.3	179.7	198.9	**807.8**
Lumber	**Southsea**	122.8	120.1	109.2	97.4	**449.6**
	N. America	665.6	836.8	646.3	575.0	**2723.7**
	Russia	301.0	312.6	200.8	139.7	**954.1**
	NZ	31.6	37.1	23.0	27.8	**119.5**
	Chile	109.8	67.2	82.4	83.6	**343.0**
	Europe	796.8	850.3	642.9	363.8	**2653.8**
Plywood		1137.6	1138.5	846.0	885.4	**4007.5**
Glulam		190.6	201.0	160.6	90.2	**642.3**

Source: Japan Lumber Reports

JLR expects that first quarter imports in 2008 will be low due to the high prices demanded by some suppliers. Additionally, there are sufficient inventories in Japan to meet current demand, although there are expectations that a few items will be unavailable.

Plywood supply lowest in 22 years

Japan's total plywood supply for 2007 was 13.5% lower than 2006 and represents the lowest inventory since 1985, said *Japan Lumber Reports*. Imported plywood was 4.0 million m³, the lowest since 1994 and down 18% from 2006. Japan's imports from Malaysia fell 18%, which some speculate may represent the end of a peak in supply. Domestic plywood supply rose 3% as a share of total supply. Table 1 below shows plywood supply trends in 2007:

Table 1: Japan Plywood Supply in 2007 (000 m³)

	Dec. 2007	2007 total
Malaysia	131.9	2008.9
Indonesia	91.3	1179.9
China	47.5	668.3
N. Zealand	4.0	44.9
Canada	1.2	35.3
Others	3.7	70.2
Total Import	279.6	4007.6
Domestic	219.0	3079.1
(softwood)	(165.2)	(2411.4)
Total supply	498.6	7086.7

Source: Japan Lumber Reports

Log and Sawnwood Prices in Japan

Logs for Ply Manufacture, CIF	Yen per Koku
Meranti (Hill, Sarawak)	(Koku=0.278 m³)
Medium Mixed	8,500
Standard Mixed	8,600
Small Log (SM60%, SSM40%)	7,600
Taun, Calophyllum, others (PNG)	7,850
Mixed light hardwood, G3/4 grade (PNG)	-
Okoumé (Gabon)	14,000
Keruing MQ & up (Sarawak)	9,900
Kapur MQ & up (Sarawak)	9,400

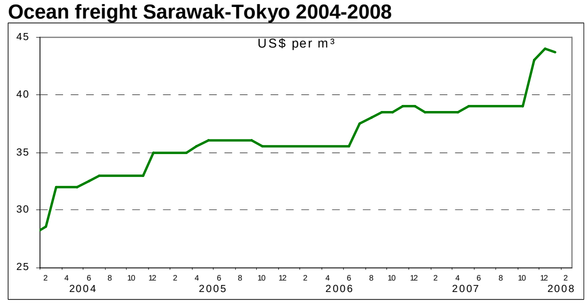
Logs for Sawmilling, CIF	Yen per Koku
Melapi (Sarawak) High Select	11,000
Agathis (Sarawak) High Select	-

Lumber, FOB	Yen per m³
White Seraya (Sabah) 24x150mm, 4m, Grade 1	145,000⬇
Mixed Seraya, Sangi 24x48mm, 1.8-4m, S2S	54,000⬆

Wholesale Prices (Tokyo)

Indonesian & Malaysian Plywood	Size (mm)	Jan (¥ per sheet)	Feb
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

EU drops anti-dumping review of Chinese plywood

Xinhua News reported on the European Commission's announcement to terminate its partial interim review of anti-dumping measures against imports of okoume plywood from China. The EC found that termination of the review would not be against the EU's interests. The Commission said the decision to terminate the review was taken after the European Federation of the Plywood Industry withdrew its request for review in December 2007, which was intended to extend the existing anti-dumping measures to more types of Chinese plywood products. The EU imposed a definitive anti-dumping duty on imports of Chinese okoume plywood in 2004, imposing fees ranging from 6.5 to 66.7%. The Commission said that although the review to extend anti-dumping duties was terminated, the existing anti-dumping measures would still remain in force.

Blizzard conditions cripple Chinese forestry industry

Catastrophic blizzard and icy rains, which covered half of China in mid-January, have caused great losses for China's forest industry. According to the latest statistics from 19 provinces, autonomous regions and municipalities, 186 million ha (279 million mu), 1,781 state-owned forest farms and 1,200 nurseries were negatively affected by the weather. About 760 tons of tree seeds and 10 billion seedlings were frozen and 30,000 animals and other wildlife in protected areas were found injured or dead. The direct economic losses to the forestry sector amounted to RMB57.3 billion yuan with 2.6 million forestry staff, other forest farmers and people in Hunan Province severely affected. Due to the recent low temperature, it will take some time before the snow melts, causing further losses to the industry. The disaster has four main impacts:

(1) Forest losses accounted for a high proportion of total economic losses. According to a survey from eight provinces, forest losses accounted for 40-60% of the disaster losses in each province. The direct forest economic losses in Jiangxi Province alone amounted to about RMB11.27 billion yuan, accounting for 41% of the total RMB27.3 billion yuan of economic losses. Forest losses in Guilin of Guangxi Province and Qiandongnon prefecture in Guizhou Province accounted for over 60% of local disaster losses.

(2) Seedlings, bamboo forest and newly planted forests were severely impacted by the blizzards, causing a high mortality rate in seedlings. In Hubei Province, about 2.59 million ha (3.88 million mu), or around 80% of the total bamboo forest area, was affected. About 75% of seedlings, bamboo and new forests in regions of Danjiang Reservoir, Fushui Reservoirs and the Three Gorges Reservoir were also impacted.

(3) Economic losses for farmers were also high. Forests established as investments for state and local people suffered heavy losses. Over 80% of the collective-owned plantations of Moso Bamboo, Slash Pine and Oil tea Camellia suffered the most serious effects of the blizzards.

(4) Finally, the calamities are expected to cause secondary disasters. Due to the icy conditions and snow, there is a greater chance of landslides, mud-rock flow, forest fires, forest pests and disease.

The disaster is expected to impact overall demand and supply of forest products. There is expected to be a sharp decrease in supply of timber, bamboo, resin and camellia oil. This is likely to heighten the gap between timber demand and supply and dampen the overall operation of forest enterprises, thus impacting the employment of millions of people as well as the demand and supply of forest products over the next few years.

Exports through Guangdong Port rise 34% in 2007

Furniture exports through Guangdong Port in 2007 rose 34% to USD9.3 billion, 40% of the national total. Furniture exports through Guangdong are generally exported to the US and the EU, which receive 60% of the total furniture exports from Guangdong. Furniture exporting enterprises are looking for new opportunities in ASEAN markets. Furniture exports to ASEAN markets have increased 120% to USD120 million in 2007.

China Customs has reported that foreign capital furniture enterprises make up 50% of furniture enterprises in Guangdong. However, private enterprises have developed rapidly, with the furniture export value of private enterprises rising 52% to USD2.58 billion in 2007. Although furniture exports have been growing, furniture production and processing enterprises have faced pressure as a result of national policies established in 2007. One was the tax rebate policy, under which tax rebates for furniture being were reduced from 13 to 9% and wood products to 5%. The other was a change brought about by the Chinese government to revise a catalogue of prohibited commodities in the processing trade to include 17 kinds of furniture such as bedroom furniture of lacquered wood and other furniture of rosewood.

Henglin Coutry Flooring Industry ranks first in China

Henglin County has been a leader in China's flooring industry, as its output of impregnated paper laminated floors makes up 45% of the national total. The county, which is located in Changzhou City of Jiangsu Province, produced 160 million m² of flooring, of which 77.3 million m² was exported. The county was responsible for 50% of the national exports of impregnated paper laminated floors.

Over 400 impregnated paper laminated flooring production and supporting enterprises have been established in the county since the first impregnated paper laminated flooring enterprises opened in October 1999. The county has become known as the main production and distribution base for the flooring. Heglin County's outputs will also expand after the Henglin International Flooring City opens its operations.

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.	1250 ⬆
White Pine	6m, 24-28cm diam.	1280
Korean Pine	4m, 30cm diam.	1500
	6m, 30cm diam.	1550

Hebei Shijiangzhuang Wholesale Market

Logs		Yuan per m^3
Korean Pine 4m, 38cm+ diam		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

Signs of economic slowdown in Europe may impact hardwood trade

Signs are mounting that this may be a difficult year for the hardwood trade in Europe. Economic forecasts are becoming gloomier. According to this week's *Economist* journal 'the facts suggest that Europe is not weathering the global financial storms well. Figures released on 14 February reveal that the euro-area economy slowed abruptly at the end of 2007. GDP rose by only 1.6% at an annual rate in the fourth quarter-stronger than in America, admittedly, but still a lot slower than before'. *The Economist* goes on to note that GDP growth in the two largest euro-zone economies, Germany and France, was weaker than the euro-area average. Figures for Italy are not yet out, but existing indications are that the economy may have shrunk in the last quarter of 2007.

What makes matters worse is that although the strong euro has weakened Europe's export competitiveness, the slowdown seems to be more a result of failing domestic demand. The European Commission's gauge of consumer confidence has fallen by 10% points since July 2007, the sharpest drop since early 2003. European consumers are becoming less inclined to spend. Housing markets have been slowing and rising oil and food prices have eroded spending power. In interviews in early February, the President of the European Central Bank confirmed that the ECB thinks that the risks to the economy now 'lie on the downside'. As a result the ECB has stopped hinting about the possibility of an interest-rate increase. However, with concerns that inflation might persist above the 2% upper-limit of the ECB's target range, there is not much likelihood of a reduction in interest rates as a measure to boost demand.

Prospects do not look much rosier outside the euro-zone. UK economic growth in the last quarter of 2007 was respectable, hitting 0.6% and only marginally down on the previous quarter. However indications are of falling economic momentum in 2008. On 22 January in a speech to a group of businessmen, the Governor of the Bank of England said that 'this year we are probably facing a period of above target inflation and a marked slowing of growth'. The UK housing market has been wilting as banks have responded to financial uncertainty by tightening the terms on which they make mortgage loans and buyers are taking fright at the prospect of falling prices. That augurs ill for consumer spending.

European veneer sector shows slowing hardwood demand

The sliced veneer industry is pivotal to the hardwood sector as a whole, since it influences the price and availability of the highest quality logs in many species. And because of the sensitivity of sliced veneer demand to shifts in fashion, and the huge capital investments required, veneer producers have to keep a particularly close eye on market trends. For these reasons, it is often said that trends in the veneer sector are a good barometer of likely changes in the hardwood sector as a whole.

The news from the European veneer sector tends to confirm the generally gloomy picture painted by the economic data. According to a report in the *EUWID*, the Germany-based 'European Economic Service', sliced veneer manufacturers in Germany are currently operating at only 70%-80% of full capacity. Operating levels are greater at some Eastern European sites but still below full capacity. Manufacturers stock levels are relatively high everywhere. According to *EUWID*, the German veneer market is 'especially problematic' due to the weak situation in private residential building which is hitting sales to the German internal door industry. Demand for corporate and government offices is stronger, but volumes required in these sectors are relatively low compared to the residential market. Demand from the German furniture sector is described as 'stagnant'. With respect to other European countries, *EUWID* states that 'declines in the German market are currently not being compensated by sales in other markets in Europe or overseas as here, too, selling potential for veneer has for example been dampened by declining building activity and a general holding back on the buying side, as well as insecurity in international financial markets'.

Shifting fashion open door for tropical hardwoods

Over the last decade, sales of tropical hardwood in Europe have suffered from a major shift in fashion away from darker species towards much lighter temperate hardwood species. White oak has been particularly dominant, to such an extent that prices for this species have risen consistently and dramatically as supply has fallen well short of demand. Data from FEP, the European Flooring Federation, suggest that this trend has if anything intensified in recent times. Between 2005 and 2006, the share of tropical hardwood in European real wood flooring manufacturing fell from 16.6% to 13%. In 2006, oak accounted for a massive 56% share of all real wood flooring produced in Europe.

But while the trade data may not yet be registering any shift back to tropical hardwoods, there is some anecdotal evidence to suggest such a change may be imminent. In a recent article for Panels and Furniture Asia, Michael Buckley of consultancy company World Hardwoods – a close follower of hardwood fashions around the world over many years - makes the following comment: ‘cycles in the furniture market often give the clue to where the flooring market may be heading in terms of look. There is very clear evidence that furniture is getting darker in color again and thus one could expect species such as teak, iroko and some South American species such as ipe to become more popular’.

Similarly an article in the UK Timber Trade Journal (TTJ) on fashions in the European wood flooring market notes that there is a growing reaction against the use of low grade wood or imitation wood floors that have flooded the market at budget prices. Consumers are beginning to look for something a little different and ‘more adventurous’. *TTJ* quotes a representative of a leading UK flooring supplier: ‘As part of this market trend, we are experiencing higher demand for more exotic woods such as walnut, panga panga and wenge’.

The *TTJ* also notes, however, that European flooring manufacturers are responding to the trend as much by experimenting with new finishes on temperate hardwoods as they are by using more tropical wood. For example, manufacturers are offering more ‘antique oak’ which has been stained and has a brushed and distressed finish.

Another important feature of current design trends is to sharply contrast light and dark colors. Dark flooring may be contrasted with light furniture and vice versa. Therefore the increase in dark colors may also be matched by an increase in demand for very light species, such as beech and ash.

Both Buckley and the *TTJ* stress that the extent to which tropical suppliers are able to exploit the new opportunities emerging from these fashion changes will be heavily dependent on their ability to provide appropriate environmental assurances. European manufacturers are willing to develop and promote tropical hardwood products if they can obtain regular supplies of certified raw material. The *TTJ* notes the example of the 6000 m3 of FSC-certified jatoba block flooring recently procured as part of the GBP800 million project to restore the Eurostar Terminal in London.

UK plywood market remains sluggish

In mid February, the UK *TTJ* reports that the UK plywood market has made a steady but unspectacular start to the new year, with business confidence levels markedly lower and margins tighter than at the start of 2007. Availability of plywood is generally regarded as sufficient to meet this level of lackluster demand, partly as a result of overbuying during 2007 is response to supply concerns. *TTJ* reports that the price advantage of Chinese shippers in the UK market is narrowing as rising freight, labor, raw material and veneer import costs have asked producers to ask for more money. This is already leading to some buyers shifting back to Malaysian and Brazilian hardwood plywood. Also for the first time in many months, there are reports of Indonesian mills picking up limited orders in the UK market.

The Netherlands Sawnwood Prices

FOB (Rotterdam)	USD per m^3
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

FOB plus commission		€ per m^3
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

FOB plus Commission	Pounds per m^3
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

Plywood Panels 8x4”, CIF	US$ per m^3
Brazilian WBP BB/CC 6mm	545-555
Malaysian WBP BB/B 6mm	545-555
China (hardwood throughout) 18mm	440-450⬆
China (hard face, poplar core) 18mm	410-420⬆

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.

Buzzing chain saws and heavy machinery hauling logs through the Amazon jungle look at first like reckless destruction. But a forestry project on the Jari River in northern Brazil is being hailed as a model for preserving the world's largest rain forest.
http://www.reuters.com/article/environmentNews/idUSN1557141320080218

The China Meteorological Administration (CMA) said that the country's northern regions are likely to experience more frequent and severe sandstorms in spring, while eastern regions would receive less rain than last year. 'Sandstorm days' are forecast to increase significantly in eastern Inner Mongolia and northern Heibei, with a rising possibility of severe occurrences. Eastern regions could expect less rain. Some areas, especially parts of Jilin and Liaoning provinces, are prone to 'relatively severe' drought in the spring. As a result, local forest management officials should raise the forest fire alarm level, said the CMA
http://news.xinhuanet.com/english/2008-02/20/content_7637474.htm

The demand for Guyanese hardwood is on the rise in Barbados. Howard Bulkan, managing director of the 12-year-old Bulkan Timber Works Inc., which manufactures and exports Guyana hardwoods, said in an interview with the press that 'within the last 12 to 18 months the demand has definitely increased'.
http://www.nationnews.com/story/292082860609001.php

For Rent: 830,000 hectares of pristine tropical rainforest. Rich in wildlife, including forest elephants and gorillas. Provides a regionally important African green corridor. Price: $1.6m a year. Conservationist tenant preferred, but extractive forestry also considered. Please apply to the Cameroonian minister of forestry. That, in essence, is what the government of Cameroon has been offering since 2001 in an attempt to make some money from a forest known as Ngoyla-Mintom.
http://www.economist.com/science/displaystory.cfm?story_id=10688618

Governments should use public money aimed at deflecting the threat of recession to spur savings by backing energy efficiency too, the head of the United Nations Environment Programme, Achim Steiner, said. UNEP is hosting 154-nation climate change talks in Monaco aimed at show-casing the need for government investment in the fight against climate change.
http://uk.reuters.com/article/environmentNews/idUKL204057820080220

Indonesia and Finland signed an agreement to cooperate in the environmental field and in anticipation of climate change as a follow-up to the United Nations Framework Convention on Climate Change (UNFCCC) which was held in Bali last year. The agreement was signed by Indonesian Environment Minister Rachmat Witoelar and his Finnish counterpart, Paavo Vayrynen, in the presence of President Susilo Bambang Yudhoyono at Merdeka Palace.
http://www.antara.co.id/en/arc/2008/2/18/indonesia-finland-sign-cooperation-in-environmental-matters/

The International Monetary Fund (IMF) has warned that emerging economies will not be immune from a slowdown among wealthier nations. In a speech in New Delhi, IMF managing director Dominique Strauss-Kahn said the links between the West and countries such as India remain strong. As a result the US slowdown will effect developing nations, he argued.
http://news.bbc.co.uk/2/hi/business/7242408.stm

Lawmakers from the world's major industrial nations and five emerging economies gathered in Brazil to discuss a global climate change treaty currently under consideration. This will be the first gathering of legislators from wealthy and developing countries to help shape the post Kyoto Protocol agreement, said World Bank Vice President for Latin America, Pamela Cox.
http://www.gulf-news.com/world/U.S.A/10191466.html

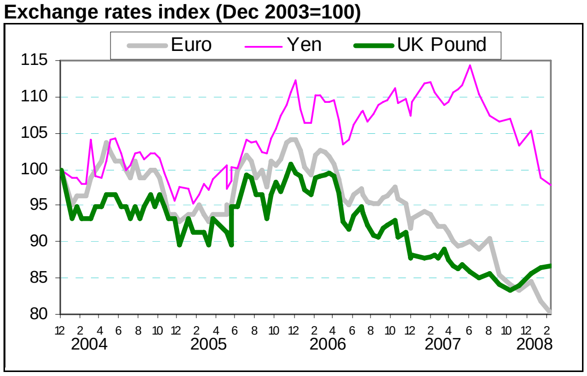
The UK's former top diplomat has called for a massive increase in the amount of money available to help developing countries to adapt to climate change. Lord Jay was speaking in Brazil, ahead of a two-day meeting of lawmakers from 13 key countries.
http://news.bbc.co.uk/2/hi/science/nature/7255316.stm

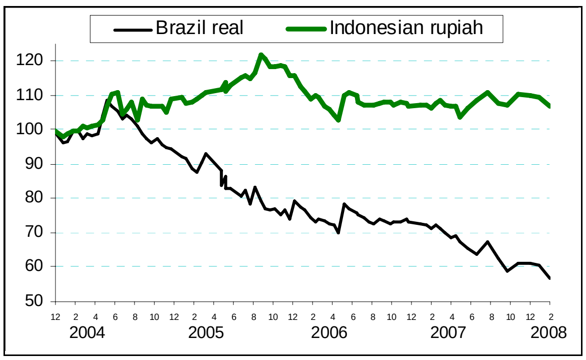
Main US Dollar Exchange Rates

As of 15 Feb 2008

Brazil	Real	1.669	⬇
CFA countries	CFA Franc	431.160	⬇
China	Yuan	7.112	⬇
EU	Euro	0.6573	⬇
Indonesia	Rupiah	9,074.00	⬇
Japan	Yen	105.39	⬇
Malaysia	Ringgit	3.2020	⬇
Peru	New Sol	2.8893	⬇
UK	Pound	0.5031	⬇

Exchange rates index (Dec 2003=100)

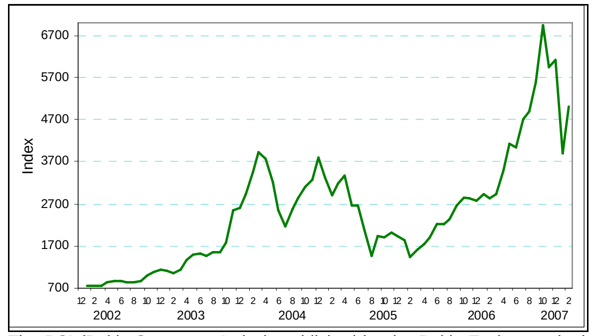




Abbreviations and Equivalences

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

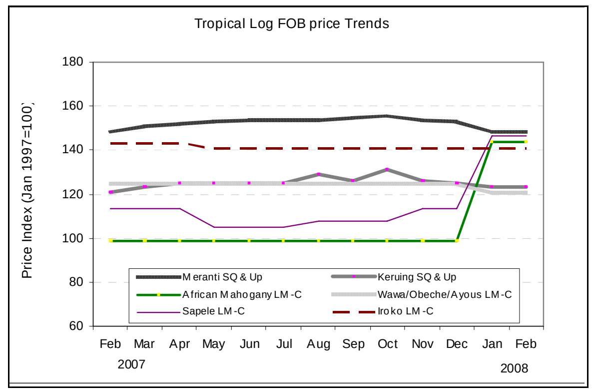
Ocean Freight Index

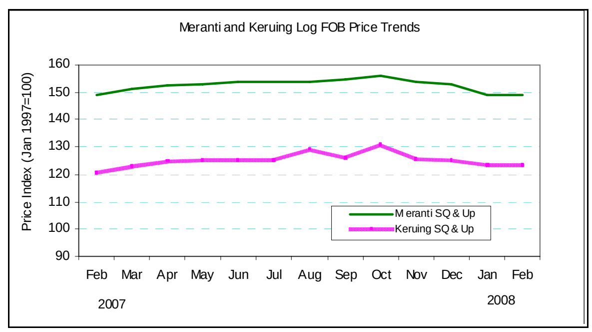


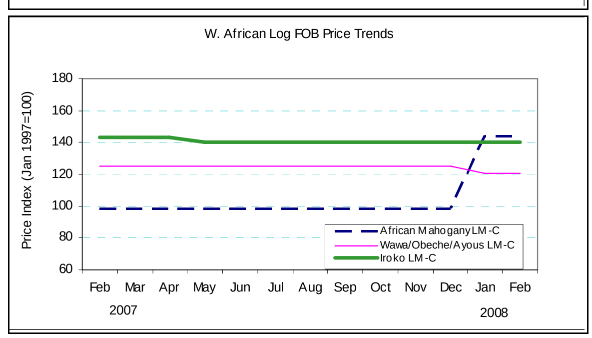
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes. It is based on a 52,454 mt bulk carrier carrying commodities such as timber.

Appendix. Tropical Timber Price Trends

Tropical Log Price Trends

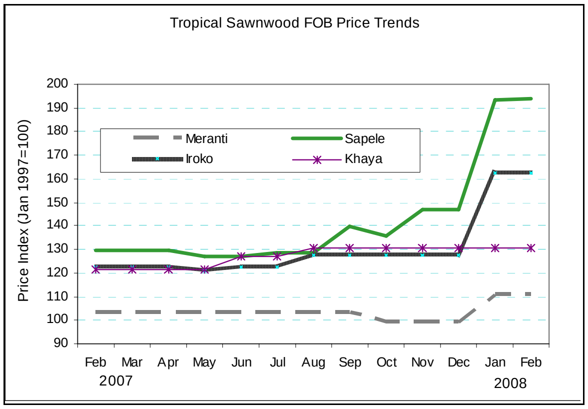


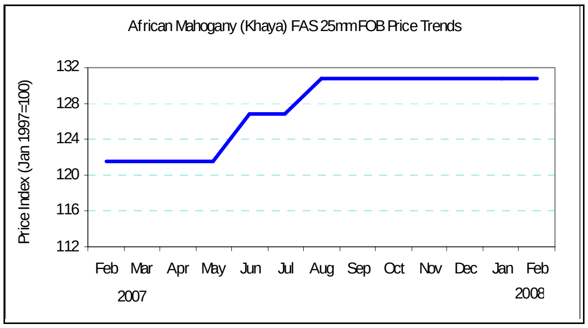


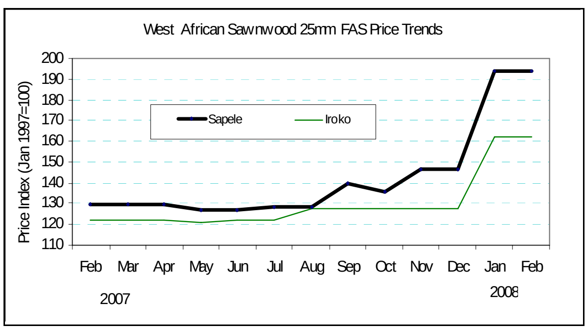


More price trends in Appendix 4, ITTO's Annual Review http://www.itto.or.jp/live/PageDisplayHandler?pageId=199

Tropical Sawnwood Price Trends







Tropical Plywood Price Trends