Tropical Timber Market Report since 1990

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Snapshot

West African prices were stable, but expected to show some volatility as the US and UK economies continued to struggle. Prices for Malaysian rubberwood rose due to increased demand for raw latex. In contrast, no price changes were reported in Indonesia as a result of port strikes caused by changes to Indonesian legislation on ports. However, the strikes gave a further boost to Malaysian prices. Yearly trends of Myanmar log prices also showed limited changes over the April 2007 – April 2008 period.

Crackdowns on illegal logging continued in Ghana, Brazil, Peru and the EU. Ghana's Forestry Commission worked with military and police teams to prevent illegal operations in the country. Brazil's IBAMA stopped illegal timber from passing through Santerém port and created a website to show forested areas where logging activities had been suspended. Peru announced plans to revise mahogany sawnwood yield calculations in an effort to comply with provisions under the US-Peru Free Trade Agreement. The EC had also been looking into EU-wide legislation to prevent imports of illegal wood.

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Report from Central/West Africa

Greater price volatility amid sagging US and UK economies

Log prices have re-adjusted to their recent median levels. With the current strains on the US and European economies and the IMF's low growth forecasts for UK and US, it is likely that prices for logs and lumber will become more volatile through 2008. Price movements, both upwards and downwards may tend to be larger for European buyers who are more nervous about making long-term purchase contracts and revert to a 'just in time' policy.

So far, demand for West African timbers has been at normal level though prices for a very few species have fluctuated in the past few weeks. Buyers in Europe contend that the market has now changed to be led by demand rather than supply, pointing to the oversupply situation in the softwood sector. Meanwhile, demand from China and India remains firm.

At this stage it is not clear how far the imminent recession in the US will impact tropical hardwood imports. If the crisis in the housing sector deepens, the major effect is expected to be on imports from major suppliers in South America, which may trigger pressure for suppliers in the region to move more aggressively into the European market. China is a major supplier of furniture and other wood products into the US and any reduction in demand for China's products could also cause lower demand for African and other timbers.

While the outlook for the African timber market is much more unpredictable, its current status is relatively stable. West African exporters are possibly less optimistic about market prospects than they were at the start of the year and the high euro is yet another factor affecting this sentiment.

West Africa Log Prices

West Africa logs, FOB	€ per m^3		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	221	191↑	175
Ayous/Obéché/Wawa	221	205	168
Azobe & Ekki	168↑	168↑	122↑
Belli	198	198	-
Bibolo/Dibétou	168	168↑	114
Bubinga	533	457	381
Iroko	289	274	259
Okoume (60% CI, 40% CE, 20% CS)	-	150	-
Moabi	335	335	282
Movingui	205	190	152
Niove	129	129	-
Okan	251↑	251↑	198↑
Padouk	289	289	267
Sapele	297	297	282
Sipo/Utile	335	305	267
Tali	190	190	152

Gabon Okoumé logs, FAS*		€ per m^3	
		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 m^3
Ayous	FAS GMS	396
	Fixed sizes	427
Okoumé	FAS GMS	325↓
	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
Moabi	FAS GMS	610
	Scantlings	630
Movingui	FAS GMS	460

Report from Ghana

Forestry Commission cracks down on illegal logging

The Forestry Commission (FC), in conjunction with the Regional and District Forestry Officers of the Forest Services Division (FSD), stepped up efforts to combat illegal and indiscriminate felling of trees to protect Ghana's environment. The FC has worked with military and police teams to shut down illegal operators in the country. The FSD had also engaged a number of communities and private forest plantation developers over the past years to replant degraded areas of forest reserves as part of the Taungya System. Exotic species, notably cedrela and teak, and indigenous species like wawa, emire, mahogany, edinam, chenchen, ceiba and papao had being planted under the initiative.

Ghana Log Prices

Ghana logs, domestic	US$ per m^3	
	Up to 80cm	80cm+
Wawa	90-105	110-140
Odum Grade A	160-170	175-185
Ceiba	80-95	100-120
Chenchen	60-88	90-112
Khaya/Mahogany (Veneer Qual.)	70-90	95-120
Sapele Grade A	130-150	155-175
Makore (Veneer Qual.) Grade A	125-135	140-166

Ghana Sawnwood Prices

Ghana Sawnwood, FOB	€ per m^3	
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	490
African mahogany (Ivorensis)	580	670
Makore	510	600
Niangon	520	-
Odum	670	750
Sapele	540	600
Wawa 1C & Select	255	280

Ghana sawnwood, domestic		US$ per m^3
Wawa	25x300x4.2m	245↑
Emeri	25x300x4.2m	350↑
Ceiba	25x300x4.2m	204↑
Dahoma	50x150x4.2m	306
Redwood	50x75x4.2m	360↑
Ofram	25x225x4.2m	330↑

Ghana Veneer Prices

Rotary Veneer, FOB	€ per m³	
	CORE (1-1.9mm)	FACE (<2mm)
Bombax	325	350
Kyere, Ofram, Ogea & Otie	325	360
Chenchen	315	360
Ceiba	235	315
Mahogany	425	460

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

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

Sliced Veneer, FOB	€ per m²	
	Face	Backing
Afrormosia	1.80	1.00
Asanfina	2.00	0.88
Avodire	1.12	0.75
Chenchen	0.72	0.50
Mahogany	1.50	0.79
Makore	1.30	0.80
Odum	1.54	1.10

Ghana Plywood Prices

Plywood, FOB	€ per m³			
B/BB, Thickness	Redwoods		Light Woods	
	WBP	MR	WBP	MR
4mm	560	465	500	375↑
6mm	380	315	335	285
9mm	388	305	290	270↓
12mm	340	285	300	280
15mm	350	290	300	260
18mm	300	290	285	250↓

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 m²		
	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

Prices surge across the board for Malaysian timber products

Prices of Malaysian timber product continue to rise amid soft commodity prices. Rubber latex, the raw material for rubber gloves, has undergone price hikes once every two to three weeks. This has driven up the cost of rubberwood on almost a weekly basis for furniture manufacturers.

Malaysia is the world's leading exporter of natural rubber gloves, particularly for medical purposes. The demand for raw latex is not expected to ease for the rest of the year, and this could create a critical shortage of rubberwood for Malaysian furniture manufacturers.

In addition, prices of palm oil continue to rise on speculation that soya bean farmers in Argentina may refuse to participate in the new planting season, increasing the stakes for Malaysia in the biodiesel market. Fibers from the oil palm trees are one of the main sources of raw material for panel products, including MDF and plywood.

Prices of Malaysian timber products are further driven up by reports of strikes by port workers in Indonesia. The fear of worsening haze conditions due to increased fire risk from La Niña towards the third quarter of this year is another major contributory factor to the appreciating prices. The climatic conditions could also cause a serious drop in the yield of rubber latex and palm oil.

Malaysia Log Prices

Sarawak log, FOB	US$ per m³
Meranti SQ up	298-319↑
Small	274-294↑
Super small	264-272↑
Keruing SQ up	271-282↑
Small	238-268↑
Super small	229-237↑
Kapur SQ up	247-264↑
Selangan Batu SQ up	271-293↑

Pen. Malaysia logs, domestic (SQ) US$ per m³	
DR Meranti	354-397↑
Balau	290-318↑
Merbau	417-440↑
Rubberwood	243-262↑
Keruing	283-296↑

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

Malaysia Sawnwood Prices

Malaysian Sawnwood, FOB	US$ per m³
White Meranti A & up	430-455↑
Seraya Scantlings (75x125 KD)	708-746↓
Sepetir Boards	328-338↑
Sesendok 25,50mm	445-474↑
Kembang Semangkok	425-443↑

Malaysian Sawnwood, domestic		US$ per m³
Balau (25&50mm,100mm+)		345-365↑
Merbau		559-578↑
Kempas 50mmx(75,100 & 125mm)		291-308
Rubberwood	25x75x660mm up	285-314↑
	50-75mm Sq.	306-331↑
	>75mm Sq.	318-350↑

Malaysia Plywood Prices

Malaysia ply MR BB/CC, FOB	US$ per m³
2.7mm	482-508↑
3mm	459-484↑
9mm & up	418-441↑

Meranti ply BB/CC, domestic	US$ per m³
3mm	457-467↑
12-18mm	397-405↑

Other Malaysia Panel Prices

Malaysia, Other Panels, FOB		US$ per m^3
Particleboard	Export 12mm & up	234-252↑
	Domestic 12mm & up	222-239↑
MDF	Export 15-19mm	300-323↑
	Domestic 12-18mm	275-293↑

Malaysia Added Value Product Prices

Malaysia, Mouldings, FOB	US$ per m^3
Selagan Batu Decking	679-697↑
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	716-736↑
Grade B	631-649↑

Malaysia Furniture and Parts Prices

Malaysia, Rubberwood, FOB		US$ per piece
Semi-finished dining table		
solid laminated top 2.5'x4', extension leaf		58-74↑
As above, Oak Veneer		65-79↑
Windsor Chair		56-58↑
Colonial Chair		50-58↑
Queen Anne Chair (soft seat)	without arm	51-63↑
	with arm	55-64↑
Chair Seat 27x430x500mm		37-44↑
Rubberwood Tabletop		US$ per m^3
22x760x1220mm sanded & edge profiled		
Top Grade		625-635↑
Standard		593-611↑

Report from Indonesia

Port strikes stall movement in Indonesian prices

Prices of Indonesian timber products remained unchanged amid reports of a major strike by port workers following legislation passed by the Indonesian government to end state controls on the operation and administration of ports across Indonesia. Buyers had voiced concerns over the possibility that contracted shipments would not be delivered from Indonesia. Plywood manufacturers were equally worried over the situation posed by major labor strikes at the ports. The implication for Indonesian timber products manufacturers was that they could miss out on summer construction in most importing countries.

Heart of Borneo agrees to protect forest areas

Antara News reported that the second meeting of the Heart of Borneo initiative, comprising Indonesia, Malaysia and Brunei Darussalam, convened from 1-4 April 2008 and agreed on measures to protect forests. Mr. Nur Hidayat, a senior Indonesian agriculture ministry official, explained that the objectives agreed at the meeting were, *inter alia*, 'utilization of protected and conservation forests in accordance with their classifications; processing of forest products based on conservation principles;...making efforts to save and maintain forests in line with their functions; [and] increasing local communities' participation in conserving forests.' Nur noted that the area designated as the 'Heart of Borneo' consisted of a total of 200,000 km², 57% of which was located in West Kalimantan.

Indonesia Log Prices (domestic)

Indonesia logs, domestic prices	US$ per m^3
Plywood logs	
Face Logs	235-275
Core logs	180-210
Sawlogs (Meranti)	232-272
Falcata logs	182-196
Rubberwood	213-236
Pine	207-230
Mahoni (plantation mahogany)	605-651

Indonesia Sawnwood Prices

Indonesia, construction material, domestic		US$ per m^3
Kampar (Ex-mill)	AD 3x12-15x400cm	248-256
	KD	328-343
	AD 3x20x400cm	349-370
	KD	372-383
Keruing (Ex-mill)	AD 3x12-15x400cm	282-293
	AD 2x20x400cm	271-280
	AD 3x30x400cm	276-285

Indonesia Plywood Prices

Indonesia ply MR BB/CC, FOB	US$ per m^3
2.7mm	472-502
3mm	414-473
6mm	391-414

MR Plywood (Jakarta), domestic	US$ per m^3
9mm	330-343
12mm	305-326
15mm	303-332

Other Indonesia Panel Prices

Indonesia, Other Panels, FOB		US$ per m^3
Particleboard	Export 9-18mm	235-245
	Domestic 9mm	201-218
	12-15mm	190-202
	18mm	187-191
MDF	Export 12-18mm	310-322
	Domestic 12-18mm	252-273

Indonesia Added Value Product Prices

Indonesia, Mouldings, FOB	US$ per m^3
Laminated Boards Falcata wood	380-399
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	673-697
Grade B	597-637

Report from Myanmar

Yearly trends show limited changes in log prices

The period from April 2007—April 2008 showed a limited range of price changes for Myanmar logs despite some impacts on supply. Following EU restrictions on the purchase of timber from Myanmar, exports to Europe had not been significant both quantitatively and qualitatively. Unlike the period before 1990, shipments to Europe were dwindling. The availability of highly sought after grades (sawing grade 2 and above) preferred by European buyers had been scarce. As teak shipments to Europe and Hong Kong dropped and as the grades declined, India entered the Myanmar market as a strong buyer in the 1990s, followed by China and Vietnam. The latter two countries had also become noteworthy customers for other non-teak hardwoods.

New hardwood prices on 27 February 2008 showed an increase of 5% for pyinkadoe and 10% for gurjan logs. Sales of pyinkadoe remained bearish during the second half of 2006 and almost throughout 2007. It was only in the final months of 2007 that pyinkadoe strengthened in the market. Pyinkadoe was a durable species and had shown more resilience than gurjan.

New gurjan list prices rose by 10% from prices a year ago. While the price rises have benefited the MTE, the middle-men that trade between the MTE and end users have seen their gains eroded. There were also reports that a 'price war' erupted among some importers and users.

Species like padauk and tamalan have not been included in the price list. These species have only been sold by competitive bidding because of the scarcity of the species and the high prices they obtain in the tenders. April is not expected to be a busy month for trading due to the Myanmar New Year from 11-20 April 2008.

The February TTM report (TTM 13:3) mentioned that 260,000 m³ of Myanmar's sawnwood was imported by China in 2007. Some analysts believe this number is not reliable and will result in trade data discrepancies between Myanmar and China. At present, land route shipments require approval from the Trade Council of Myanmar and border trade approval is granted on a case-by-case basis. The maximum quantity permitted for shipment is less than 50,000 hoppus tons (about 90,000 m³).

Myanmar Log Prices (natural forests)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)		
Veneer Quality	Feb	Mar	6 mo. Avg
2nd Quality	5,401 (4 tons)	5,489 (6 tons)	5,433
3rd Quality	5,149 (10 tons)	5,360 (14 tons)	5,086
4th Quality	4,526 (42 tons)	4,523 (42 tons)	4,281
Sawing Quality	Feb	Mar	
Grade 1 (SG-1)	2,785 (365 tons)	2,654 (123 tons)	2,626
Grade 2 (SG-2)	2,207 (564 tons)	2,080 (846 tons)	2,219
Grade 3 (SG-3)	NIL	1,658 (18 tons)	1,721
Grade 4 (SG-4)	1,871 (271 tons)	2,014 (231 tons)	2,048
Grade 5 (SG-5) Assorted	1,819 (656 tons)	1,872 (857 tons)	1,739
Grade 6 (SG-6) Domestic	1,416 (406 tons)	1,364 (337 tons)	1,390
Grade 7 (ER-1)	1,061 (154 tons)	989 (154 tons)	1,043
Grade 8 (ER-2)	706 (27 tons)	NIL	1,083

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	403 (16 tons)
Gurjan (keruing)	--
Tamalan	1500 (19 tons)
Taungthayet	--

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

Report from Brazil

Legality concerns squeeze Pará state timber supply

Over 80% of the Northern Amazonian state of Pará is covered by forests. The year 2007 was difficult for the state's timber sector, said *Folha da Mata*, as increasing scrutiny was placed on timber supply to ensure it was extracted from legal sources. The prevalence of illegal timber in Pará made timber companies' activities unsustainable and was a deterrent to investment in timber production, placing the timber industry, the second most important social and economic activity in the state) at risk. It was close to collapse due to the delay in the approval of forest management plans, trade barriers on land tenure and changes in legal requirements. As a result, many municipalities with forest-based production faced unemployment and escalating violence.

According to the Altamira Timber Industry Union, access to information on registered forest management plans at the State Environment Agency (SEMA) has improved with the creation of the Forest Crises Follow-up Group. However, the number of approved projects was still not sufficient to generate supply for the many forest operations. Land issues were considered the main problem in the region. Only five out of 25 timber companies in Altamira were operating at about 60% capacity, while the others have closed.

Despite the difficulties faced by the state in 2007, timber companies have used natural resources more efficiently, adding value to products, in line with the new development model promoted by the state government. Consequently, the state of Pará's total export value in US dollars rose 23% in 2007, almost 10 times the growth in volume, which increased only 2% in 2007 compared to 2006. This result reflects the impact of value-added activities and price adjustments to manufactured products to compensate the depreciating US dollar against the Real.

Prospects for 2008 remain favorable considering the effective oversight of forest concessions by state and federal governments. Experts suggest that prospects would improve if there is greater efficiency in local government agencies. In addition to changes in the forest administration, companies will rely on forest plantations, forest concessions and establishment of forest partnerships with communities to guarantee timber supply. In 2008, the Timber Industry Association of Pará (AIMEX) will be working to establish an adequate forest policy for the region that will ensure greater stability and increase timber activities in the state.

IBAMA tightens control on illegal logging in the Amazon

According to *Remade*, The Brazilian Institute of Environment and Renewable Resources (IBAMA) has been strengthening its control system to combat deforestation in the Amazon. IBAMA's website has now made public a list of all embargoed areas where illegal activities have taken place. The list will be updated daily for inclusion and exclusion of areas. The inclusion of an area on the list will occur when inspectors identify illegal logging, prosecute a violator and embargo the area. Such actions are part of the National Preventative Plan to Combat Deforestation in the Amazon (PPCDAM). For each area, the information will contain the term of the contract, date, size of the embargoed area, violation number, detail of the property, name of the violator and the name of the operation. The website allows a search to be conducted by state and municipality and presents all the information on embargoed areas in the selected location. Public consultation is in an experimental phase during the first half of April 2008. Therefore, access to the database does not require registration. After the initial testing phase, a user may register on the IBAMA website to receive a password for conducting searches.

Brazil exports jump 14% in February

In February 2008, the value of exports of general wood products (except pulp and paper) increased 14% compared to the same period in 2007, growing from USD289 million to USD329.5 million. The charts below show the volume and value of exports over the February 2007—February 2008 period:

Brazil's Exports by Value in February 2008 (USD mil)

		2007	2008	% change
FEB	Solid wood*	289	329.5	14
	Tropical plywood	15.5	16.4	5.8
	Pine plywood	26.6	51.5	94
	Tropical sawnwood	46.4	51.3	10.6
	Pine sawnwood	17.5	22.2	26.9
	Wood furniture	51.5	63.8	23.9

*Figures for solid wood exclude pulp and paper exports

Brazil's Exports by Volume in February 2008 (000 m³)

		2007	2008	% change
FEB	Tropical plywood	31.19	28.72	(8.6)
	Pine plywood	101.07	147.52	46
	Tropical sawnwood	124.79	112.5	(9.8)
	Pine sawnwood	91.85	109.11	18.8

IBAMA halts movement of illegal timber

IBAMA prevented 1,500 m³ of high value illegal timber from passing through the port of Santarém in the Northern Amazonian state of Pará, reported *Agroflorestal*. Part of the illegal shipments included species such as maçaranduba, jatobá and ipe; the remaining 3,500 m³ of sawntimber was released for export. Exporters suspected of transporting illegal timber could be fined up to BRL300,000. The operation to stop illegal trade, called 'Made in Brazil', started on 26 March 2008 by the Executive Manager of IBAMA (GEREX) in Santarém. The inspection was conducted by IBAMA as part of the national campaign 'Amazon Guardian' designed to combat deforestation, selective logging, transport and illegal timber trade within the National Preventative Plan to Combat Deforestation (PPCDAM).

Southern Brazil benefits from European technical fair

MB Comunicação reported on Santa Catarina's recent successful negotiations with European importers in March 2008. The visit of the European importers was a result of the participation of Brazilian furniture companies at the Valencia Technical Fair in Spain in September 2007. During the March 2008 visit, orders were successfully negotiated with companies from seven municipalities of Western Santa Catarina. The total volume purchased by importers was EUR 1 million (about BRL3 million) and furniture will be exported to Ireland by the end of 2008. According to the furniture cluster's general manager, the business negotiations in Euros facilitated the companies' in negotiating lower prices, considering the depreciation of the US dollar against the Brazilian Real.

Brazil Log Prices (domestic)

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	143
Jatoba	101
Guariuba	68
Mescla (white virola)	75

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	667
	Jatoba	507
Southern Mills (ex-mill)	Eucalyptus (AD)	200
	Pine (KD) 1st grade	263

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	263	220

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)	307
15mm C/CC (WBP)	276
18mm C/CC (WBP)	278

Plywood, domestic (ex-mill Southern mill)		US$ per m^3
Grade MR (B/BB)	White Virola 4mm	900
	White Virola 15mm	658

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	587
Particleboard 15mm	369

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

INRENA announces plans to revise yield rates

Jose Luis Camino Ivanissevich, Head of IRENA, recently stated that investigations into lumber smuggling operations were not completed with adequate quality and seriousness required for the job. He said that yield rates for mahogany and Spanish cedar were based on studies conducted for other species, making the yield rates (set at 52%) inapplicable to mahogany and Spanish cedar.

Camino announced that in 180 days, a commission would define a new yield percentage for mahogany, Spanish cedar and other species. He also pointed out that forest auditing functions would be given to third parties to enable the Supervisory Agency for Forest Resources (OSINFOR) to adequately oversee forest activities. He noted that such changes to the law were required to fulfill requirements under the US-Peru Free Trade Agreement.

Peru aims to increase certified forest products exports
According to the Peruvian Commission for the Promotion of Exports and Tourism's (PROMPERU) manager for the forest products sector, Ricardo Dueñas, a 26% increase in the total value of forest products exports (USD37 million) resulted in the first two months of 2008 when compared to the same period in 2007.

On the other hand, Ricardo Dueñas said that PROMPERU would promote fourteen or fifteen forest concessions with lumber export certification in Loreto, Ucayali and Madre de Dios regions. The size of these concessions would surpass 300,000 hectares. Owners are currently working with financial institutions and some non-governmental organizations to secure investment for the initiative. Investment requirements for these concessions would be USD13 million and the potential value of concessions, after wood production and export costs, are estimated to be about 300 million over a period of five years.

Peru Sawnwood Prices

Peru Sawnwood, FOB Callao Port		US$ per m³
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 m³
Virola 1-2" thick, length 6'-8' KD	
Grade 1, Mexican market	332-380↑
Grade 2, Mexican market	299-320↑
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 m³
Spanish Cedar AD Select Mexican market	939-978
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	333-362↑
Grade 2, Mexican market	302-315↑
Grade 3, Mexican market	179-192
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	250-263

Peru sawnwood, domestic	US$ per m³
Mahogany	1295-1331
Virola	97-110
Spanish Cedar	455-462
Marupa (simarouba)	135-138

Peru Veneer Prices

Veneer FOB	US$ per m³
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 m³
Copaiba, 2 faces sanded, B/C, 15x4x8mm		368-385
Virola, 2 faces sanded, B/C, 5.2x4x8mm		424-432↑
Cedar fissilis, 2 faces sanded 4x8x5.5mm		755-765
Lupuna, treated, 2 faces sanded, 5.2x4x8mm		369-383↑
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 m³
(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 m³
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 m³
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

Bolivia Sawnwood Prices

Sawnwood 1-3"x3x5"x7-19', FOB Arica Port		$ Avg un. val. per m³
Mahogany	(US market)	1675-1777
Spanish Cedar	(US market)	602-963
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

Furniture exports leap 30% in March
Guyana's furniture exports in March increased almost 30% in value over February 2008 levels. The major reason for the rise is that outdoor/garden furniture exports substantially increased to the UK over the February-March period. Outdoor and garden furniture exports to the UK market are expected to further rise as spring progresses and the warmer summer months approach.

Log and sawnwood prices remain stable
Log and sawnwood prices continue to be stable for Guyana's main export species. However, due to late starts in production by some producers, log export volumes have declined by about 20% from February levels. Resumed production by main producers and exporters is expected to bring about some increases in log exports in subsequent

periods. Nevertheless, a balanced export product mix between primary and secondary processed wood products is likely to be maintained.

The recent trend for expansion in sawnwood exports continues as producers seek higher prices in new markets. Prices for both dressed and undressed sawnwood remains high in the Asia/Pacific market, with New Zealand and Australia being the primary destinations in the market. Barbados is still the largest market for Guyana's sawnwood exports.

Guyana Log Prices

Logs, FOB Georgetown	SQ - $ Avg unit value per m^3		
	Std	Fair	Small
Greenheart	-	-	-
Purpleheart	160-190↓	150-185	150-180↑
Mora	-	-	100-110↓

*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	570-600↓	780-850↑
	Select/Standard	450-650↑	450-615↓
Purpleheart	Prime	-	600-860↑
	Select/Standard	500-600↓	450-620↓
Greenheart scantlings		-	-

Guyana Plywood Prices

Plywood, FOB Georgetown Port			$ Avg unit val. per m^3
Baromalli	BB/CC	5.5mm	-
		12mm	355-415
	Utility	5.5mm	-
		12mm	350-380

Report from Japan

Japanese housing and construction industries face more bankruptcies

Japan Lumber Reports said that from January through March 2008, ten companies have declared bankruptcy due to the unstable financial conditions, slower building starts and the effects of the revised Building Standards Act. The full impacts of these are just beginning, as local banks are now collecting outstanding debts. Builders have reported that the high costs of building materials were out of reach to buyers and many properties were sold at lower prices, despite losses to builders.

LDP demands enforcement of Green Purchase law

In light of recent scandals in Japan revealing paper manufacturers lying about the amount of sustainable products used in paper manufacturing, the Liberal Democratic Party (LDP) demanded stricter compliance with the Green Purchase Law, said *Japan Lumber Reports*. The LDP said that if a limit of 70% of imported wood chips was imposed for a 'green' product, paper manufacturers would need to use domestic wood sources as their raw material. This would help the domestic forest industry as well as ensure compliance with Japan's Green Purchase law.

Japan moves to container shipping

As Saga Forest, a large bulk carrier company, recently withdrew from the lumber shipping business, *Japan Lumber Reports* explained that Japan will need to increasingly rely on container shipping to receive lumber from North America. Another company, Seaboard, is reported to have reduced the number of available vessels for lumber shipping as well. Due to the change, it is expected that about 75% of products will be shipped by container instead of bulk in the near term.

Imported plywood volume plunges in February

While February 2008 housing starts showed a minor decline of 5.7% from February 2007 levels (Figure 1), plywood imports dropped significantly in February 2008. Plywood imports were 30% less than the same period a year ago, according to *Japan Lumber Reports*. This was the result of Malaysia decreasing its shipment by nearly half in February 2008, and Indonesian and Chinese shipments also lower than usual levels. Prices for lauan plywood products were also rising due to their scarcity, reported the *Japan Lumber Journal*.

Figure 1: Japanese housing starts, 2005-2008

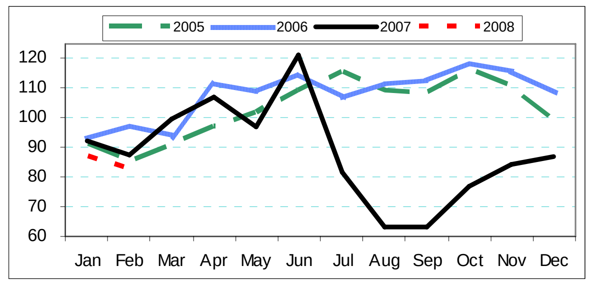
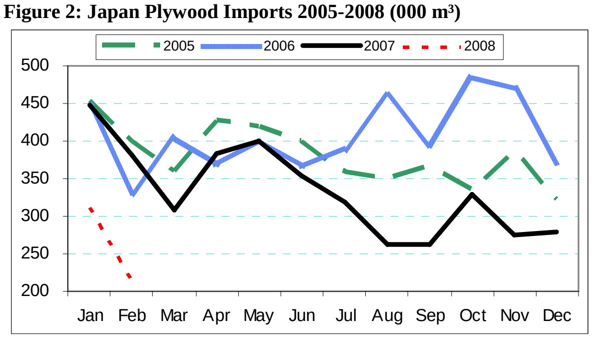


Figure 2: Japan Plywood Imports 2005-2008 (000 m³)



Log and Sawnwood Prices in Japan

Logs for Ply Manufacture, CIF	Yen per Koku
Meranti (Hill, Sarawak)	(Koku=0.278 m^3)
Medium Mixed	8,350↓
Standard Mixed	8,450↓
Small Log (SM60%, SSM40%)	7,450↓
Taun, Calophyllum, others (PNG)	7,600↓
Mixed light hardwood, G3/4 grade (PNG)	-
Okoumé (Gabon)	14,000
Keruing MQ & up (Sarawak)	10,200↑
Kapur MQ & up (Sarawak)	9,800↑

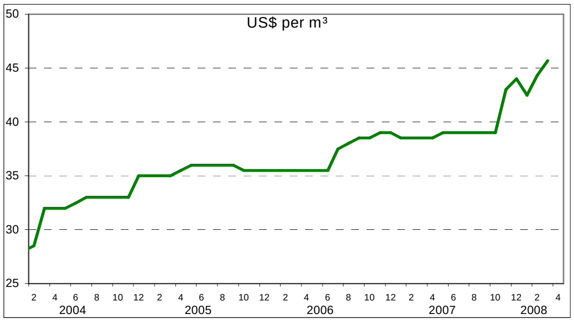
Logs for Sawmilling, CIF	Yen per Koku
Melapi (Sarawak) High Select	11,000
Agathis (Sarawak) High Select	-

Lumber, FOB	Yen per m^3
White Seraya (Sabah) 24x150mm, 4m, Grade 1	145,000
Mixed Seraya, Sangi 24x48mm, 1.8-4m, S2S	53,000

Wholesale Prices (Tokyo)

Indonesian & Malaysian Plywood	Size (mm)	Feb (¥ per sheet)	Mar
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	940 ↑
12mm for foundation (F 4star, special)	910 X 1820	1000 ↑	1030 ↑
12mm concrete-form ply (JAS)	900 X 1800	930	940 ↑
12m coated concrete-form ply (JAS)	900 X 1800	1090 ↑	1110 ↑
11.5mm flooring board	945 X 1840	1300	1300
3.6mm baseboard for overlays (OVL)	1230 X 2440	880 ↓	860 ↓
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 and Russia strengthen forestry cooperation

The Vice Administrator for the China State Forestry Association (SFA), Mr. Li Yucai, recently explained China and Russia's forest cooperation at a forest and wood processing investment conference sponsored by the SFA, WWF and Forest Trends. He noted that China and Russia signed a Memorandum on Strengthening Forestry Cooperation and a series of agreements, including on joint exploitation of forest resources and the prevention of forest fires. Mr. Li also told participants that Chinese enterprises have invested nearly USD1 billion in Russian forestry.

According to Mr. Li, total production value of China's forest products reached USD160 billion in 2007, up 9.85% over the last year. The total volume of roundwood and wood-based panels produced was 69.74 million m³ and 73.65 million m³, respectively. The total value of forest products trade was USD57 billion. China currently ranks first in terms of global outputs of resin and wood-based panels and second in terms of furniture and paper products.

Guangdong Province braces for wood shortage

Mr. Zhan Zhijun, Director of Guangdong Forest Products Industry Association, revealed that wood prices would rise in the next three to five years, which would greatly impact downstream building material and paper making enterprises. This is attributed to the shortage of supply expected in the province following the effects of severe winter weather (see TTM 13:4). Although Guangdong has been one of the most important forest products production and export provinces where wood consumption has remained around 20 million m³ in recent years, it is likely that consumption would be only 4 million m³ in the next few years. Wood production levels will be determined by imports from other provinces such as Hunan, Guangxi, Fujian and Jiangxi and abroad. To address the imbalance of wood demand and supply, the forestry department of Guangdong is consulting with customs and quarantine departments to set up wood collection and distribution points at ports to import wood directly from foreign countries.

Solidwood flooring shows strong growth in Guangdong Province

The flooring industry, especially the solid wood composite flooring industry, has been developing rapidly in Guangdong Province due to rising housing starts. According to statistics, sales of commercial housing reached 62.20 million m² in 2007 in Guangdong Province, up 20% in the last year. According to a survey of 113 wood flooring enterprises, the production capacity of the province was 151.94 million m², up 16.6% in the last year. Of this total, solid wood flooring was 24.55 million m² (a 9.32% rise), solid wooden composite flooring was 53.41 million m² (up 40.52%), laminated flooring was 72.01 million m² (4.35%) and bamboo flooring was 1.92 million m² (103%). There were 820 thousand hectares of fast growing eucalypt plantations with growing stock of 20.63 million m³ in the province. Eucalypts were the material base for most solid wood composite flooring and had helped the province's share of production grow at a rate of 20% in the last three years.

Wood door industry shows vigorous growth in 2007

The wooden door industry in China has experienced vigorous growth in recent years. Many furniture and wood flooring enterprises have shifted to the production of wooden doors. The total value of wooden doors produced in China amounted to more than USD40 billion in 2007, compared with USD32 billion in 2006, a 25% increase. The export value of wooden doors amounted to USD557 million, up 13% from USD494 million in 2006.

Lianyugang Port tightens quality control of exports

The Inspection and Quarantine Bureau of Lianyungang Port, Juangsu Province, indicated that quality control on exported forest products has been tightened at the port to adapt to quality standards in international markets. According to this rule, all materials including auxiliary materials have to pass physical and chemical tests before being exported in accordance with technical standards of the import country. The materials include paint, glue, cloth and leather. Enterprises producing materials that do not meet the requirements will be forced to comply with the new quality standards.

Heilongjiang ports handle greater volume and value of imported logs

According to statistics from customs, Heilongjiang ports, including Suifenhe Port, imported a total of 8.552 million m³ of logs valued at USD960 million in 2007, up 19% and 40.5%, respectively, over the last year. The volume and value of logs imported by Heilongjiang ports accounted for 23% and about 18% of the country's total, respectively.

Guangzhou City Imported Timber Market

Logs	Yuan per m^3
Radiata 6m, 30cm diam.	1300
Lauan	2200-2400
Kapur	1900-2500
Merbau 6m, 60cm diam.	4800-5200
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"	15000-15600
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	9500-10500⬇
US Red Oak, 50mm	9800-10500
Sapele 50mm FAS (Congo)	
KD (2", FAS)	9500-9800
KD (2",grade A)	8000-9500

Shandong De Zhou Timber market

Logs		Yuan per m^3
Larch	6m, 24-28cm diam.	1220⬇
White Pine	6m, 24-28cm diam.	1250⬇
Korean Pine	4m, 30cm diam.	1350⬇
	6m, 30cm diam.	1400⬇

Hebei Shijiangzhuang Wholesale Market

Logs		Yuan per m^3
Korean Pine 4m, 38cm+ diam		1700
Mongolian Scots Pine	4m, 30cm diam.	1350⬆
	6m, 30cm+ diam.	1380⬆
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

EU-25 import analysis 2007

An analysis of Eurostat import data for 2007 for the EU-25 group of countries (all EU members excluding Romania and Bulgaria) carried out by Forest Industries Intelligence Limited reveals the following:

Tropical Hardwood Logs

- EU tropical hardwood log imports during the year reached 847,100 m³, down 3% on the previous year.
- Leading EU importing countries of tropical hardwood logs in 2007 were France (406,100 m³), Italy (112,400 m³), Germany (109,500 m³), Portugal (86,700 m³) and Spain (54,900 m³).
- Imports of tropical hardwood logs fell dramatically in Italy (-8%), Portugal (-14%), and Spain (-16%) during 2007. However, this was partly offset by a slight increase in imports by France (up 2%).
- Leading countries supplying tropical hardwood logs to the EU during 2007 were Gabon (334,600 m³), Democratic Rep. of the Congo (150,400 m³), Cameroon (123,100 m³), and the Congo (79,600 m³).
- EU imports of tropical hardwood logs from Gabon remained stable between 2006 and 2007. Imports increased from the Democratic Rep. of the Congo (up 21%) and Cameroon (up 19%). However there was a significant fall in imports from the Congo (down 51%).

Tropical Hardwood Sawn

- EU-25 tropical hardwood sawn imports during 2007 reached 2,314,300 m³, up 4% on the previous year.
- Leading EU importing countries of tropical hardwood sawn in 2007 were the Netherlands (553,000 m³), France (345,800 m³), Italy (335,000 m³), Spain (332,400 m³), Belgium (220,400 m³) and the UK (151,000 m³).
- Imports of tropical hardwood sawn fell dramatically in Italy (down 10%) and more moderately in Spain (down 2%) during 2007. However, this was offset by a significant increase in imports by Netherlands (up 6%), France (up 11%), Belgium (up 4%) and the UK (up 15%).
- Leading countries supplying tropical hardwood sawn to the EU during 2007 were Brazil (639,700 m³), Cameroon (580,700 m³), Malaysia (345,800 m³), Cote d'Ivoire (231,700 m³), Gabon (117,700 m³), and Ghana (82,800 m³).
- EU imports of tropical hardwood sawn rose strongly from Brazil (up 31%) and Gabon (up 13%) and more moderately from Cameroon (up 3%) during 2007. However there was a significant fall in imports from Malaysia (down 26%), and a slight fall in imports from Ghana down 6%).

Hardwood plywood

- EU-25 imports of hardwood-faced plywood (both temperate and tropical hardwood) during 2007 reached 2,773,100 m³, up 8% on the previous year.
- Leading EU importing countries of hardwood plywood in 2007 were the UK (756,800 m³), Germany (449,000 m³), Belgium (281,700 m³), Italy (227,900 m³), and the Netherlands (191,200 m³).
- Imports of hardwood plywood fell slightly to the UK (down 4%) and the Netherlands (down 3%) during 2007. However, this was offset by a significant increase in imports by Germany (up 24%) and Italy (up 13%), and a moderate increase in imports by Belgium (up 2%).
- Leading countries supplying hardwood plywood to the EU during 2007 were China (1,092,000 m³), Russia (754,200 m³), Brazil (247,700 m³), Malaysia (237,300 m³), and Indonesia (139,500 m³).
- EU imports of hardwood plywood rose strongly from China (up 31%) and Russia (up 14%) and more moderately from Malaysia (up 3%) during 2007. However there was a significant fall in imports from

Indonesia (down 39%), and a slight fall in imports from Brazil (down 6%).

EU-25 tropical hardwood log imports 2007 (1000 m3)

	FR	IT	DE	PT	ES	OTHER	TOTAL
GABON	226.8	25.1	32.9	15.6	18.0	16.2	334.6
DRC	85.0	13.9	0.4	33.6	0.4	17.2	150.4
CAMEROON	25.2	26.2	38.9	15.8	10.5	6.4	123.1
REP CONGO	31.4	15.4	6.1	12.3	9.8	4.6	79.6
EQ. GUINEA	24.0	9.3	21.4	3.9	4.8	2.9	66.2
CAR	12.4	11.7	3.3	5.0	10.9	1.0	44.3
OTHER	1.5	10.8	6.5	0.6	0.4	29.2	49.0
TOTAL	**406.1**	**112.4**	**109.5**	**86.7**	**54.9**	**77.5**	**847.1**

EU-25 tropical hardwood log imports (% change 06-07)

	FR	IT	DE	PT	ES	OTHER	TOTAL
GABON	8	-31	14	15	2	-40	**0**
DRC	43	29	51	-23	43	67	**21**
CAMEROON	30	-1	29	52	30	-27	**19**
REP CONGO	-57	-50	-64	-42	-43	80	**-51**
EQ. GUINEA	12	436	-7	-39	7	-55	**5**
CAR	-16	45	-52	-1	-35	26	**-16**
OTHER	-1	33	43	253	-37	84	**59**
TOTAL	**2**	**-8**	**-1**	**-14**	**-16**	**8**	**-3**

Source: Forest Industries Intelligence Limited analysis of Eurostat.
All figures exclude intra-EU trade

EU-25 tropical hardwood log imports 2007 (1000 m³)

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GABON	226.8	25.1	32.9	15.6	18.0	16.2	334.6
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REP CONGO	31.4	15.4	6.1	12.3	9.8	4.6	79.6
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GABON	8	-31	14	15	2	-40	**0**
DRC	43	29	51	-23	43	67	**21**
CAMEROON	30	-1	29	52	30	-27	**19**
REP CONGO	-57	-50	-64	-42	-43	80	**-51**
EQ. GUINEA	12	436	-7	-39	7	-55	**5**
CAR	-16	45	-52	-1	-35	26	**-16**
OTHER	-1	33	43	253	-37	84	**59**
TOTAL	**2**	**-8**	**-1**	**-14**	**-16**	**8**	**-3**

Source: Forest Industries Intelligence Limited analysis of Eurostat.
All figures exclude intra-EU trade

EU-25 hardwood plywood imports 2007 (1000 m³)

	GB	DE	BE	IT	NL	OTHER	TOTAL
CHINA	329.6	215.0	169.4	38.4	67.8	271.8	**1092.0**
RUSSIA	66.4	121.3	4.2	107.6	41.8	412.9	**754.2**
BRAZIL	113.7	36.8	27.6	31.2	5.3	33.1	**247.7**
MALAYSIA	201.0	2.5	13.4	2.9	11.3	6.3	**237.3**
INDONESIA	18.7	34.7	51.4	4.4	15.9	14.4	**139.5**
BELARUS	0.4	16.6	0.3	1.1	1.7	55.9	**76.0**
UKRAINE	0.0	13.2	1.4	8.1	13.1	31.1	**66.9**
GABON	0.0	0.1	1.1	14.0	12.0	15.3	**42.5**
MOROCCO	0.0	0.0	1.2	13.7	19.6	0.7	**35.3**
OTHER	27.0	8.9	11.8	6.4	2.6	25.0	**81.8**
TOTAL	**756.8**	**449.0**	**281.7**	**227.9**	**191.2**	**866.5**	**2773.1**

EU-25 hardwood plywood imports (% change 06-07)

	GB	DE	BE	IT	NL	OTHER	TOTAL
CHINA	10	46	48	33	-13	62	**31**
RUSSIA	7	19	45	24	44	10	**14**
BRAZIL	-21	68	-1	18	35	-15	**-6**
MALAYSIA	1	-26	3	576	25	27	**3**
INDONESIA	-53	-21	-47	-43	-7	-40	**-39**
BELARUS	na	-7	387	-6	-36	-13	**-12**
UKRAINE	na	4	32	-48	-25	6	**-12**
GABON	na	-66	-1	12	115	29	**35**
MOROCCO	-61	na	62	-3	-29	-43	**-19**
OTHER	-41	-37	-35	-16	-66	-3	**-31**
TOTAL	**-4**	**24**	**2**	**13**	**-3**	**16**	**8**

Source: Forest Industries Intelligence Limited analysis of Eurostat
All figures exclude intra-EU trade

EC deliberates on illegal wood legislation

Over the last 12 months the European Commission has been investigating the potential to introduce EU-wide legislation designed to prevent imports of illegal wood. To guide policy development on the issue a wide-ranging public consultation exercise was held during 2007 and an independently-commissioned impact assessment was completed earlier this year. This process has indicated that there is a very high level of support for such legislation from EU regulators, environmental groups and the timber industry throughout the EU. The governments of countries currently engaged in negotiating Forest Law Enforcement Governance and Trade (FLEGT) Voluntary Partnership Agreements (VPA) with the EU (Ghana, Indonesia, Malaysia and Cameroon) also seem supportive since this would boost market prospects for timber licensed as legal under the terms of the VPA. An EC Communication containing a recommendation for EU-wide legislation is expected to be issued within the next few weeks.

While there is underlying support for such legislation, agreeing on the details of a workable framework is proving to be much more complicated. Essentially two options for legislation have been considered, each with very different implications for the European import trade:

- An import-ban or sales-ban on timber that is not verified as legal;

- Legislation styled on the US Lacey Act, making the import/sale of illegally-sourced timber illegal within the EU.

The first option essentially places the burden of proof on timber suppliers, requiring them to demonstrate that all wood is legal. This option would give a strong boost to FLEGT VPA licensed timber. It tends to be favored by environmental groups who argue that such legislation would be easier to enforce than a 'Lacey-style' approach. However there are some significant legal and practical objections to this type of legislation. It would effectively criminalize within the EU any timber that is not verified as legal. Best estimates suggest that perhaps 10% of global industrial roundwood supply derives from illegal sources, so legislation requiring that all wood must be verified as legal seems disproportionate to the scale of the problem. Such legislation reverses the usual burden of proof (timber traders are guilty unless they can prove their innocence), which is something that European courts are only rarely willing to do. Such legislation would also be difficult to apply to countries with large numbers of small owners (which makes traceability difficult), such as the US. There is also the problem that, in order to meet WTO obligations, the EU would have to place a similar burden on timber producers within the EU. For all these reasons, this option is not particularly favored by the EU private sector.

The alternative 'Lacey-style' approach places the burden of proof on the prosecution that would have to demonstrate that wood is from an illegal source. Again there are legal objections. Such legislation would require EU courts to make 'extra-territorial' judgements on the laws of other countries, something which they are only rarely willing to do. And the challenges of establishing a chain of evidence and bringing prosecutions would be considerable. On the other hand, this approach has the benefit of imposing a reduced burden on the private sector and would better target high risk imports. It would have the effect of encouraging due diligence on the part of importers in order to reduce their risk of prosecution.

Due to the difficulties associated with both legislative options, the European Commission has signaled that the forthcoming Communication may actually recommend a third legislative option. There is talk of a law that would directly impose a requirement for due diligence on EU importers. Timber importing companies above a certain size may be required to demonstrate that they have taken effective precautions to minimize the risk of purchasing wood from illegal sources. Another possibility is that the EU might simply impose new import declaration requirements to ensure more accurate reporting of country of harvesting.

Whatever the outcome, there is little doubt that the EC and many EU Member States are increasingly determined to implement effective measures to prevent imports of illegal wood. The deliberations on additional legislative options have potential to profoundly impact on the long-term future of the EU wood import trade.

EC reacts to Russian export duty hikes

An EC spokesman recently expressed regret over the Russian Federation's decision to raise log export duties from 20% to 25%. *Japan Lumber Reports* said that the hike in export duties is only preliminary and will further increase to 80% by January 2009. The EC said that the move would inhibit trade flows of softwood logs from Russia to the EU and would have implications for Russia's accession to the World Trade Organization. While the EC's statement noted that negotiations had been underway with Russia to prevent the export duties from being raised, the discussions had not yielded a positive outcome. However, the EC indicated it would continue discussions on the issue, which it said were in the interest of Russia as well as those who trade with Russia. For instance, Japan's plywood sector will be seriously affected by the steep export duties as prices for logs will 'practically be prohibitive', according to the *Japan Lumber Journal*.

EU tightens Myanmar timber ban

EUWID reported on the EU's new regulation (194/2008), which tightens sanctions on imported Myanmar timber imported directly or via other countries. The regulation, which took effect 10 March 2008, supercedes a previous regulation on Myanmar sanctions from 2006. While teak logs and lumber are the main products mentioned in the new regulation, 'sawlogs and veneer logs, lumber, planed products, wood-based panels, veneer and wooden furniture' are also restricted, reported *EUWID*. Participants at a recent trade conference of the German Timber Trade Federation also noted that the shipbuilding industry would be impacted by the new regulation as it depends on Myanmar natural teak for building materials. While a number of importers had boosted their stocks of Myanmar timber prior to the ban, some are now looking to use substitutes such as iroko to counter the ban's effect.

The Netherlands Sawnwood Prices

FOB (Rotterdam)	USD per m^3
Sapele KD	1130
Iroko KD	1024
Sipo KD	1236
DRM Bukit KD	1130
DRM Seraya KD	1133
DRM Meranti KD Seraya MTCC cert.	1172
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	320-360
Ayous (wawa)	80cm+ LM-C	220-230
Sapele	80cm+ LM-C	340-370
Iroko	80cm+ LM-C	330-350

UK Sawnwood Prices

FOB plus Commission	Pounds per m^3
Tulipwood FAS 25mm	210-230
Framire FAS 25mm	430-450
DR Meranti Sel/Btr 25mm	480-490
Sipo FAS 25mm	600-640
Sapele FAS 25mm	560-580
Iroko FAS 25mm	550-570
Wawa No.1 C&S 25mm	250-260
Balau/Bangkirai Decking	560-620
White Oak	460-480

UK Plywood and MDF Prices

Plywood Panels 8x4", CIF	US$ per m^3
Brazilian WBP BB/CC 6mm	540-550
Malaysian WBP BB/B 6mm	545-555
China (hardwood face, eucalyptus core) 18mm	420-430
China (hard face, poplar core) 18mm	440-460

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.

China and New Zealand signed a free trade agreement, the first such pact between China and a developed country. The deal was inked by Chinese Commerce Minister Chen Deming and New Zealand Trade Minister Phil Goff.
http://news.xinhuanet.com/english/2008-04/07/content_7933330.htm

China's government must tighten its policies on buying illegally logged timber to set a good example for Chinese companies that largely use wood from unsustainable sources, a government forestry official said.
http://www.chron.com/disp/story.mpl/ap/fn/5668189.html

The free ride is ending. For decades, Westerners have imported goods produced ever more inexpensively from a succession of low-wage countries - first Japan and Korea, then China, and now increasingly places like Vietnam and India. But mounting inflation in the developing world, especially Asia, is threatening that arrangement. Not just in China, where rising energy and labor costs have already made exports to the United States and Europe more expensive, but in the lower-cost alternatives to China, too.
http://www.iht.com/articles/2008/04/07/business/inflate.php

Global carbon markets could generate billions of dollars each year for developing countries that tackle tropical deforestation, a major source of global warming, according to a new study. Reducing the rate at which Amazonian rain forests are disappearing by only 10 percent, for example, would yield 1.5 to 9.1 billion euros (2.2 to 13.5 billion dollars), depending on world carbon emission prices, researchers calculated.
http://afp.google.com/article/ALeqM5iKAI7X5qFNtiDzZHtvNwLFJrcLDQ

Growth in African economies in 2007 has not been translated into social development, the UN Economic Commission for Africa (ECA) has reported.
http://news.bbc.co.uk/2/hi/business/7326078.stm

Millions of people could face poverty, disease and hunger as a result of rising temperatures and changing rainfall expected to hit poor countries the hardest, the World Health Organization warned.
http://www.ibtimes.com/articles/20080407/who-climate-change-threatens-millions.htm

Rainforests have been reduced to patches of protected zones in Xishuangbanna, one of the top rubber-producing regions in China, as double-digit economic growth has caused increasing encroachment on China's last remnants of uncultivated land.
http://www.iht.com/articles/2008/04/07/business/rubber.php

A slowdown of deforestation from the Amazon to the Congo Basin could generate billions of dollars every year for developing nations as part of a UN scheme to fight climate change.
http://uk.reuters.com/article/environmentNews/idUKL0646027920080407

The United Arab Emirates dirham depreciated 37% against a basket of 11 currencies of the Gulf Cooperation Council's leading trading partners in the past five years. All other Gulf currencies with the exception of the Kuwaiti dinar also declined by 37 to 47%.
http://www.gulfnews.com/business/Economy/10203963.html

Brazil inaugurated a condom factory that officials say will help hundreds of poor Brazilian rubber tappers make a living while helping to preserve the Amazon rain forest. The plant in the northwestern town of Xapuri will produce 100 million condoms a year, which the government will distribute for free as part of its massive anti-AIDS programme, Brazil's Health Ministry said in a statement.
http://www.thehindu.com/holnus/008200804081108.htm

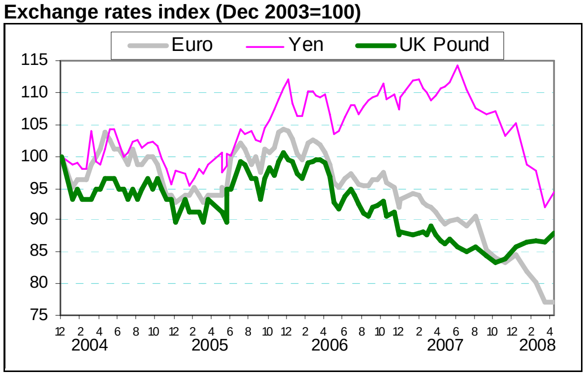
ITTO will convene an 'International Expert Meeting on Addressing Climate Change through Sustainable Management of Tropical Forests' from 30 April – 2 May in Yokohama, Japan. The Expert Meeting will clarify and illustrate the role of ITTO in climate change mitigation in adaptation. The meeting will give special attention to integrating REDD and carbon sequestration as an additional criterion within the context of sustainable forest management and to formulating approaches in this respect.
http://www.itto.or.jp/live/PageDisplayHandler?pageId=223&id=3845

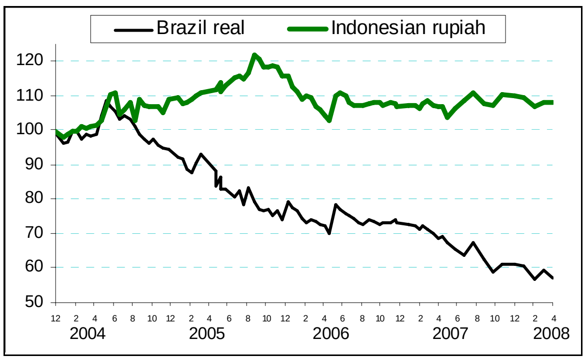
Main US Dollar Exchange Rates

As of 15 Apr 2008

Brazil	Real	1.682	⬇
CFA countries	CFA Franc	415.417	⬆
China	Yuan	6.993	⬇
EU	Euro	0.6333	⬆
Indonesia	Rupiah	9,191.00	⬆
Japan	Yen	101.62	⬆
Malaysia	Ringgit	3.1686	⬇
Peru	New Sol	2.720	⬇
UK	Pound	0.5098	⬆

Exchange rates index (Dec 2003=100)

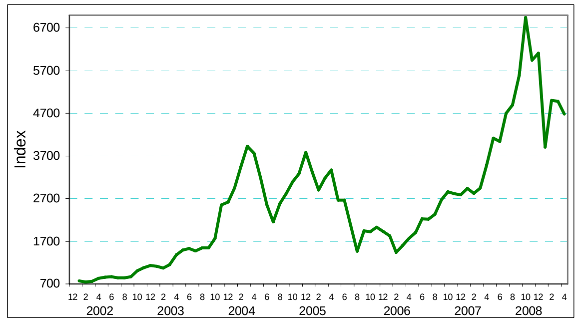




Abbreviations and Equivalences

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

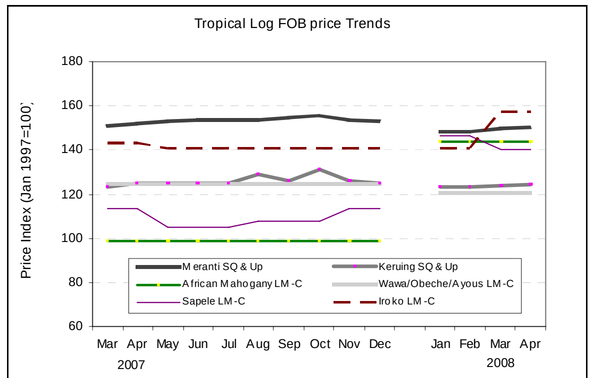
Ocean Freight Index

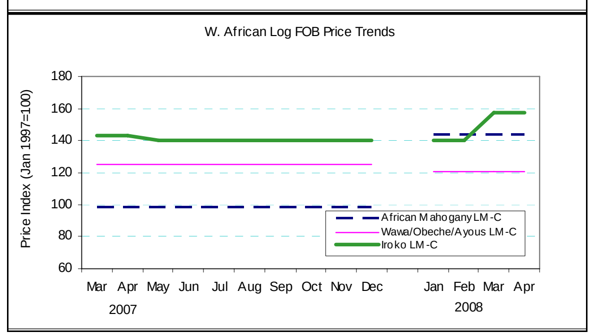


The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes. It is based on a 52,454 mt bulk carrier carrying commodities such as timber.

Appendix. Tropical Timber Price Trends

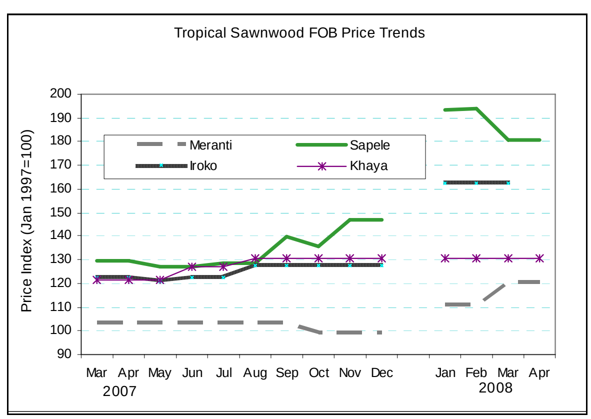
Tropical Log Price Trends

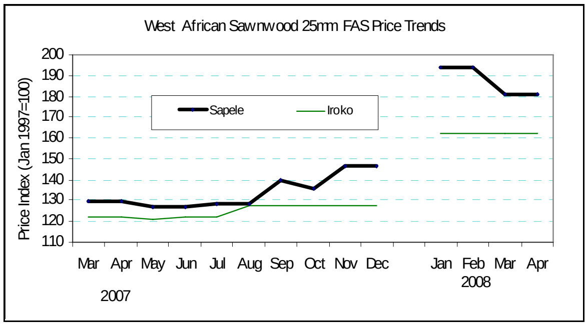




More price trends in Appendix 4, ITTO's Annual Review http://www.itto.or.jp/live/PageDisplayHandler?pageId=199

Tropical Sawnwood Price Trends





**Please note that our price series have changed since January 2008. Prices for selected UK imported species, which are used in log and sawnwood price charts above, are now collected from different suppliers.*

Tropical Plywood Price Trends