

Tropical Timber Market Report since 1990

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Snapshot

In the past two weeks, reports from some producer and consumer countries have been pessimistic. Some countries have curtailed production amid rising exchange rates, slowing demand and rising production costs. Central European veneer manufacturers have cut back production. West Africa has had to drop production levels and lay off some workers as a result of slack demand, most significantly from China. In the Brazilian state of Paraná, domestic production has also been scaled back as a result of the falling dollar and rising production costs. Prices in Malaysia also fell as commodity prices hit new highs.

On the other hand, a number of countries were overcoming recent setbacks by initiating new policy measures or taking advantage of stable environmental conditions. While Guyana experienced low levels of production in early 2008 due to poor weather conditions, country experts anticipated a turnaround in production levels as weather conditions improved. The European joinery sector appears to have performed well since the contractor-led project sector has helped boost demand, even though European purchases of hardwood have been low overall. Ghana also initiated policy measures to cut taxes and increase subsidies for products in an effort to ease the impact of high prices on the local population. Timber trading in Myanmar continued despite ongoing recovery efforts after Cyclone Nargis.

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Report from Central/West Africa

Prices stall as Chinese demand cools

Buying for China appears to have slowed almost to a complete halt for the time being. The tremendous problems caused by the recent earthquakes in Sichuan province are seriously affecting business as all attention is focused on providing aid to the hundreds of thousands who have been made homeless and treating those injured. Trade with China had already slackened and it is not clear when a recovery might begin. Some traders believe that this difficult period could last well into the fourth quarter. Meanwhile, there seems little to gain from lower priced offers as this is unlikely to stimulate trade with buyers already in a cautious mood.

As noted previously, West African producers have continued laying off staff and workers; some have stopped felling altogether until their log stocks start to move out to the ports. Others are cutting only sufficient amounts to keep sawmills supplied.

Sawn lumber prices were also unchanged from mid-month. Trade remains slow and as with the log situation, it is not clear what would trigger a resumption of normal trade.

West Africa Log Prices

West Africa logs, FOB		€ per m ³	
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	206	175	137
Ayous/Obéché/Wawa	191	191	152
Azobe & Ekki	168	168	122
Belli	183	183	-
Bibolo/Dibétou	152	152	114
Bubinga	533	457	381
Iroko	259	244	228
Okoume (60% CI, 40% CE, 20% CS)	155	-	-
Moabi	320	305	282
Movingui	191	190	137
Niove	129	129	-
Okan	198	198	152
Padouk	267	267	228
Sapele	267	267	228
Sipo/Utile	335	305	267
Tali	168	168	152
Okoume (40% CI, 40% CE, 20% CS), FAS- China	142	-	-

West Africa Sawnwood Prices

West Africa sawnwood, FOB		€ per m ³
Ayous	FAS GMS	396
	Fixed sizes	-
Okoumé	FAS GMS	300
	Sel. & Bet. GMS Italy	250
	Sel. & Bet. fixed sizes	300
Sipo	FAS GMS	630
	FAS fixed sizes	-
	FAS scantlings	580
Padouk	FAS GMS	600
	FAS scantlings	630
	Strips	425
Sapele	FAS Spanish sizes	520
	FAS scantlings	540
Iroko	FAS GMS	458
	Scantlings	519
	Strips	304
Khaya	FAS GMS	396
	FAS fixed	427
Moabi	FAS GMS	600
	Scantlings	610
Movingui	FAS GMS	420

Report from Ghana

Ghana cuts taxes and raises subsidies to rein in surging prices

Afrol News and *Reuters* reported on the Ghanaian government's introduction of tax breaks and subsidies to relieve pressure from rising fuel and food prices. On 23 May, Ghana's parliament approved a measure to 'reduce taxes on some fuels and key grain imports, increase electricity subsidies and reduce operating costs for fishermen and farmers. President Kufour said it would be criminal for any person to re-export items once the new measures are implemented. While he expected the measures may attract negative comments on Ghana's development, he said the measures were for the benefit of the poor and vulnerable.

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	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up	855	-
Afrormosia	480	560
Asanfin	205	260
Ceiba	330	385
Dahoma	400	470
Edinam (mixed redwood)	425	490
African mahogany (Ivorenensis)	580	670
Makore	510	600
Niangon	550	-
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 m ³
	CORE (1-1.9mm)	FACE (<2mm)
Bombax	325	350
Kyere, Ofra, Ogea & Otie	325	360
Chenchen	315	360
Ceiba	360	315
Mahogany	425	460

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

Rotary Veneer, FOB Core Grade 2mm & up		€ per m ³
Ceiba		245
Chenchen, Ogea & Essa		295
Ofram		305

Sliced Veneer, FOB		€ per m ²
	Face	Backing
Afrormosia	1.80	1.00
Asanfina	2.00	0.92
Avodire	1.12	0.80
Chenchen	0.72	0.50
Mahogany	1.50	0.79
Makore	1.40	0.85
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	375
6mm		380	315	335	285
9mm		388	305	290	280
12mm		340	285	300	280
15mm		350	290	300	280
18mm		300	290	285	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		7.10	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 timber producers brace for turbulent market prospects

Prices for Malaysian timber products were under pressure as crude oil prices continued to climb, with some expecting such price rises to set off another round of hikes in international freight charges. Local transportation and labor costs are also rising and are already impacting manufacturers. With falling orders from its most important market, the US, Malaysian furniture manufacturers are facing the prospect of a bleak period for the rest of the current year. Malaysian furniture manufacturers are also facing stiff competition from Vietnam.

Vietnam poised to overtake surpass Malaysia in furniture exports

Viet Nam News reported that the Vietnamese Ministry of Industry and Trade hoped furniture exports would reach USD5.5 billion by 2010 and would surpass China and Malaysia in its exports to the US. Vietnam had also a larger number of Forest Stewardship Council certified furniture manufacturers than Indonesia and Malaysia, giving products a greater competitive advantage in export markets. The Vietnamese Forest Products and Wood Industry Association said it will spend over USD300,000 to organize trade promotion programmes in an effort to boost domestic timber export competitiveness of domestic wood furniture manufacturers. Furniture exports in the first four months of 2008 rose 20% from 2007 levels.

Malaysia launches timber technology and engineering portal

In its latest effort to promote Malaysian timber products, the Forestry Research Institute of Malaysia (FRIM), the Natural Resource and Environment Ministry and the Ministry of Plantation Industries and Commodities have jointly launched the Timber Technology and Engineering Information Resources (TTEIR) portal. *Bernama* noted that the portal would contain information on over 100 timber species and include special programmes to help architects design timber components in buildings. The portal can be found at <http://timbertech.frim.gov.my>.

Malaysia Log Prices

Sarawak log, FOB	US\$ per m ³
Meranti SQ up	298-320↓
Small	275-295↓
Super small	268-275↓
Keruing SQ up	273-283↓
Small	240-272↓
Super small	233-238↓
Kapur SQ up	250-268↓
Selangor Batu SQ up	274-296↓

Pen. Malaysia logs, domestic (SQ) US\$ per m ³	
DR Meranti	356-399
Balau	295-325
Merbau	417-440↓
Rubberwood	253-273↑
Keruing	286-300

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	432-457↓
Seraya Scantlings (75x125 KD)	707-746↓
Sepetir Boards	335-345
Sesendok 25,50mm	447-477↓
Kembang Semangkok	428-449↓

Malaysian Sawnwood, domestic	US\$ per m ³
Balau (25&50mm,100mm+)	348-368
Merbau	559-582↓
Kempas 50mmx(75,100 & 125mm)	297-314
Rubberwood 25x75x660mm up	290-321
50-75mm Sq.	313-338
>75mm Sq.	325-357

Malaysia Plywood Prices

Malaysia ply MR BB/CC, FOB	US\$ per m ³
2.7mm	482-510↓
3mm	462-488↓
9mm & up	423-446↓

Meranti ply BB/CC, domestic	US\$ per m ³
3mm	460-470↓
12-18mm	403-411↓

Other Malaysia Panel Prices

Malaysia, Other Panels, FOB	US\$ per m ³
<i>Particleboard</i> Export 12mm & up	241-258
Domestic 12mm & up	231-247
<i>MDF</i> Export 15-19mm	306-329
Domestic 12-18mm	281-300

Malaysia Added Value Product Prices

Malaysia, Mouldings, FOB	US\$ per m ³
Selagan Batu Decking	681-699↓
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	717-737↓
Grade B	635-653↓

Malaysia Furniture and Parts Prices

Malaysia, Rubberwood, FOB	US\$ per piece
Semi-finished dining table	
solid laminated top 2.5'x4', extension leaf	61-77
As above, Oak Veneer	68-82
Windsor Chair	59-61
Colonial Chair	55-63
Queen Anne Chair (soft seat) without arm	54-66
with arm	56-67
Chair Seat 27x430x500mm	42-48
Rubberwood Tabletop	US\$ per m ³
22x760x1220mm sanded & edge profiled	
Top Grade	635-645
Standard	603-620

Report from Indonesia

EC-Indonesia FLEGT Support Project targets threats to biodiversity

Antara News reported that the EC-Indonesia Forest Law Enforcement Governance and Trade (FLEGT) Support Project organized a field trip for journalists to the Danau Sentarum National Park in May 2008. The objective of the fact finding mission was to assess the Park's biodiversity posed by the expansion of oil-palm plantations, according to a spokesperson for the EC-Indonesia FLEGT Support Project in West Kalimantan. The EC-Indonesia FLEGT Support Project aims to promote sustainable and equitable development of forests in Indonesia. The Project together with nine other projects funded by the European Commission will be showcased at the annual Indonesian Environment Week to be held at the Jakarta Convention Center from 5-8 June 2008.

Indonesia and Malaysia set to sign MoU on haze mitigation

Malaysia and Indonesia are expected to sign a memorandum of understanding (MoU) in June 2008 to step up cooperative efforts to tackle haze-related problems affecting the region. The MoU includes actions on 'no-burning techniques, an early warning system and peatland management activities' in collaboration with other stakeholders from the Riau Province, said *The Star Online*. The ASEAN Meteorological Center has warned that the effects of the La Niña weather phenomenon are expected to wear off in the third quarter of 2008 and could result in extremely dry conditions.

Rachmat Witoelar, the Indonesian Minister of Environment, said Indonesia was preparing for a worst-case scenario, yet remained committed to reducing hotspots in Indonesia by 50% in 2009, 75% in 2012 and 95% in 2025. A Ministerial Steering Committee on

Transboundary Haze Pollution is expected to oversee the implementation of the plan to tackle the haze problem.

Indonesia Log Prices (domestic)

Indonesia logs, domestic prices	US\$ per m ³
Plywood logs	
Face Logs	237-277
Core logs	184-214
Sawlogs (Meranti)	234-273
Falcata logs	185-199
Rubberwood	217-241
Pine	209-232
Mahoni (plantation mahogany)	604-650↓

Indonesia Sawnwood Prices

Indonesia, construction material, domestic	US\$ per m ³
Kampar (Ex-mill) AD 3x12-15x400cm	250-258
KD	330-345
AD 3x20x400cm	351-372
KD	375-385
Keruing (Ex-mill) AD 3x12-15x400cm	285-294
AD 2x20x400cm	273-282
AD 3x30x400cm	278-287

Indonesia Plywood Prices

Indonesia ply MR BB/CC, FOB	US\$ per m ³
2.7mm	478-508
3mm	420-479
6mm	398-421

MR Plywood (Jakarta), domestic	US\$ per m ³
9mm	332-345
12mm	308-329
15mm	306-335

Other Indonesia Panel Prices

Indonesia, Other Panels, FOB	US\$ per m ³
<i>Particleboard</i> Export 9-18mm	240-250↓
Domestic 9mm	204-221
12-15mm	193-205
18mm	190-194
<i>MDF</i> Export 12-18mm	315-328
Domestic 12-18mm	255-275

Indonesia Added Value Product Prices

Indonesia, Mouldings, FOB	US\$ per m ³
Laminated Boards Falcata wood	384-404↓
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	673-698↓
Grade B	603-643↓

Report from Myanmar

Timber trading continues amid cyclone recovery efforts

As aid efforts began to trickle into Myanmar, estimates of the destruction caused by early May's Cyclone Nargis were starting to firm up. The *BBC* reported that as many as 77,738 people were dead and over 55,000 were missing. Rangoon, Pyapon, Bogale, Labutta were the towns most affected by the cyclone. While the cyclone raced through the major rice growing region in Myanmar, it appeared that major teak growing areas had not been affected. The MTE tender was held at the end of the month as usual.

Myanmar Log Prices (natural forests)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)		
	Apr	May	6 mo. Avg
Veneer Quality			
2nd Quality	5,508 (4 tons)	4,882 (4 tons)	5,354
3rd Quality	4,566 (12 tons)	4,374 (11 tons)	4,958
4th Quality	3,669 (47 tons)	3,752 (40 tons)	4,239
Sawing Quality			
Grade 1 (SG-1)	2,747 (342 tons)	2,603 (287 tons)	2,682
Grade 2 (SG-2)	2,031 (479 tons)	2,055 (500 tons)	2,122
Grade 3 (SG-3)	1,624 (43 tons)	1,565 (79 tons)	1,677
Grade 4 (SG-4)	1,708 (381 tons)	1,828 (421 tons)	1,913
Grade 5 (SG-5)	1,598 (574 tons)	1,477 (399 tons)	1,672
Assorted			
Grade 6 (SG-6)	1,296 (383 tons)	1,120 (369 tons)	1,301
Domestic			
Grade 7 (ER-1)	816 (287 tons)	638 (384 tons)	922
Grade 8 (ER-2)	NIL	NIL	926

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

Logs, FOB	€ Avg per Hoppus Ton (traded volume)
Pyinkado	--
Gurjan (keruing)	190 (14 tons)
Tamalan	2500 (67 tons)
Taungthayet	--

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

Report from India

India hosts ITTO workshop to strengthen forest statistics

Recognizing the need for improvements in its statistical reporting system for the forestry sector, India's Ministry of Forests hosted an ITTO sponsored workshop in New Delhi, India, from 13-16 May to assist India in meeting its national and international reporting requirements on forestry sector statistics. The conference was well attended by Ministry, State/Union Territory, and private sector representatives and provided a useful forum for networking between the state and private sector on their respective data needs.

Participants discussed the current status of India's forest products statistics; regional, national and international reporting requirements; and issues and constraints affecting the reliability and sustainability of forest products statistics. They also debated on how to accommodate new and emerging elements such as non-timber forest products, which are an important component of India's forest economy. Workshop participants recommended consolidating forest products statistics, finding solutions to collecting and compiling statistics; and clarifying roles and responsibilities toward maintaining India's statistical system.

The present level of statistical reporting in many ITTO producer countries falls short of what is required for robust market and policy analysis. ITTO member countries have the opportunity to request assistance from ITTO to enhance their capacity to meet statistical and reporting

requirements for the forest products sector. For further information please contact Frances Maplesden of the ITTO Secretariat at maplesden@itto.or.jp.

Report from Brazil

Prices rise marginally in domestic market

Prices for domestic wood products in Brazilian Reals have not changed significantly since mid-May. However, prices in US dollars have increased 1.1%, due to the strength of the Brazilian Real's appreciation relative to the US dollar. The average April 2008 exchange rate was BRL1.69 to 1USD compared to BRL2.03 to 1USD in April 2007. The Monetary Policy Committee (COPOM) of the Central Bank of Brazil also raised the prime interest rate by 0.5%, the first such increase since May 2005. The rate, currently set at 11.75%, exceeded the expectations of the industrial sector and was unanimously approved by COMPOM.

Government to cut interest rates for timber companies

Rondonoticias reported that the Brazilian government is expected to cut interest rates for timber companies by 50%, if the companies could show that they harvested timber in a sustainable manner or replanted deforested areas with native species. The measure is part of a package of environmental proposals from the government, which were announced on 8 May 2008. The proposals aim to boost forest sector activities and show that forest reserve areas in the Amazon can be profitable to rural producers living there. The measures also aim to end proposed changes to the Forest Code, which is under evaluation in Congress.

The revised interest rates for forest activities will be implemented for a longer period of time for those companies that establish forests instead of pastures or soybean areas on their land. In practice, landowners can use forest area as a guarantee to obtain a loan, assuming that the money will be used for forest activities. According to the Brazilian Forest Service (SFB), the interest rate cut would prove that 'forest replanting is not economically feasible'. SFB said the new rural credit interest rate would be about 4% per year, in contrast to the presently varying interest rate of 6.5% to 8.75%.

Meanwhile, the Brazilian Supreme Court (STF) also overruled a judicial order of a federal judge suspending the first bid for a public forest concession in the Jamari National Forest in the state of Rondônia, Brazil. The federal judge had contested that since the forest concession was equivalent to public land, it would require the approval of Congress. However, STF decided that a 'forest concession' could not be confused with a 'concession of public land', which involves the transfer of property rights.

New Environment Minister disagrees with INPE deforestation rate

Folha Online said Brazil's newly appointed Environment Minister, Carlos Minc, disagreed with the deforestation rate presented by the National Institute for Space Research (INPE), the Brazilian governmental institute responsible for reforestation monitoring. It was unofficially announced that there was a 60% increase in the deforestation rate in the state of Mato Grosso, although INPE claims not to have released this information. Nevertheless, the new minister reaffirmed that Mato Grosso is the area responsible for the largest increases in deforestation, saying that between 50% to 60% of indicators show that deforestation is concentrated in Mato Grosso. Revised statistics on deforestation were expected to be published soon.

Brazil's exports slide 4.5% in April

In April 2008, the value of exports of general wood products (except pulp and paper) fell 4.5% compared to the same period in 2007, from USD345.3 million to USD329.9 million. The charts below show the volume and value of exports for April 2008 compared to the same month a year earlier:

Brazil's Exports by Value in April 2007 and 2008 (USD mil)

		2007	2008	% change
APR	Solid wood*	345.3	329.9	(4.5)
	Tropical plywood	18.4	15.4	(16.3)
	Pine plywood	112.75	138.32	22.7
	Tropical sawnwood	59.2	46.1	(22.1)
	Pine sawnwood	19.8	19.1	(3.5)
	Wood furniture	62.8	60.4	(3.8)

*Figures for solid wood exclude pulp and paper exports

Brazil's Exports by Volume in April 2007 and 2008 (000 m³)

		2007	2008	% change
APR	Tropical plywood	36.85	24.05	(34.7)
	Pine plywood	33.2	49.2	(48.2)
	Tropical sawnwood	145.96	93.42	(36.0)
	Pine sawnwood	99.23	91.12	(8.2)

Paraná targets alternative markets to offset US losses

The state of Paraná, the major Brazilian pine plywood producer, has expanded its sales into Europe, the Middle East and Africa, said *Gazeta do Povo*. In light of the 70% reduction of US exports, the state sought alternative markets to reduce the impact of falling exports over the last two years. The development of civil construction has also geared more products to the domestic market.

According to the Brazilian Association for Mechanically-Processed Timber (ABIMCI), Europe is now the major importer of Brazilian timber products. In the first two months of 2008, Europe received 78.6% (246,000 m³) of the total exported pine plywood (313,000 m³). The US imported approximately 29,000 m³ (9.2%) and Africa and the Middle East together imported 13,000 m³.

The slow pace of housing construction in the US and the falling US dollar have affected foreign sales of pine plywood, doors and frames used in civil construction. Brazil exported approximately 1.2 million m³ of pine

plywood to the US in 2005, but exported only 347,000 m³ in 2007. In addition to the reduced demand, the unfavorable exchange rate has made Brazilian products less competitive in the US market, which contributed to a decrease in exports to the US.

In the last two years, the domestic timber industry has had to reduce production, lower costs and cut personnel due to weakening US demand and unfavorable exchange rates, said ABIMCI. Initially, timber producers were able to diversify their products in the market and invest in value-added products so that when the crisis was full-blown it did not severely affect Brazilian timber producers. Nevertheless, exporting companies recognize the potential of the domestic market is very large. For instance, products typically used for housing in the US can also be used for packaging in Brazil.

Forest sector in Paraná shows strong performance in 2007

Paraná Online and *Celulose Online* reported that the forest sector of Paraná has showed a strong performance over the last few years, even though the area is best known for its agribusiness industry. Paraná exported a total of USD1.49 billion worth of products in 2007, of which USD1.03 billion was from the wood products industry. Considering these results, Paraná became the second largest Brazilian exporting state behind São Paulo.

Over the period January – March 2007, pine plywood was the most imported export product from Paraná, the same as for the corresponding period in 2007. Exports of pine plywood from the state reached USD115 million during the period of January – March 2008, rising from USD68 million during the same period in 2007. ABIMCI also noted that while the export value of wood products in US dollars increased, the quantity of wood products exported decreased. Nevertheless, the outlook for the sector remains positive.

Brazil Log Prices (domestic)

	US\$ per m³
Brazilian logs, mill yard, domestic	
Ipê	149▲
Jatoba	105▲
Guariuba	71▲
Mescla (white virola)	78▲

Brazil Sawnwood Prices

	US\$ per m³
Sawnwood, Belem/Paranagua Ports, FOB	
Jatoba Green (dressed)	841
Cambara KD	465
Asian Market (green)	
Guariuba	265
Angelim pedra	590
Mandioqueira	234
Pine (AD)	200
Brazil sawnwood, domestic (Green)	US\$ per m³
Northern Mills (ex-mill)	
Ipê	699▲
Jatoba	533▲
Southern Mills (ex-mill)	
Eucalyptus (AD)	205▲
Pine (KD) 1st grade	270▲

Brazil Veneer Prices

	US\$ per m³
Veneer, FOB (Belem/Paranagua Ports)	
White Virola Face 2.5mm	295
Pine Veneer (C/D)	210

Rotary cut Veneer, domestic (ex-mill Northern Mill)	US\$ per m ³
White Virola	Face 270↑ Core 225↑

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	922↑
White Virola 15mm	673↑

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	600↑
Particleboard 15mm	378↑

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	609
Ipê	1697

Report from Peru

Peru ranks 35th on World Competitiveness Index

For the first time, Peru was listed on the World Competitiveness Index, published in *Forbes Magazine*, and ranked 35 out of 55 countries. Now that Peru has been added to the list, experts believe there is added pressure to improve the country's ranking by developing markets, attracting foreign direct investment, developing infrastructure and improving the well-being of the Peruvian people. Economic improvement in the country was the main contributor to the country's ranking on the Index. Peru's economic resilience is also likely to make it more resistant to the effects of the economic downturn in the US and the international credit crunch. Peru aims to achieve a 6.5% GDP growth rate and expects moderate levels of inflation over the 2008-2009 period.

Export sector to generate more jobs for Peru

Jobs in Peru's export sector are expected to rise between approximately 7—10% this year due to growth of exports to various international markets, said the president of Exporters Association (ADEX) José Luis Silva. This growth is driven predominantly by the agricultural industry and other non-traditional exports. The president of ADEX said that of the 6,000 enterprises engaged in foreign trade, more than 5,000 export less than USD750,000 worth of goods a year. Nevertheless, he noted the importance of small businesses in spurring innovation.

Silva projected that Peruvian exports would reach USD30 billion in 2008. According to preliminary estimates from ADEX, the country's exports during the first quarter of

2008 were USD7.3 billion, a 28% rise from the same period in 2007. Non-traditional exports over the same period rose 29%.

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	934-978↓
Mexican market	945-980↓
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	334-383
Grade 2, Mexican market	300-324
Cumaru 4" thick, 6'-11' length KD	
Central American market	780-808
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	935-959↓
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	333-364
Grade 2, Mexican market	305-318
Grade 3, Mexican market	183-198
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	250-263

Peru sawnwood, domestic	US\$ per m ³
Mahogany	1295-1331
Virola	85-99↓
Spanish Cedar	443-454↓
Marupa (simarouba)	130-136

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

Other Peru Panel Prices

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

Peru Added Value Product Prices

Peru, strips for parquet	US\$ per m ³
Cabreuva/estoraque KD12% S4S, Asian market	1448-1500
Cumaru KD, S4S	Swedish market 650-695
	Asian market 920-945
Cumaru decking, AD, S4S E4S, US market	939-958
Pumaquiro KD # 1, C&B, Mexican market	492-534
Quinilla KD, S4S 2x10x62cm, Asian market	590-620
	2x13x75cm, Asian market 700-730

Report from Bolivia

Bolivia Sawwood Prices

Sawnwood 1-3"x3x5"x7-19', FOB Arica Port	\$ Avg un. val. per m ³
Mahogany (US market)	1650-1695↑
Spanish Cedar (US market)	800-960↑
Oak (US and EU market)	506-688↓

Bolivia Added Value Product Prices

Doors 13/4"x36"x96", FOB Arica Port	Avg \$ per piece
US market Mara macho/Tornillo (FSC)	100-300↓
Yesquero	90-280↓
Ochoó	120-495

Parquet Flooring 3-5"x4-6"x5-13', FOB Arica Port	\$ Avg un. val. per m ³
Mani (FSC) (US market)	500
Caviuna (FSC) (US market)	500-600
Cumaru (FSC) (US, EU and Asia mkt)	500-1000
3/4"x3-5"x1-7'	
Jatoba (US, EU and Mexico market)	700-1355
Ipe (EU and Asia market)	335-1553
Jequitaba (EU market)	900-1355

Report from Mexico

CONAFOR expands budget for National Programme for the Protection against Forest Fires

The federal government, through the National Forest Agency (CONAFOR), has set a 550 million peso budget in 2008 for the implementation of the National Programme for Protection against Forest Fires, a 150 million peso increase from the programme's budget in 2007. The budget increase was made possible due to increased contributions from the state, municipal governments and the private sector.

Mexico has high potential for productive forest plantations

A representative of Commercial Forest Plantations Department of CONAFOR, Alexander Noguez Hernandez, announced that Mexico has the potential to establish 12 million hectares of commercial forest plantations. He said that at the national level, the federal government has financed 3,629 projects in the last 10 years, covering a total area of more than 530,000 hectares. The government has dedicated about 3.67 million pesos to these projects. The main species planted in the country for commercial use are *Eucalyptus spp.*, red cedar, *Gmelina spp.* and pine. Tabasco, Veracruz and Campeche contain 80% of commercial forest plantations.

Report from Guyana

Exports of spindles surge

Guyana's exports of spindles have reached a peak in the past fortnight. The amount of exported spindles in the last fortnight represented more than 50% of all 2008 exports. All spindles exported during the fortnight were sent to Barbados, with purpleheart being the main species used for this further processed end product. Compared with the previous fortnight's export figures, the average price per spindle to Barbados rose 12%.

Total export volume of doors in 2008 so far has reached 61% of year 2007 volume, while dressed lumber for 2008 has so far accounted for 53% of the previous year's total. Dominica consumed the majority of doors, while Barbados was the main destination for dressed lumber. The Caribbean region has shown a continuous strong demand over the past three years for Guyana's dressed sawnwood products.

Guyana expects recovery from slump in production

The forest sector in Guyana is set to recover from the slump in production, which prevailed in the first quarter of 2008. The relatively low level of production was mainly due to poor weather conditions compounded by some large operators that did not commence logging during this period, since they were still engaged in finalizing their requirements for harvesting activities planned in 2007. These requirements included completing an Annual Plan of Operation and conducting pre-harvest level forest inventories. These are key requirements for all large operators in the forest sector in Guyana and must be completed and favorably assessed by the Guyana Forestry Commission prior to operators commencing harvesting activities.

With these requirements now largely completed and the dry season having commenced, production is projected to increase to planned levels for all products while also compensating for the declines in the first quarter. The slump in production seen in the first quarter was, however, not similarly reflected in exports, as volumes for value-added products and price increases continually drove export values up in key markets.

Guyana Log Prices

Logs, FOB Georgetown	SQ - \$ Avg unit value per m ³		
	Std	Fair	Small
Greenheart	-	-	-
Purpleheart	160-190	160-185	150-180
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	-	-
Select/Standard	430-700↑	420-950↑
Purpleheart Prime	-	-
Select/Standard	650-875↑	490-660↑
Mora Select	340-450	-

Guyana Plywood Prices

Plywood, FOB Georgetown Port			\$ Avg unit val. per m ³
Baromalli	BB/CC	5.5mm	-
		12mm	390↓
Utility		5.5mm	-
		12mm	414-560↑

Report from Japan

Southsea log prices keep Japanese buyers at bay

Japan Lumber Reports (JLR) explained that the high prices for Southsea logs contributed to weak demand from Japanese buyers. Log production continued to be low in Malaysia and Indonesia due to rainy conditions and thus kept logs in tight supply. The *JLR* noted that the process of slowing production began last year, which set the tone for a reduction in logistical services including towing and stevedoring. *JLR* suggested that it would be difficult to pick up the pace of production even with stronger demand. It was expected that buyers in Japan would wait until mid or late June to return to the market, when prices are expected to be lower and production is expected to increase.

Industrialization of Russian Far East stalls

At a joint meeting of the Council of Wood Industry Development and the Far Eastern State Commissions, it was noted that the wood industry in the region has not made much progress. The prime minister of the Khabarovsk region also reaffirmed that the 80% duty on log exports, expected to be implemented in January 2009, will not be postponed. The Council of Wood Industry Development was last year tasked with developing an eleven year strategic plan for the wood industry, said the *JLR*. However, it was noted there were only 20 investment plans in the wood industry in the Far East and Zabaikarsk so far. Additionally, China has continued its boarder log trade with Russia. *JLR* noted that China was building up log supplies before the implementation of the Russian duty next year.

In other industry news from the *JLR*, Japanese-owned Sumitomo Corporation and Terneyles are developing a wood processing complex in Plastin, Primorski krai, Russia. The complex is expected to require an investment of about 18.1 billion Japanese yen, one of the largest overseas investments in the wood industry. Sumitomo Corporation is undertaking the development of wood processing facilities, using Terneyles timber resources, so that it will not be affected by the increased log duty imposed by Russia.

Plywood imports rebound in March 2008

Japan Lumber Reports indicated that plywood imports in March 2008 rose 30% from February 2008 levels (Figure 1). However, when compared with the same month in 2007, March imports showed a 9.1% fall, since demand had been low during the first two months of the year. Nevertheless, imports in March helped relax the tight supply of plywood in the local market, which also resulted in a price reduction when compared to January and February 2008. Imports from Malaysia by volume increased 164,000 m³, while shipments from Indonesia remained low. Imports from Malaysia over the first quarter

were 27% less than the first quarter in 2007 and imports from Indonesia were 39% less. Domestic plywood production also continued to be scaled back, an ongoing trend since August 2007.

Housing starts also showed a year-on-year decrease of 15.6% (Figure 2). Wood-based units accounted for 47% of the total housing units for March 2008. Annual starts for 2008 were also revised downward to 1.08 million units.

Figure 1: Japan Plywood Imports 2005-2008 (000 m³)

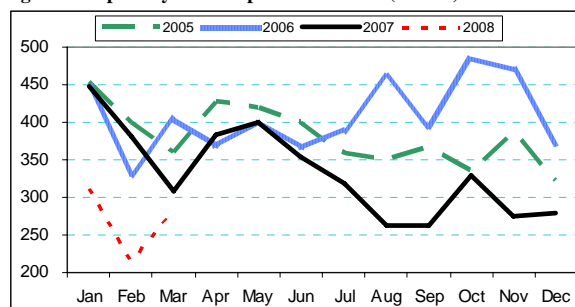
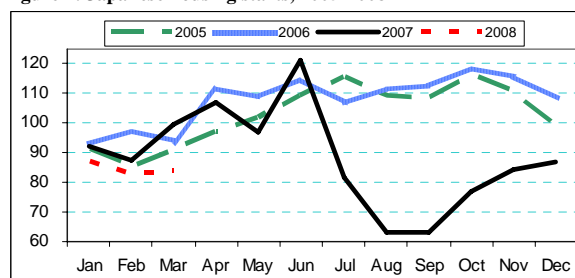


Figure 2: Japanese housing starts, 2005-2008



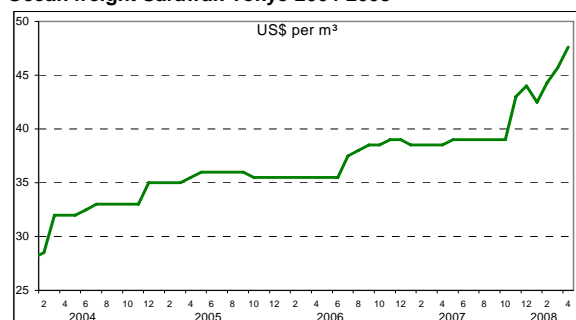
Log and Sawwood Prices in Japan

Logs for Ply Manufacture, CIF		Yen per Koku
Meranti (Hill, Sarawak)		(Koku=0.278 m ³)
Medium Mixed		8,000↓
Standard Mixed		8,100↓
Small Log (SM60%, SSM40%)		7,000↓
Taun, Calophyllum, others (PNG)		7,200↓
Mixed light hardwood, G3/4 grade (PNG)		-
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)	Apr	May
			(¥ per sheet)	
2.4mm (thin plywood, F 4star, type 2)		920 X 1830	370	370
3.7mm (med. Thickness, F 4star, type1)		910 X 1820	560	560
5.2mm (med. Thickness, F 4star, type 1)		910 X 1820	670	670
11.5mm for sheathing (F 4star, type 2)		910 X 1820	940↑	943↓
12mm for foundation (F 4star, special)		910 X 1820	1030↑	1010↓
12mm concrete-form ply (JAS)		900 X 1800	940↑	930↓
12m coated concrete-form ply (JAS)		900 X 1800	1110↑	1090↓
11.5mm flooring board		945 X 1840	1300	1270↓
3.6mm baseboard for overlays (OVL)		1230 X 2440	860↓	850↓
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

FTA with New Zealand removes tariffs on all exports

A Free Trade Agreement (FTA) with New Zealand will remove tariffs on 63.6% of products imported from China before 1 January 2016. Under the FTA, China promises to abolish tariffs on 97.2% of products imported from New Zealand by 1 January 2019, with 24.3% of the products expected to be free of tariffs once the Agreement is implemented on 1 October 2008. New Zealand mainly exports dairy products, lumber, wood pulp and other paper products and wool to China. China mainly exports electrical machinery and equipment, mechanical equipment, clothing, furniture, toys, and iron and steel products to New Zealand. China's log imports from New Zealand rose 40% to 1.27 million m³ in 2007. After the signature of the FTA, it is expected that the wood products trade between China and New Zealand will be further strengthened.

China's forest products industry generates RMB1.1 trillion in 2007

The State Forestry Administration's (SFA) statistics show that the total output value of China's forest products industry rose nearly 10% to RMB1.170 trillion yuan in 2007. This was due to a number of factors. First, the industry was boosted by China's stronghold in the markets of resin, wood-based panels, and wooden and bamboo furniture exports. The output of wood-based panels in 2007 alone was 73.65 million m³ by volume. Secondly, other emerging industries such as edible plants, flowers, bamboo and rattan, forest tourism, cultivation and the utilization of wild animals and plants also developed rapidly. The production of forest biological materials and biological medicine was also booming, with tertiary forest products worth approximately RMB101.86 billion yuan in 2007. Third, markets for forest products were developing, as the country has over 15,000 enterprises with an annual turnover of RMB5 million yuan and their value making up 70% of the national total. The outputs of the forestry products industry in Guangdong, Fujian, Zhejiang, Shandong and Jiangsu accounted for about 50% of the national total. Finally, the trade of wood increased rapidly, with the total value of foreign trade rising 21% to USD57 billion in 2007. In recent years, China has worked to be a more competitive player in the wood trade and has strengthened its place in the international market.

Output of China's woodworks machinery reaches RMB20 billion

There are more than 1,000 enterprises manufacturing woodworking machinery in China worth approximately RMB20 billion yuan. These enterprises mainly manufacture 69 categories of machinery including 1,100 woodworking machines mainly producing wood-based panels, panel furniture, bamboo and wood products. China's woodworking machinery has rapidly developed in recent years, with many types of machinery being produced within the country. China's machinery has reached a comparative technical capacity on par with some developed countries in terms of both the volume of outputs and technology of woodworking machinery.

Deqing County hosts largest wood-based panel production line in Asia

The largest wood-based panel production line in Asia was built and put into operation at Deqing County in Zhaoqing City, Guangdong Province. The plant was established by China's wood-based panel manufacturing giant DareGlobal Inc., which invested RMB400 million yuan for its construction. The plant also has a production capacity of 210,000 m³ annually and equipment and technology imported from Germany and Finland. The production line will use branch wood and residues from logging as raw materials. After operations begin, 300,000 m³ of branch wood and wood residues will be needed to produce wood-based panels. RMB100 million yuan of net benefits are expected to be created for forest farmers.

Guangzhou City Imported Timber Market

Logs	Yuan per m ³
Radiata 6m, 30cm diam.	1300
Lauan	1900-2400
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.	1320
White Pine	6m, 24-28cm diam.	1280
Korean Pine	4m, 30cm diam.	1550
	6m, 30cm diam.	1600

Hebei Shijiazhuang Wholesale Market

Logs		Yuan per m ³
Korean Pine 4m, 38cm+ diam		1650
Mongolian Scots Pine 4m, 30cm diam.		1300
	6m, 30cm+ diam.	1350
Sawnwood		
Mongolian Scots Pine 4m, 5-6cm thick		1500
	4m, 10cm thick	1550

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

European housing market shows growing signs for concern

The optimist's view of economic conditions in the EU can be summed up in a few sentences. Banks in the EU have avoided America's subprime follies and are in better shape than their US counterparts. Average euro-area unemployment stands at 7.1%, the lowest level in almost 20 years. The euro is resurgent and there is no sign of a recession. Manufacturers in some European countries – especially Germany – have responded to the high euro by increasing efficiency and, as a result, have managed to maintain healthy levels of exports. The European Commission plans to trim its economic forecasts later this month, but euro-area growth is likely to stay close to 2% this year.

Unfortunately, these positive sentiments are beginning to be overshadowed by more negative reports. There are increasing concerns over inflation, which has picked up to 3.5% in the euro-zone, the highest in the euro's nine-year existence. Economic problems in the euro-zone's two biggest export markets - recession in the US and slowdown in Britain - are starting to bite. Although the impact of the strong euro has been moderate so far, it is a delusion to suppose that euro-area exports can continue to barrel on regardless of their cost.

Meanwhile the housing market is becoming more of a worry. While Europe might have avoided the American subprime mess, in several countries house prices have been even bubblier than in America. They are already falling in Spain and Ireland and are starting to do so in Britain. This will have a strong impact on the construction sector and on the wider economies of countries heavily dependent on this sector (which accounts for 15% or more of Spanish and Irish GDP, for example).

Spain has been particularly vulnerable to problems in the housing market. An expected soft landing has suddenly become more hard and painful. Underlying economic weaknesses that were hidden by the construction boom are being exposed, among them low productivity growth. The IMF estimates that last year's growth of 3.8% will fall to

1.8% this year and get worse in 2009. These would be the slowest growth levels in Spain since 1993. House prices are predicted to fall by up to 15% over three years. Completed house sales in Spain dropped by 27% in January compared with a year earlier. The most recent data show building permits for housing falling even more sharply. The Spanish government recently announced a EUR22 billion (USD35 billion) fiscal-stimulus package.

House prices have yet to plunge in the UK, but the signs look ominous. Some of Britain's biggest house builders say that over the past six weeks deposits for homes have fallen by 50% compared with a year ago. A big problem is that banks have become very conservative in their lending policies, particularly on newly built homes. Banks now demand down payments of as much as 40% on newly built flats, freezing many out of the market and deterring first-time buyers in particular. Realization has at last dawned in the UK construction sector that a serious bubble has been created in the buy-to-let market as too many apartments have been constructed with an eye to selling to investors rather than to home-buyers. Many of the UK's largest builders are now stuck with huge inventories of unsold houses. They are also stuck with significant land banks, in some cases the equivalent of ten years-worth of building. These were accumulated during the boom years but are now a depreciating asset. Market observers warn that UK house building may fall by at least 50% unless house prices and credit markets recover faster than most expect.

Germany is another country where the construction sector is struggling, although in this case it is hardly news. German construction has been in the doldrums for a decade. German house prices declined 4.7% in the year to the end March 2008. Planning permits for new construction were down 4.6% in January 2008 compared to the same month in 2007. A poll of member companies of the Central Association of the German building trade held in March 2008 indicated that demand for building services remains static at low levels.

Cautious operators bring sluggishness to hardwood market

With the economy so uncertain, reports from across the European continent suggest that hardwood buying is almost universally slow. Spanish importers are struggling with high stocks of sapele and are not interested in the forward market. Portugal is slow, but some reports suggest it is holding up better than Spain. The Italian market is very slow, with wood products manufacturers struggling against the high euro and intense competition from East Asian producers in export markets. Ayous stocks in the country are reported to be quite high. The Greek market is cautious as construction activity is reckoned to have slowed 20% this year on the back of an increase in the Value Added Tax rate on construction materials together with the global credit crunch. North West European buyers are also cautious and holding sufficient stocks to meet current levels of demand and few are now looking to buy significant volumes in advance of the summer holiday season.

According to one West African shipper quoted in a recent *TTJ* report, the UK market is currently 'a disaster' - very little sawn lumber is being bought forward with those importers needing to fill holes in stocks now turning to the large yards on the continent. Belgium is one of the steadier markets, with importers there benefiting from the trend towards just in time ordering in other parts of the continent. France is reported to be well stocked with sapele, makore, and movingui. Some reports suggest that hardwood buying has been holding up reasonably well in Scandinavia.

Weak sales and narrow margins continue to impact veneer industry

According to the German trade journal *EUWID*, the European sliced veneer sector continues to suffer from weak sales and narrowing margins. Sales prices have come under pressure at a time when operating costs are rising and log prices have remained largely stable. Problems in the housing market in several European countries are feeding through into weak sales to door manufacturers. While sales to the interior remodeling sector are holding up reasonably well, there has been a major loss of sales to high volume manufacturers selling product into the new-build sector. The high euro is also affecting sales of veneers to the European furniture sector, which has been struggling in export markets.

In some markets, wood veneer producers continue to lose market share to other surfaces including glass and plastic. German veneer producers suggest that some customers that previously used up to 60% wood veneer have now reduced this share to below 20%.

With the main west and central European market saturated, European veneer manufacturers are seeking to expand sales in other regions, notably the Eastern Mediterranean and Middle East. However, these markets are becoming increasingly competitive, particularly with the recent expansion of processing capacity in Romania and Turkey.

Central European manufacturers are responding to the tough market conditions by curtailing output. Inventories of standard veneers remain very high and prices for these grades have been falling. However there are reports of supply bottlenecks for some exclusive higher quality products. Economic uncertainty is encouraging buyers to delay purchasing until the last minute. But veneer quality logs of higher value species such as hard walnut and some tropical woods can be difficult to obtain at short notice, particularly with strong competition for raw material now coming from China.

Joinery sector hints at more positive trends

Despite the gloomy economic news, there are some positive signs for tropical hardwood emerging from sections of the European joinery industry. A recent *TTJ* market report on the UK joinery sector noted that while orders from the large house-builders have been falling in recent weeks, demand from the bespoke domestic replacement and contractor-led project sector has remained reasonably good. There is also good activity at

the top end of the market, for example legal/financial office fit-outs and high-end retail projects. Furthermore, in this sector, clients are showing a marked preference for darker timbers. Although black walnut is most frequently mentioned as a fashionable species, the trend is also helping boost sales of certain tropical species.

Wood windows are also making something of a comeback, helped along by a new concern for energy efficiency and greenery and backed by solid marketing campaigns. One mass producer of joinery products in the UK interviewed by the *TTJ* reported that sales of wood windows were up 20% on last year, an improvement attributed to the social housing sector, among others, opting increasingly for timber over PVC on environmental grounds. The *TTJ* also suggested that the recent launch of a range of timber and aluminum composite windows by the steel windows giant Crittal Windows is a sign of a current fashion for wood windows in the country.

Elsewhere in Europe, German window manufacturers report that demand for energy efficient window frame systems is rising rapidly. To date, this has not led to any significant change in the overall market share of wood and composite wood/aluminum window frames compared to plastic alternatives. The real change has been to increase demand for new triple glazed units. However longer term, wood window manufacturers are hoping that greater interest in energy efficiency will help boost demand for wood windows, particularly for renovation and refurbishment work.

Economic slowdown likely to impact appeal of environmental initiatives

The economic slowdown is likely to have broader repercussions for the forest sector than just a temporary drop in timber demand. It is, for example, likely to become harder for the continent's politicians to sell ambitious plans to tackle environmental problems such as climate change and illegal logging. Demands that industry cut CO₂ emissions are less likely to be heeded in a faltering economy. House builders suffering from declining sales and tightening margins may be less inclined to pursue energy efficiency programs. Timber industry operators seeing their markets shrink may become more determined to resist laws requiring greater 'due diligence' as a measure to prevent illegal wood imports, particularly if they perceive these laws as discriminating unfairly against timber products in relation to competing non-wood products. Advocates of such measures will need to focus heavily on highlighting their potential benefits to the European private sector as a way to expand share in a declining market.

The Netherlands Sawwood Prices

	USD per m ³
FOB (Rotterdam)	
Sapele KD	1179
Iroko KD	1158
Sipo KD	1271↓
DRM Bukit KD	1186
DRM Seraya KD	1194
DRM Meranti KD Seraya MTCC cert.	1236
Merbau KD	1215
Sapupira (non FSC) KD	943
Sapupira (FSC) KD	1441
Anti-slip decking AD C&F Rotterdam	
Selangan batu	1165↑

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

	€ per m ³
FOB plus commission	
N'Gollon (khaya) 70cm+ LM-C	320-360
Ayous (wawa) 80cm+ LM-C	220-230
Sapele 80cm+ LM-C	330-380
Iroko 80cm+ LM-C	330-350

UK Sawwood Prices

	Pounds per m ³
FOB plus Commission	
Framire FAS 25mm	460-470↑
Sipo FAS 25mm	620-640↑
Sapele FAS 25mm	600-620↑
Iroko FAS 25mm	590-610↑
Wawa No.1 C&S 25mm	250-260
CIF plus Commission	
Tulipwood FAS 25mm	230-240
Meranti Tembaga Sel/Btr (KD 2"boards)	465-475
Balau/Bangkirai Decking	600-620↑
White Oak	500-520↑

UK Plywood and MDF Prices

	US\$ per m ³
Plywood Panels 8x4", CIF	
Brazilian WBP BB/CC 6mm	540-550
Malaysian WBP BB/B 6mm	545-555
China (hardwood face, eucalyptus core) 18mm	430-440
China (hard face, poplar core) 18mm	450-470

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.

The ecological disturbances of mangrove forests have been caused by many anthropogenic activities that go against the natural course of development. The first one is the diversion of Ganges water streams. About 40% of the dry season flow of the Ganges has been diverted upstream, following the opening of the Farrakhan Barrage in India in 1974. This accelerates the decrease of freshwater flushing and increases the saline water intrusion, particularly in the dry season, which damages the vegetation and finally degrades the environment. Oil spills cause immense damage, especially to the aquatic fauna and sea birds.

<http://nation.ittfaq.com/issues/2008/05/16/news0862.htm>

The Myanmar Commerce Ministry and the country's biggest business organization of the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI) are coordinating ways for the restoration of agricultural work in cyclone-hit areas, outlining some urgent tasks to be undertaken promptly. Meanwhile, 10 private companies are producing ready-made processed timber material for rebuilding low-cost houses at a rate of 3,000 houses per month.

http://news.xinhuanet.com/english/2008-05/22/content_8229149.htm

The construction industry in Dubai is blighted by red tape, shortages of materials and a lack of skilled workers, with just one in five projects set to finish on time, buildings experts said. A handful of the residential and commercial developments compete with infrastructure projects for the same resources.

<http://www.arabianbusiness.com/520123-dubai-construction-blighted-by-delays>

The Today programme broadcast an important interview with the Prince of Wales concerning the pressing matter of tropical deforestation, and more importantly what needs to be done about it. While the world is quite rightly locked into intense debates on how to cut emissions from aviation, cars, factories and power stations, the huge release of carbon dioxide from the ongoing clearance of the rainforests has been relatively neglected. Prince Charles efforts to elevate the profile of this pressing question are extremely welcome.

http://commentisfree.guardian.co.uk/tony_juniper/2008/05/seeing_the_wood_for_the_trees_1.html

The Sarawak Timber Association (STA) is confident that the local media will continue to assist the forestry and timber industry in Sarawak, which is often portrayed in a bad light, to put corporate responsibility in a proper perspective. STA chairman Datuk Wong Kie Yik said there might have been some degree of negligence in the industry, which conducted its business activities in accordance to the existing regulations.

http://www.bernama.com/bernama/state_news/news.php?id=335104&cat=sre

Torn between protecting the poor and saving their budgets, governments across Asia are being forced to slash fuel subsidies as world oil prices smash through USD130 a barrel. Indonesia, Malaysia and Taiwan have decided to wield the axe on multi-billion-dollar subsidies despite fears of unrest as inflation spikes and the region's poor pay more for fuel on top of the surge in food costs.

<http://news.theage.com.au/world/asian-governments-forced-to-act-as-oil-prices-soar-20080525-2hyi.html>

The world is losing momentum in the battle against global warming, the UN climate chief warned, urging environmental ministers from wealthy nations to revive the effort by setting clear targets for reducing greenhouse gases. The ministers gathered in the western Japanese city of Kobe for a three-day meeting as evidence mounted that rising world temperatures have been taking a toll on the earth at a faster rate than previously forecast.

<http://www.forbes.com/feeds/ap/2008/05/24/ap5045676.html>

The first consignments of palm oil, certified as produced using farming which does not involve destroying tropical rainforests, will arrive in Germany in the second half of this year, the German edible oil industry association OVID said. But palm oil certified under the programme Round Table for Sustainable Palm Oil (RSPO) could be up to 10% more expensive than non-certified oil, OVID Chairman Wilhelm Thywissen told a press conference.

<http://www.planetark.com/dailynewsstory.cfm/newsid/48405/story.htm>

Brazil's environmental agency IBAMA said it seized some 4,740 tons of soy, corn and rice grown on illegally deforested land in the Amazon as the country struggles with its environmental image abroad. Brazil's farming, biofuels and ranching sectors, Latin America's largest, have come under fire, especially in Europe, for unregulated expansion at the cost of the environment, particularly in the Amazon. The European Union has been pushing to limit imports of commodities such as biofuels from Brazil on the grounds of sustainability.

<http://www.planetark.com/dailynewsstory.cfm/newsid/48434/story.htm>

Some 1.5 million Thai farmers are growing eucalyptus trees on empty spaces around their crops, under contract with Advance Agro Public Company, maker of the Double A brand of office paper and Thailand's biggest pulp and paper manufacturer. The eucalyptus planted by Advance Agro Public Company is a hybrid of the Australian species, and were developed over 25 years to best suit Thai soil and climate. The fast-growing trees can be harvested in three years compared with seven to eight years for other eucalyptus breeds.

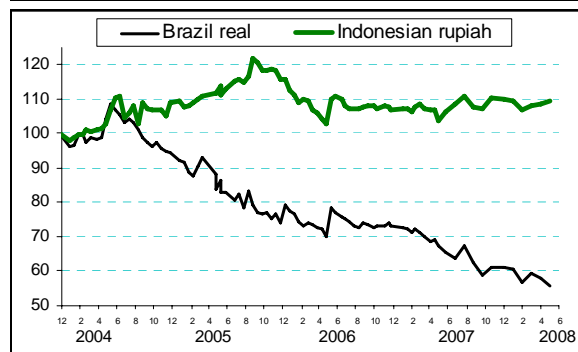
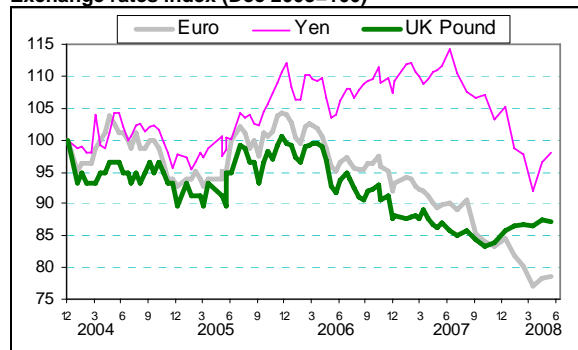
<http://thestar.com.my/lifestyle/story.asp?file=/2008/5/27/lifefocus/21193971&sec=lifefocus>

Main US Dollar Exchange Rates

As of 29 May 2008

Brazil	Real	1.6375	↓
CFA countries	CFA Franc	424.026	↓
China	Yuan	6.9379	↓
EU	Euro	0.6449	↓
Indonesia	Rupiah	9,311.00	↓
Japan	Yen	105.59	↑
Malaysia	Ringgit	3.2520	↓
Peru	New Sol	2.8409	↑
UK	Pound	0.5061	↓

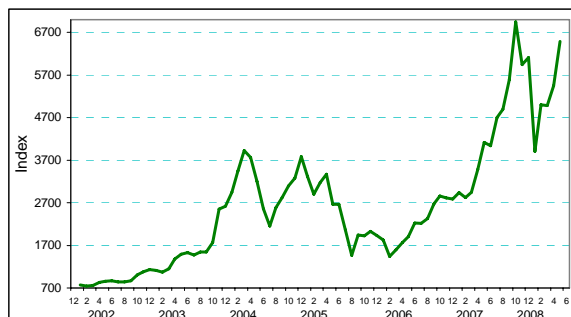
Exchange rates index (Dec 2003=100)



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

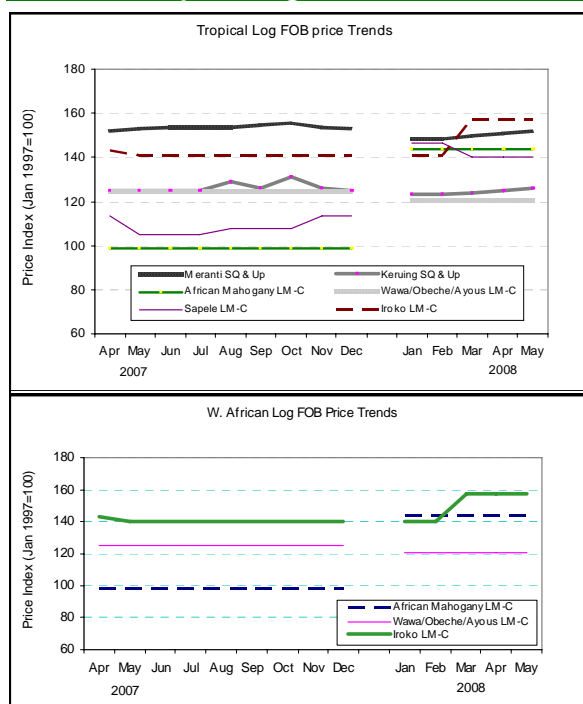
Ocean Freight Index



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.

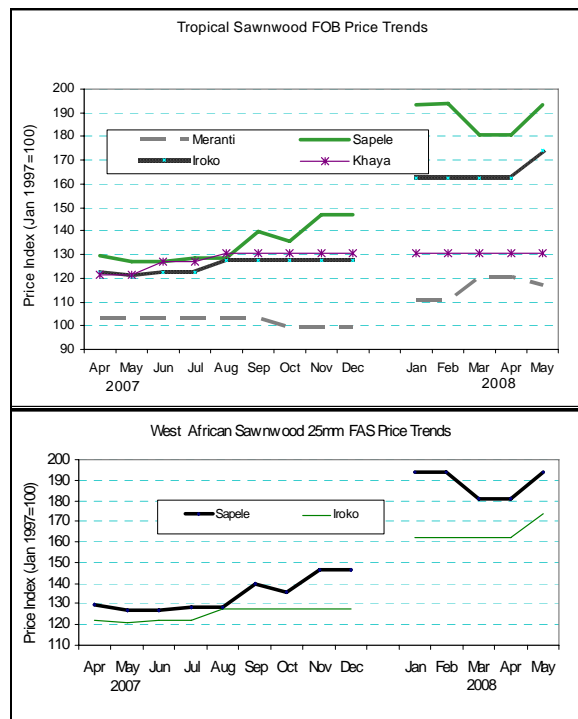
Appendix. Tropical Timber Price Trends

Tropical Log Price Trends



More price trends in Appendix 4, ITTO's Annual Review
<http://www.ito.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

