

Tropical Timber Market Report since 1990

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Snapshot

The European summer holidays have once again impacted trading in most regions. Demand continues to be slow in most consumer countries and experts do not expect markets to pick up until late in the third quarter. Weak demand, coupled with the economic downturn in the US and Europe, also impacted prices for most tropical wood products. Traders are either lowering prices to turn over existing stocks of timber products or, in the case of Asian timber products, keeping timber prices high in order to make a profit.

In other news, Brazil and Ghana were taking steps to recover environmental fines from timber companies in both countries. Ghana announced new measures that would be put in place to collect over GHc12.4 million in fines. Brazil was also taking new action to collect over 3.10 billion in outstanding fines.

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Report from Central/West Africa

Summer holidays in Europe slow market

In the West African region, log trading was very slow and there was no sign of a revival. Okoume prices for China have fallen by EUR2-3 m³ but old stocks in Gabon were being shipped to China at the low price of EUR75 m³ FAS. Hopefully, this will help stabilize the market, although exporters report that trade even in the premium species has been very low and difficult to negotiate. European markets are almost closed during the summer vacation period and exporters do not expect any change until mid-September, when buyers normally begin to assess requirements for the final quarter. Most log prices remained unchanged over the past 3-4 weeks, largely through lack of interest from buyers rather than a reflection of stability, while producers continued to restrict production and lay off workers. Log stocks were very high in importing countries in Asia and Europe so there was no incentive to even begin to assess future needs.

For sawn lumber, prices remained unchanged after recent falls in moabi, sapele and sipo prices. With the European market virtually closed during August, there has been very little trade activity on which to base current prices. Moabi and douka were reported as overstocked in Europe and exporters were expecting further downwards pressure on prices. Sapele prices were very weak and sellers were willing to look at even very low offers to clear stocks. Even so, there were very few enquiries for almost all sawn lumber species and virtually no serious offers on the table.

In Gabon, the government was using the current downturn in timber business to take a much tougher stance on regulations and contractual obligations that companies had taken as part of their forestry agreements. At least two foreign owned companies were closed for failing to comply, and others were under caution.

West Africa Log Prices

West Africa logs, FOB		€ per m ³		
Asian market	LM	B	BC/C	
Acajou/ Khaya/N'Gollon	221	191	137	
Ayous/Obéché/Wawa	206	206	168	
Azobe & Ekki	168	168	122	
Belli	168	168	-	
Bibolo/Dibétou	168	168	114	
Bubinga	533	457	381	
Iroko	289	274	259	
Okoume (60% CI, 40% CE, 20% CS)	132↓	-	-	
(China only)	259	259↓	206↓	
Moabi	191	191	137	
Movingui	129	129	-	
Niove	152	152	122	
Okan	259	259	229	
Padouk	251	251	191	
Sapele	305	305	228	
Sipo/Utile	152	152	114	
Tali				
Okoume (40% CI, 40% CE, 20% CS), FAS-China	142	-	-	

West Africa Sawnwood Prices

West Africa sawnwood, FOB	€ per m ³
Ayous FAS GMS	335
Fixed sizes	396
Okoumé FAS GMS	300
Sel. & Bet. GMS Italy	250
Sel. & Bet. fixed sizes	-
Sipo FAS GMS	585
FAS fixed sizes	-
FAS scantlings	585
Padouk FAS GMS	585
FAS scantlings	585
Strips	425
Sapele FAS Spanish sizes	520
FAS scantlings	520
Iroko FAS GMS	458
Scantlings	519
Strips	304
Khaya FAS GMS	396
FAS fixed	427
Moabi FAS GMS	580
Scantlings	580
Movingui FAS GMS	420

Report from Ghana

Ghana receives new credits for natural resources

The World Bank has recently approved four credits totaling USD157 million to support Ghana's budget under the multi-donor budget support (MDBS) framework. MDBS is a harmonized partnership framework in which the government and a number of its development partners provide direct funding for the implementation of the Ghana Growth and Poverty Reduction Strategy through the annual budget. Since its inception in 2003, a total of USD1.7 billion has been disbursed under the framework, with over USD700 million coming from the World Bank alone, through six Poverty Reduction Support Credits. The four agreements recently signed through the International Development Association (IDA) of the World Bank were allocated to: Natural Resources and Environmental Governance (NREG) (USD20 million); the Agricultural Development Policy Operation (USD35 million); West African Transport and Transit Facilitation Project (USD80 million); and the Community-based Rural Development Project (USD22 million).

Mr. Kwadwo Baah-Wiredu, Ghana's Minister of Finance and Economic Planning, signed one of the USD20 million Natural Resource and Environmental Governance (NREG) credits in Accra. The NREG supports governance reforms in the interrelated sectors of forestry and wildlife, mining and environmental protection to ensure effective forest law enforcement; improve revenue collection, management and transparency; address social issues in forest and mining communities; and mainstream environmental protection into growth. At a press briefing in Accra, Mr. Diwan said these operations were focusing on accelerating the kind of growth that benefited the poor, improving environmental sustainability for the benefit of future generations, supporting the delivery of basic services, especially water to the citizens across the country, and continuing to work towards better and more inclusive governance.

Timber companies owe FC GHc12.4 million

According to *The Daily Graphic*, Mr. Kwadwo Agyei Addo, Member of Parliament, recently inquired to members of the government about the amount of fines owed by timber firms and the measures that had been put in place to recover them. In response to the query, Ms. Esther Obeng Dappah, Minister for Lands, Forestry and Mines, reported that one hundred and twenty seven timber firms in the country owe the Forestry Commission (FC) GHc12.4 million, which consist of stumpage fees and outstanding liabilities on the payment of fees for timber rights.

The Minister said there was an initial outstanding GHc1.7 million in 1999 for stumpage fees, and debt had accumulated to date as a result of injunctions put in place by the courts following the Ghana Timber Association's (GTA) challenge of the stumpage fee payment calculations made by the FC. On the issue of fees for timber rights, Ms. Dappah indicated a debt of GHc7.6 million had accumulated since 2003 due to non-payment of pledges made by timber firms.

The Minister outlined measures being pursued by her Ministry for the collection of the outstanding balances. She indicated that since January 2008, the FC and the Ministry had engaged consultants to begin a judicial process to retrieve those debts as required by law. The first legal report from the consultants is expected at the end of August.

The settlement of outstanding debts by timber firms has also been made a pre-condition to the semi-annual renewal of property marks. With these measures in place, it was expected that the debt would be significantly reduced this month when companies renew their property marks. Those who fail to do so by September 2008 would forfeit their rights to harvest timber.

Ghana's inflation rate rises on increased cost of services

Ghana's inflation rate accelerated to 18.4% in June from 16.9% in May, reflecting the rising cost of services, transport and food in West Africa. The Ghana Statistical Service said there was a risk of a further increase in the rates unless the global economic outlook improved. The country's inflation rate has climbed steadily since October 2007, despite the Bank of Ghana's decision in April 2008 to raise the prime interest rate by a larger than expected 175 points to 16%.

The Ghana cedi has also depreciated by 12.81% against the US dollar and 23.26% against the euro, when applying Ghana Association of Bankers year end rates. Analysts expect the cedi to depreciate further and do not expect any change in this trend.

Ghana Log Prices

Ghana logs, domestic	US\$ per m ³	
	Up to 80cm	80cm+
Wawa	95-115	120-145
Odum Grade A	160-170	175-185
Ceiba	90-100	105-120
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
Asanfina	205	260
Ceiba	330	390
Dahoma	400	470
Edinam (mixed redwood)	425	490
Emeri	585▲	670
African mahogany (Ivorenensis)	510	600
Makore	550	-
Niangon	670	750
Odum	540	600
Sapele	260▲	285
Wawa 1C & Select		

Ghana sawnwood, domestic		US\$ per m ³
Wawa	25x300x4.2m	255
Emeri	25x300x4.2m	350
Ceiba	25x300x4.2m	204
Dahoma	50x150x4.2m	310
Redwood	50x75x4.2m	270
Ofram	25x225x4.2m	330

Ghana Veneer Prices

Rotary Veneer, FOB	€ per m ³	
	CORE (1-1.9mm)	FACE (<2mm)
Bombax	325	350
Kyere, Ofram, Ogea & Otie	325	360
Chenchen	315	360
Ceiba	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	0.80▼
Avodire	1.12	0.80
Chenchen	0.78	0.44▼
Mahogany	1.25▼	0.79
Makore	1.40	0.92
Odum	1.75▲	1.10

Ghana Plywood Prices

Plywood, FOB B/BB, Thickness	€ per m ³			
	Redwoods		Light Woods	
	WBP	MR	WBP	MR
4mm	560	475▲	500	365▼
6mm	370▼	325▲	335	285
9mm	380▼	305	290	270▼
12mm	340	295▲	280▼	255▼
15mm	350	300▲	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 m ²		
	10x60x300mm	10x65-75mm	14x70mm
Apa	12.00	14.47	17.00
Odum	7.80▲	10.18	11.00
Hyedua	13.67	18.22	17.82
Afrormosia	13.72▲	18.22▲	17.82

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

Report from Malaysia

MTIB to build furniture hub in Johor

Bernama reported on the Malaysian Timber Industry Board's (MTIB) plans to build a 'furniture hub' in Johor for the southern region of Peninsular Malaysia. MTIB has selected a 1.96 hectare site in Mukim Tebrau, in the southern state of Johor, to establish a furniture and commercial timber products exhibit. The 300,000 square foot center was expected to start operating under the 10th Malaysia Plan.

The MTIB has reported that the cities of Muar and Johor Baharu contributed nearly RM3 billion to the total value of furniture exports from the country. Johor has been identified as the city with the highest value of furniture exports. Muar is also important, with about 80% of Muar's population having some involvement in the furniture and timber product industries.

Experts warn of effects of strong ties between Malaysian and US economies

Experts have been considering the potential effects of the US economic slowdown on Malaysia, reported *The Star*. Some experts have speculated that Malaysia is less isolated from the effects of the US economic downturn, counter to previous arguments that there is a decoupling between the US and Malaysian economies.

Experts recalled the US dotcom bust in the US, explaining that Malaysia's economic growth rate slid to 0.5% subsequent to the event. A series of collapsing US banks and the US government bailout of Fannie Mae and Freddie Mac have already impacted some European and Asian economies. Moreover, analysts expect that the US's economic problems will continue.

Experts note that this news does not bode well for the Malaysian economy, saying that a hike in Malaysia's interest rates might be necessary to curb inflation and could adversely affect domestic investment. The US also remains the single largest export destination for Malaysian products and, if exports decline, this may also have an impact on investment.

Malaysia Log Prices

Sarawak log, FOB	US\$ per m ³
Meranti SQ up	296-318
Small	277-298
Super small	275-273
Keruing SQ up	274-284
Small	242-274
Super small	235-240
Kapur SQ up	250-268
Selangan Batu SQ up	272-294

Pen. Malaysia logs, domestic (SQ) US\$ per m ³	
DR Meranti	356-399
Balau	300-340
Merbau	416-438
Rubberwood	259-278
Keruing	290-305

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	436-459▲
Seraya Scantlings (75x125 KD)	702-741
Sepetir Boards	341-352▲
Sesendok 25,50mm	449-479▲
Kembang Semangkok	430-451▲

Malaysian Sawnwood, domestic	US\$ per m ³
Balau (25&50mm,100mm+)	353-373▲
Merbau	558-581
Kempas 50mmx(75,100 & 125mm)	304-319▲
Rubberwood 25x75x660mm up	295-325▲
50-75mm Sq.	319-343▲
>75mm Sq.	331-362▲

Malaysia Plywood Prices

Malaysia ply MR BB/CC, FOB	US\$ per m ³
2.7mm	483-511
3mm	463-489
9mm & up	424-447

Meranti ply BB/CC, domestic	US\$ per m ³
3mm	461-471
12-18mm	404-412

Other Malaysia Panel Prices

Malaysia, Other Panels, FOB	US\$ per m ³
<i>Particleboard</i> Export 12mm & up	248-265▲
Domestic 12mm & up	238-252▲
<i>MDF</i> Export 15-19mm	310-333
Domestic 12-18mm	288-308▲

Malaysia Added Value Product Prices

Malaysia, Mouldings, FOB	US\$ per m ³
Selagan Batu Decking	679-696
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	714-734
Grade B	633-652

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	60-62
Colonial Chair	58-63▲
Queen Anne Chair (soft seat) without arm	58-66▲
with arm	58-67
Chair Seat 27x430x500mm	46-51
Rubberwood Tabletop	US\$ per m ³
22x760x1220mm sanded & edge profiled	
Top Grade	635-645
Standard	603-620

Report from Indonesia

EU grants Indonesian imports duty-free facility

The EC recently stated in a press release that the EU will provide a duty-free import facility for Indonesian wood sheets, which was previously set at three to six percent. *Antara News* also said the EC is expected to establish a similar facility for Indonesian plywood, which will set a duty of around 3.5%, instead of its previous range, 7-10%. The lower import duty for plywood was set up under a Generalized System of Preferences (GSP) facility program by the EC, which is in effect from 1 January 2008 until 2011. In 2007, almost 40% of Indonesian exports to the EU were eligible for benefits under the GSP facility, with Indonesia gaining almost EUR3 million as a result of the facility.

Disagreements hamper establishment of conservation zones

According to *The Jakarta Post*, plans to establish the Bukit Tigapuluh National Park (TNBT) have been slowed due to disagreements between four districts within the conservation zone. The four districts, two in Jambi and two in Riau, have not yet agreed on the plans for the zone, and the Minister of Forestry's regional conservation director, Nur Hidayat, said many problems have yet to be resolved. Institutions have proposed the current boundaries of the park be expanded to include a 94,000 ha buffer zone, although this area is located in a number of districts.

Indonesia Log Prices (domestic)

Indonesia logs, domestic prices	US\$ per m ³
Plywood logs	
Face Logs	237-277
Core logs	192-222↓
Sawlogs (Meranti)	234-273
Falcata logs	195-210↑
Rubberwood	217-241
Pine	209-232
Mahoni (plantation mahogany)	601-647

Indonesia Sawwood Prices

Indonesia, construction material, domestic	US\$ per m ³
Kampar (Ex-mill)	252-260↑
KD	330-345
AD 3x20x400cm	351-372
KD	375-385
Keruing (Ex-mill)	286-295↑
AD 2x20x400cm	274-283↑
AD 3x30x400cm	279-288↑

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	242-252
Domestic 9mm	206-223
12-15mm	201-213↑
18mm	199-202↑
<i>MDF</i> Export 12-18mm	316-329
Domestic 12-18mm	256-276

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	671-696
Grade B	601-641

Report from Myanmar

Market steadily slows for Myanmar teak

The market for Myanmar teak continued to slow through end July. However, non-teak hardwood was reported to be selling quite well in the markets.

Myanmar Log Prices (natural forests)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)		
<i>Veneer Quality</i>	Jun	Jul	6 mo. Avg
2nd Quality	5,377 (5 tons)	5,817 (6 tons)	5,412
3rd Quality	4,437 (12 tons)	4,443 (12 tons)	4,722
4th Quality	3,462 (37 tons)	3,397 (45 tons)	3,888
<i>Sawing Quality</i>	Jun	Jun	
Grade 1 (SG-1)	2,707 (236 tons)	2,640 (156 tons)	2,689
Grade 2 (SG-2)	2,066 (610 tons)	2,034 (448 tons)	2,079
Grade 3 (SG-3)	1,641 (55 tons)	1,589 (63 tons)	1,615
Grade 4 (SG-4)	1,794 (362 tons)	2,001 (582 tons)	1,869
Grade 5 (SG-5)	1,245 (323 tons)	1,469 (522 tons)	1,580
Assorted			
Grade 6 (SG-6)	761 (404 tons)	1100 (574 tons)	1,176
Domestic			
Grade 7 (ER-1)	622 (329 tons)	904 (97 tons)	838
Grade 8 (ER-2)	569 (126 tons)	-	622

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 (export)	371 (282 tons)
Gurjan (keruing-exp)	240 (74 tons)
Tamalan	--
Taungthayet	--

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

Report from Brazil

PNAS claims Brazil is responsible for 48% of tropical deforestation

Reports from *Portal Ecodebate* and *Celulose Online* said world deforestation rates by area reached 272,000 km² between 2000 and 2005. According to the Proceedings of the National Academy of Sciences (PNAS), Brazil was responsible for 48% (26,000 km²) of the total tropical deforestation in the period, followed by Indonesia, with 12.8% (7,000 km²). However, the Ministry of Environment disagrees with Brazil's annual average annual deforestation rate presented in the PNAS study (see also TTM 13:10). The Ministry claims the correct number is 21,450 km², a figure published by the National Institute for Space Research (INPE). The Ministry suggests that the research by PNAS does not take into account the period from July 2004 to August 2007, when deforestation decreased in Brazil.

The PNAS research stated that nearly 55% of deforestation was concentrated in only 6% of tropical rainforests, or highly threatened 'hotspots' that contain large areas of biodiversity. The methods used to detect deforestation in the study combined the use of the satellite systems Modis and Landsat (which is more precise) to help create global monitoring protocols. The research was one of the first studies to estimate deforested areas in tropical rainforests.

Government works to collect more environmental fines

The Brazilian government intends to change a law on environmental crimes to guarantee increasing swiftness in the payment of fines imposed on those that damage fauna and flora, and pollute or degrade the environment, said *Agência Brasil* and *Remade*. The Brazilian Institute for Environment and Natural Renewable Resources (IBAMA) has stated that BRL3.45 billion in fines were imposed during 2006-2007. However, less than 10% of this amount was effectively collected by the government, according to estimates of the Ministry of Environment.

IBAMA does not have the exact percentage of fines effectively collected, but confirmed the MMA estimates of fines imposed. According to IBAMA, 34% of violations concentrate in nine states of the Brazilian Amazon, but are 80% of the total value of fines applied during the period.

The state of Mato Grosso ranks the first in number of violations, accounting for BRL 1.41 billion in the last two years; a large part of which, BRL 1.3 billion related to violations, such as deforestation, illegal trade and forest products transportation. The state of Pará ranks second, with BRL 724 million in fines, followed by Rondônia, with BRL 280 million during the period.

A survey on the monitoring operations carried out by IBAMA during the 2006-07 period revealed that the Institute imposed up to BRL 20 million in a single fine. In May 2008, however, a farmer was fined BRL 30.6 million due to environmental degradation in his farm, located in the buffer-zone of the Raposa Serra do Sol Indian Reserve. According to the law, fines on environmental crimes can vary from BRL50 up to BRL50 million each.

First semester furniture export results positive in some Brazilian states

Following positive results in January 2008-May 2008 (see TTM 13:13), Brazilian furniture exports in the first semester of 2008 have increased slightly (0.3%) in the first semester of 2008, when compared to the same period in 2007. Venezuela was the largest importer of Brazilian furniture, showing a 53% increase when compared to the first semester of 2007. Argentina increased its overall imports by 50%, while the US reduced its Brazilian furniture imports by 30%.

According to *MDIC* and *CGI Moveleiro*, Rio Grande do Sul continued to be a major furniture producing State in Brazil, with exports of USD138 million by value during the first semester of 2008. Venezuela purchases of wood furniture from that State increased 272%. The UK, which imported 7% less when compared to the first half of 2007, imported the same amount by value as Argentina,

amounting to 13% of total furniture exports of Rio Grande do Sul. However, Argentina grew its purchases from Rio Grande do Sul by 52%. US imports decreased 40% over the period, accounting for 7% of the total export of the product by the State.

Regarding Brazilian furniture exports by other states, São Paulo was responsible for the highest increase in furniture exports (22%), representing 15% of Brazil's total exports of furniture in the first semester of 2008. The Southern state of Paraná also showed a favorable trend, with an 11% increase in exports, accounting for 12% of the country's furniture exports of the country during the period. The rise in exports was attributed to a combination of factors such as sales to new markets, higher product quality, and higher attendance of producers in key international events of the sector, despite the continuous appreciation of the Brazilian Real.

Nevertheless, not all states held positive results in the first half of the year. Minas Gerais and Santa Catarina decreased their sales to foreign markets by 12% and 11%, respectively. Furniture manufactured in States with large exports such as Santa Catarina's Rio Grande do Sul mostly use wood from plantation forests and a mix of solidwood and reconstituted-wood panels.

Brazil Log Prices (domestic)

Brazilian logs, mill yard, domestic	US\$ per m ³
Ipê	157
Jatoba	112
Guariuba	75
Mescla (white virola)	83

Brazil Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per m ³
Jatoba Green (dressed)	845
Cambara KD	465
Asian Market (green)	Guariuba 265
	Angelim pedra 594
	Mandioqueira 234
Pine (AD)	200

Brazil sawnwood, domestic (Green)	US\$ per m ³
Northern Mills (ex-mill)	Ipê 739
	Jatoba 568
Southern Mills (ex-mill)	Eucalyptus (AD) 217
	Pine (KD) 1st grade 286

Brazil Veneer Prices

Veneer, FOB (Belem/Paranagua Ports)	US\$ per m ³
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 284 Core 238

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	972
White Virola 15mm	710

Domestic prices include taxes and may be subject to discounts.

Other Brazil Panel Prices

Belem/Paranagua Ports, FOB	US\$ per m ³
Blockboard Pine 18mm 5 ply (B/C)	315
<i>Domestic Prices, Ex-mill Southern Region</i>	
Blockboard White Virola faced 15mm	633
Particleboard 15mm	399

Brazil Added Value Products

FOB Belem/Paranagua Ports	US\$ per m ³
Edge Glued Pine Panel	
Korean market (1st Grade)	640
US Market	513
Decking Boards	
Cambara	609
Ipê	1680

Report from Peru

Peru redirects furniture to new markets

Although Peru's exports of wooden furniture to the US fell 26.5% by value during the first quarter of 2008, the US market remains the main destination of wooden furniture, accounting for 60% of exports between January and May 2008. Exports of wooden furniture previously delivered to US markets have been redirected to new markets such as Italy, Venezuela and Chile.

US port in Tampa to receive Peruvian imports

The naval agency Maynas S.A. has announced that Tampa Port in Florida will replace Port Everglades as the receiving port for Peru's wood products. The destination port of Peru's exports to the US recently changed as Tampa became more equipped with the facilities and specialized management of heavy loads, equipment and machinery for imports and exports, while Port Everglades has focused more on receiving passenger ships. Currently, the M/N Yacu Puma is the only Peruvian ship that transports wood products from Loreto to Mexico and the US.

Peru Sawwood Prices

Peru Sawwood, FOB Callao Port	US\$ per m ³
Mahogany S&B KD 16%, 1-2" random lengths (US market)	1823-1866↓
Spanish Cedar KD select	
North American market	934-972
Mexican market	943-974
Pumaquiro 25-50mm AD Mexican market	490-525

*Cheaper and small-dimension sawwood for this market.

Peru Sawwood, FOB Callao Port (cont.)	US\$ per m ³
Virola 1-2" thick, length 6'-8' KD	
Grade 1, Mexican market	330-378
Grade 2, Mexican market	298-322
Cumaru 4" thick, 6'-11' length KD	
Central American market	802-832↑
Asian market	729-772
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	550-585
Dominican Republic	565-575
Marupa (simarouba) 1", 6-11 length Asian market	395-420

Peru Sawwood, FOB Iquitos	US\$ per m ³
Spanish Cedar AD Select Mexican market	935-954
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	332-358
Grade 2, Mexican market	302-314
Grade 3, Mexican market	181-194
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	245-260↓

Peru sawwood, domestic	US\$ per m ³
Mahogany	1295-1303↓
Virola	84-95↑
Spanish Cedar	435-450↑
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	674-722↑
Asian market	941-969↑
Cumaru decking, AD, S4S E4S, US market	962-1102
Pumaquiro KD # 1, C&B, Mexican market	492-534
Quinilla KD, S4S 2x10x62cm, Asian market	592-628↑
2x13x75cm, Asian market	712-736↑

Report from Bolivia

Bolivia Sawwood Prices

Sawwood 1-3"x3x5"x7-19', FOB Arica Port	\$ Avg un. val. per m ³
Mahogany (US market)	1717-1806
Spanish Cedar (US market)	746-957
Oak (US and EU market)	637-644

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	120-345
Ochoó	-

Parquet Flooring 3-5"x4-6"x5-13', FOB Arica Port	\$ Avg un. val. per m ³
Mani (FSC) (US market)	675-700
Caviuna (FSC) (US market)	700-900
Cumaru (FSC) (US, EU and Asia mkt)	450-850

3/4"x3-5"x1-7'	
Jatoba (US, EU and Mexico market)	1194-1300
Ipe (EU and Asia market)	500-1800
Jequitaba (EU market)	-

Report from Mexico

National Forestry Agency to expand commercial forest plantations

According to the National Forestry Agency CONAFOR, the agency plans to support projects for commercial forest plantations in 2008. The projects, worth a total of 850 million pesos, will cover 80,000 ha of the country where businesses will be established over the next few years through Mexico's ProTree programme. The plantations will be established primarily in the areas of Chiapas, Veracruz, Tabasco, Campeche and Oaxaca. In 2008, fast growing species such as teak, melina, mahogany, cedar and pine are to be planted. In the last 10 years, the Federal Government has financed about 7,000 projects covering over 600,000 ha and costing approximately 4 billion pesos.

Mexico to host Forest Expo in September

From 4-6 September 2008, Mexico will host Forest Expo 2008, which will be entitled 'Facing Climate Change and Poverty in the Forest Sector'. The Expo, which will be convened in Guadalajara, in the state of Jalisco, will focus on the exchange of experiences, opinions, challenges, and proposals focused on sustainable development and the preservation of the environment.

The exhibition will cover a total of 8,000 square meters and over 400 national and international companies are expected to attend. The international pavilions are expected to host organizations such as ITTO, Cuenca Forestal del Golfo, the Mexico-Canada alliance, the International Agriculture Development Fund, the World Bank, and the Rainforest Alliance, among others. More information on the Expo is located at www.expoforestal.com.

Report from Guyana

Guyana posts strong results for July 2008

Log exports recorded for July 2008 are 11% greater by volume than the combined total for May and June 2008. Exports of Guyana's logs to China continue to increase with the year-to-date total being higher than the 2007

figure by approximately 5% by volume. The slight rise was caused by an increase in consumption of wamara logs being consumed in China's market. In 2008, the export volume of wamara logs was 48% greater than that of same period of 2007, with July's volume exceeding a previous record high by more than 42%. This trend also indicates an increasing demand for wamara logs in the Chinese market since August 2007.

Year-to-date comparison of sawnwood reveals that greater volumes of sawn lumber are being exported at higher prices and have increased 18% by volume and 26% by value from the same period in 2007. The prime destination for sawnwood for the month of July was The Netherlands, with the dominant export being wamara.

Meanwhile, the fortnight's volume of roundwood exports is up by more than four times the previous fortnight's figures. This alone contributes to approximately 15% of all roundwood exports for the year, owing to a higher demand for greenheart piles from the US. Plywood exports by volume, on the other hand, are showing some signs of improvement from the combined results for May and June levels, with the US being the primary destination for exports.

Guyana's log export policy set for implementation in 2009

His Excellency Bharrat Jagdeo, President of Guyana, on 29th July announced the implementation of a National Log Export Policy which will take effect from January 2009. This policy will increase the export commission rate on key species used in value-added production in the local industry in Guyana. The export commission rate on logs is currently 2%.

The President explained that the decision had been taken following concerns by various stakeholders about the need for the stimulation of more value-added activities in Guyana, and for downstream processors of logs to receive adequate supplies of materials. Other options, including a ban on log exports were also considered in the process of developing the policy.

The new policy is designed to reflect a differentiated regime for the export commission by log species, and will encourage the utilization of lesser known species of logs in Guyana's classes 2 and 3. There are three parts of the policy, which will take effect from January 2009:

The first part of the Policy will raise the export commission rate to 7% with effect from January 2009, 10% from January 2010, and 12% from January 2011 up to December 2011, for the following species: purpleheart, red cedar, letterwood, bulletwood, cow wood, tatabu, kabukalli, shibadan, tauroniro, washiba, hububalli, tonka bean, darina, greenheart, and brown silverballi.

The second part of the policy will result in a higher export commission rate of 7% in January 2009 and 10% in January 2010 until December 2011 for the following log species: itikiboroballi, determa, wamara, hakia, mora, dukali, keriti silverballi, wallaba, fukadi, and futui.

The third part of the policy addresses the export of squares with dimensions 20.3 cm x 20.3 cm and greater (or 8" x 8" and greater). The policy applies to the following species: purpleheart, red cedar, letterwood, kabukalli, shibadan, washiba, hububalli and tonka bean. The rates established as part of the first part of the policy will also apply to these species when they are exported as squares. The third part of the policy provides for consideration to be given to companies exporting squares for engineering end uses. For this purpose, contracts will be required by the GFC and approved before the squares can be exported.

The rates will continue to be charged on the FOB price of logs and squares exported and will prevail until December 2011. Additionally, all logs exported will continue to be subjected to 100% inspection. Importantly, only companies that have their own concessions will be allowed to export logs.

Guyana Log Prices

Logs, FOB Georgetown	SQ - \$ Avg unit value per m ³		
	Std	Fair	Small
Greenheart	150↑	140↓	124↓
Purpleheart	195-230↑	185↑	175
Mora	110-117	110-112↓	97-110↓

*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	-	519
Greenheart Select/Standard	450-1039↑	450-1420↑
Purpleheart Prime	-	-
Purpleheart Select/Standard	450↑	573-1150↑
Mora Select	424	-

Guyana Plywood Prices

Plywood, FOB Georgetown Port	\$ Avg unit val. per m ³	
Baromalli BB/CC 5.5mm	-	-
Baromalli BB/CC 12mm	-	530↑
Utility 5.5mm	-	-
Utility 12mm	-	443↑

Report from Japan

JLJ projects recovery in business prospects this October

The *Japan Lumber Journal* provided an overview of short-term supply and demand prospects for lumber in the third and fourth quarters. The *Journal* noted that a general recovery in business was expected in October, which would allow inventories to adjust over the next few months. However, demand for Southsea logs used for plywood was expected to decrease 15.2% and 9.9% in the third and fourth quarters, respectively.

JLJ also provided results of the Japan Southsea Lumber Conference, which said it estimated imports of tropical logs to be 852,000 m³ in 2008. This would reflect about a 15-20% decrease when compared to 2007, a situation mostly due to limited availability of logs for export from supplying countries, and the rising cost of logs and freight charges. If the supply of Russian logs to Japan decreases, it was expected that demand for Southsea logs would improve.

Japan Lumber Reports indicated rises of Southsea hardwood plywood prices, mostly due to a decrease in manufacturers' stocks. Export prices of Indonesian thin and medium plywood were said to be approaching peak prices seen two years ago. *JLJ* also noted that the supply of lauan concrete form plywood was expected to be tighter in the months ahead.

Japan's demand for domestic lumber shows three year rise

Japan Lumber Reports noted that demand for domestic sawnwood had increased 5.8% in 2007 and that Japan's wood supply self-sufficiency had increased over a three consecutive year period. Wood product imports, mainly lumber and plywood, fell to their lowest levels since 1986. This shift to the use of domestic wood resources had been mainly a result of the rising tariff on Russian logs. The overall drop in imports was 7.9%. Table 1 below shows the demand for various products in 2007:

Use	Source	Demand (1,000 m ³)	'07/'06 (% change)
Lumber	Domestic	11,981	2.9
	Import	18,474	-13.6
	Total	30,455	-7.8
Pulp, wood chips	Domestic	4,681	4.1
	Import	32,451	0.1
	Total	37,132	0.6
Plywood	Domestic	1,632	42.7
	Import	9,628	-23.7
	Total	11,260	-17.9
Others	Domestic	340	2.4
	Import	3,182	13.7
	Total	3,522	12.5
Total	Domestic	18,635	5.8
	Import	63,735	-7.9
	Total	82,370	-5.1

Table 1: Japan's wood demand in 2007 (Source: JLR)

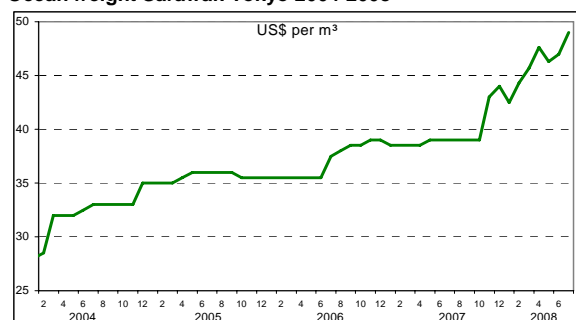
Log and Sawnwood Prices in Japan

Logs for Ply Manufacture, CIF	Yen per Koku
Meranti (Hill, Sarawak)	(Koku=0.278 m ³)
Medium Mixed	8,200↑
Standard Mixed	8,300↑
Small Log (SM60%, SSM40%)	7,200↑
Taun, Calophyllum, others (PNG)	7,400↑
Mixed light hardwood, G3/4 grade (PNG)	-
Keruing MQ & up (Sarawak)	10,800↑
Kapur MQ & up (Sarawak)	10,300↑
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)	June (¥ per sheet)	Aug
2.4mm (thin plywood, F 4star, type 2)	920 X 1830	400 ↑	400
3.7mm (med. Thickness, F 4star, type1)	910 X 1820	570 ↑	570
5.2mm (med. Thickness, F 4star, type 1)	910 X 1820	680 ↑	680
11.5mm for sheathing (F 4star, type 2)	910 X 1820	1020 ↑	1030 ↑
12mm for foundation (F 4star, special)	910 X 1820	1020 ↑	1050 ↑
12mm concrete-form ply (JAS)	900 X 1800	1000 ↑	1030 ↑
12m coated concrete-form ply (JAS)	900 X 1800	1120 ↑	1130 ↑
11.5mm flooring board	945 X 1840	1380 ↑	1420 ↑
3.6mm baseboard for overlays (OVL)	1230 X 2440	870 ↑	870
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

Value of China's forest products up 14%

According to the latest statistics from China's customs agencies, the total trade value of forest products in China (exports and imports) amounted to about USD31 billion in the first half of 2008, up 14% from the same period in 2007. The total import value was USD14.1 billion, rising 21% from last year, and the export value was USD16.9 billion, up 8.8% from the previous year. The balance of forest product trade was USD2.78 billion.

1.1 Imports

Logs

Nearly 16.36 million m³ of logs valued at about USD2.8 billion were imported in China during the first half of the year, a downward trend of 18.2% by volume and a rise of 4.7% by value from the same period of last year. Of the total log imports, softwood imports valued at about USD1.217 billion were 9.855 million m³ by volume, while hardwoods were 6.5 million m³ by volume and valued at nearly USD1.584 billion. The import volume and value of softwood dropped 21.5% and 1.9%, respectively, from the same period of last year, whereas import volume of hardwoods were down 12.7% and the value was up 2.5%. During the same period, tropical log imports accounted for 4.165 million m³, making up 64% of hardwood imports, down 6.5% from last year.

Russia remained the largest supplier of logs to China. A total of 10.597 million m³ of logs were imported from Russia, which accounted for 64.8% of the total imports. However, since Russia has increased export tariffs considerably, unit costs of Russian logs have increased

USD100/m³ to USD230.8/m³. As a result of these price increases, imports of logs from Russia fell 24.3% from the same period last year. The volume of Russian logs contributing to China's total logs imports dropped 5.2%. Countries supplying over 10,000 m³ of logs are shown below in Table 1:

Country	Import volume (1 000m ³)	Proportion (%)
Total	16 357.9	100.0
Russia	10 597.0	64.8
PNG	1 367.1	8.4
New Zealand	729.8	4.5
Solomon Is.	586.8	3.6
Malaysia	534.3	3.3
Gabon	527.8	3.2
Myanmar	309.6	1.9
Equatorial Guinea	229.4	1.4
Australia	227.3	1.4
Germany	198.8	1.2
USA	151.1	0.9
Republic of Congo	119.2	0.7

Table 1: Countries supplying over 10,000 m³ of logs to China during the first half of 2008

Manzhouli Port received 4.27 million m³ of logs during this period or 26.1% of total logs imports to China, and remained the largest port to accept log imports. Harbin Port followed in second, with 3.98 million m³ of logs, consisting of 24.3% of the nation's total. Nanjing Port and Huhhot Port ranked in third and fourth places, importing 3.95 million m³ and 1.07 million m³ of logs, amounting to 24.1% and 6.6% of the total, respectively. Table 2 below shows log imports by region in the first half of 2008:

Region (customs agency)	Import volume (1 000m ³)	Proportion (%)	Import value (USD1 000)	Proportion (%)
Manzhouli	4 267.7	26.1	537 627	19.2
Harbin	3 975.5	24.3	548 683	19.6
Nanjing	3 949.7	24.1	868 667	31.0
Huhhot	1 072.5	6.6	139 868	5.0
Shanghai	795.8	4.9	207 901	7.4
Guangdong	760.3	4.6	188 810	6.7
Xiamen	291.7	1.8	38 557	1.4
Kunming	182.9	1.1	62 037	2.2
Dalian	137.2	0.8	25 530	0.9

Table 2: China's log imports by region in the first half of 2008

Sawnwood

China imported 3.42 million m³ of sawnwood valued at USD962.39 million during the first half of 2008, up 9.9% by volume and 14.2% by value over the same period from 2007. The major suppliers of sawnwood to China were

Russia, Canada, the US and Thailand. Table 3 shows the main supplying countries of sawnwood to China for the first half of 2008:

Country	Import volume (1 000m ³)	Proportion (%)
Russia	960	20.0
USA	490	14.3
Canada	506	12.8
Thailand	389	11.4
Malaysia	126	3.7
Indonesia	121	3.5
Brazil	93	2.7
New Zealand	89	2.6
Chile	79	2.3
Myanmar	51	1.5

Table 3: Main supplying countries of sawnwood to China during the first half of 2008

Sawnwood imports were mainly concentrated in developed coast provinces such as Shenzhen, Guangzhou and Shanghai. Inland ports such as Manzhouli, Huhhot and Harbin imported most of Russian sawnwood. Table 4 below shows the major regions importing sawnwood during the first half of 2008:

Region (custom)	Import volume (1 000m ³)	Proportion (%)	Import value (USD1 000)	Proportion (%)
Guangdong	971.2	28.8	272 359	28.5
Shanghai	806.2	23.9	281 637	29.5
Manzhouli	560.5	16.6	104 453	10.9
Huhhot	232.2	6.9	43 817	4.6
Tianjin	166.6	4.9	48 039	5.0
Harbin	142.8	4.2	31 397	3.3
Dalian	107.6	3.2	32 252	3.4
Country total	3 337.5	100.0	954 586	100.0

Table 4: China's main sawnwood importing regions during the first half of 2008

Wood-based panels, wood furniture and chips

Imports of wood-based panels continued to drop from last year. The import volume and value of fiberboard dropped 30.8% and 21.8% to 165.1 thousand tons and USD700.45 million, respectively. Imports of particleboard were 121,000 tons and valued at USD46.92 million, down 17.5% by volume and 0.4% by value. Imports of plywood, mostly from Indonesia and Malaysia, were 159.2 thousand tons and valued at USD91.10 million, down 0.3% and up 2% from 2007, respectively. The import volume from Malaysia was 55,700 m³ and USD26.79 million, representing 35% by volume and 29.4% by value of the total plywood imported by China.

A total of 1.664 million pieces of wood furniture valued at USD147.12 million were imported, up 94.8% by volume from 2007. A total of 586,900 tons of wood chips valued

at USD98.23 million were imported, up 24.8% by volume and 58.5% by value from 2007. Imports of charcoal also rose 121.7% by volume and 61.2% by value from 2007.

1.2 Exports

Wood furniture

During the first half of 2008, a total of 118.09 million wooden furniture pieces valued at USD5.233 million were exported, or 31% of the total export value of forest products exported from China. The total export volume fell 10.5% by volume and rose 7.6% by value from 2007. China's wooden furniture has been exported to over one hundred countries, with major importing regions being the US, UK, Japan and Hong Kong SAR, accounting for 53.5%, 9.5%, 8.1% and 2.7% of total export value, respectively.

Wood-based panels

A total of 3.775 million m³ of plywood valued at nearly 1.732 billion was exported during the first half of 2008. This represented a 15.6% fall in volume and 2.1% decline by value from the same period in 2007. Plywood was exported to all parts of the world, including the US, Japan and Middle Eastern countries. Exports of particleboard valued at USD21.95 million increased considerably to 6.46 thousand tons, rising 43.7% by value and 18.3% by volume from last year.

Country	Volume (1 000 m ³)	Proportion (%)
Total	3 775.1	100.0
US	718.1	19.0
Japan	289.3	7.7
UAE	259.2	6.9
UK	251.7	6.7
S. Korea	143.7	3.8
Saudi Arabia	139.1	3.7
Hong Kong SAR	118.9	3.1

Table 5: Major importing countries of China's plywood during first half of 2008

Paper, board and paper products

Paper and paper products have become the single largest exported forest product after wooden furniture, representing 21.6% of the total export value of forest products from China. A total value of nearly USD3,654 million of products were exported, a 14.7% rise from 2007 levels.

Exports of wood chips valued at USD8.35 million dropped to only 73 thousand tons during the first half of 2008. Exports of sawnwood also fell 13.8% to 355 thousand m³ and valued at USD202 million. Exports of pulp and veneer also dropped 37.3% by volume and 13.6% by value.

Guangzhou City Imported Timber Market

Logs		Yuan per m ³
Radiata 6m, 30cm diam.		1300
Lauan		1900-2400
Kapur		1900-2600▲
Merbau 6m, 60cm diam.		4400-5000▲
Keruing 60cm+ diam.		1900-2350
Beech 6m,30cm veneer Qual.		3300-3600
Sawnwood		
Teak sawn grade A		8500-9500
US Maple 2" KD		8800-12500
US Cherry 2"		14700-15000
US Walnut 2"		12500-14500
SE Asian Sawn 4m+, KD		3600-4000
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)		9200-9500
KD (2", grade A)		7500-9000

Shandong De Zhou Timber market

Logs		Yuan per m ³
Larch	6m, 24-28cm diam.	1400▲
White Pine	6m, 24-28cm diam.	1450▲
Korean Pine	4m, 30cm diam.	1650▲
	6m, 30cm diam.	1700▲

Hebei Shijiazhuang Wholesale Market

Logs		Yuan per m ³
Korean Pine 4m, 38cm+ diam		1750▲
Mongolian Scots Pine	4m, 30cm diam.	1370▲
	6m, 30cm+ diam.	1450▲
Sawnwood		
Mongolian Scots Pine	4m, 5-6cm thick	1550▲
	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

Statistics confirm EU trade slowdown during first half 2008

An analysis of Eurostat import data for the EU-25 group of countries (all EU members excluding Romania and Bulgaria) carried out by Forest Industries Intelligence Limited tends to confirm the rather negative anecdotal reports of trading conditions during the period January to March 2008 (see data below). While EU-25 import volumes of tropical hardwood logs and veneers held up reasonably well during the review period (down 2% and up 8% respectively), imports of tropical hardwood sawn and plywood were significantly down on the previous year (down 11% and 6% respectively).

There were also signs of shifts in the direction of trade. While EU imports of tropical wood products from Brazil,

Malaysia, and Cameroon have generally declined this year, imports from Gabon, Congo Republic and Congo DR have generally improved. And after several years of significant growth in the EU's tropical hardwood plywood imports from China, there was a significant downturn in this trade during the opening months of 2008.

Trading conditions have also varied dramatically between EU countries. Some EU countries reported relatively strong imports of specific tropical commodities during the 3 month review period. For example imports of tropical logs into France and Belgium were up 23% and 31% respectively compared to the same period in 2007, while Italy's imports of tropical hardwood plywood were up 54%. Italy and Spain recorded 21% and 58% increases in the volume of tropical hardwood veneer imports.

But these gains were more than off-set by dramatic falls in trading volumes elsewhere. For example there was a respective 39% and 38% decline in Italy's and Germany's imports of tropical hardwood logs. Belgium and UK imports of tropical hardwood sawnwood were down 32% and 24% respectively. UK tropical hardwood plywood imports were down 33%.

EU-25 Hardwood Log Imports from Tropical Countries Jan-Mar 2008 (m3)

	FR	IT	PT	DE	ES	BE	OTHER	TOTAL
GABON	71105	8432	4710	8598	6043	2196	2521	103605
CONGO DR	22183	2419	8310	202	948	5644	103	39809
CONGO REP.	8922	4413	6797	370	3341	12	1167	25022
CAMEROON	3138	4532	2375	4181	2158	939	616	17939
CAR	4693	1616	677	0	1081	0	0	8067
EQ GUINEA	341	1836	0	1486	1090	0	0	4753
OTHER	642	1067	231	2295	225	829	5300	10589
TOTAL	111024	24315	23100	17132	14886	9620	9707	209784

EU-25 Hardwood Log Imports from Tropical Countries (% change 1st Qtr 08 vs 1st Qtr 07)

	FR	IT	PT	DE	ES	BE	OTHER	TOTAL
GABON	56	-19	-12	2	53	-12	51	33
CONGO DR	11	-40	-17	166	504	52	-49	4
CONGO REP.	36	20	195	-81	237	-95	175	55
CAMEROON	-55	-66	-42	-54	-40	28	-61	-55
CAR	55	-11	-14	-100	-71	na	-100	-30
EQ GUINEA	-96	-41	-100	-65	-10	na	-100	-75
OTHER	183	-70	-30	21	-9	528	13	-4
TOTAL	23	-39	-2	-38	7	31	-8	-2

Source: Forest Industries Intelligence Analysis of Eurostat

EU-25 Hardwood Sawn Imports from Tropical Countries Jan-Mar 2008 (m3)

D COUNTRY	NL	FR	IT	ES	BE	GB	OTHER	TOTAL
BRAZIL	42945	50873	3465	25445	9099	1089	30461	163377
CAMEROON	22469	16166	28534	25987	13506	6115	11750	124527
MALAYSIA	48557	6569	5125	0	9191	7505	10671	87618
IVORY COAST	4148	3798	16645	14684	1570	9325	7267	57437
GABON	4515	5342	17442	766	231	0	1734	30030
GHANA	2696	3534	3739	437	1915	1976	5643	19940
CONGO DR	8769	361	688	188	6096	433	1949	18484
CONGO REP.	58	1907	2464	4317	1192	2838	4410	17186
INDONESIA	3326	2276	743	118	384	3393	6530	16770
OTHER	5787	1810	4529	4611	1844	1357	7230	27168
TOTAL	143270	92636	83374	76553	45028	34031	87645	562537

EU-25 Hardwood Sawn Imports from Tropical Countries (% change 1st Qtr 08 vs 1st Qtr 07)

D COUNTRY	NL	FR	IT	ES	BE	GB	OTHER	TOTAL
BRAZIL	-24	-13	-33	-18	-23	-87	-1	-19
CAMEROON	-15	-2	6	4	-26	-34	-23	-10
MALAYSIA	20	-2	-27	na	-55	-23	-19	-10
IVORY COAST	-7	-31	-25	12	-33	49	-8	-7
GABON	30	27	-5	-18	-89	na	-15	-4
GHANA	-40	-36	-20	-21	52	-49	-10	-25
CONGO DR	101	-11	18	-55	47	687	-21	48
CONGO REP.	-66	63	15	65	-55	158	31	30
INDONESIA	-15	2	-32	-28	-58	106	-15	-5
OTHER	9	-39	9	59	-17	-68	6	-6
TOTAL	-4	-11	-10	0	-32	-24	-9	-11

Source: Forest Industries Intelligence Analysis of Eurostat

EU-25 Tropical Hardwood Plywood Imports Jan-Mar 2008 (m3)

D_COUNTRY	GB	NL	BE	IT	FR	DE	OTHER	TOTAL
CHINA	15090	4637	5543	1564	3581	702	10109	41226
INDONESIA	1655	9390	9871	1685	170	9687	1484	33942
MALAYSIA	10822	2579	2308	1029	32	516	2365	19651
GABON	0	2760	0	4930	3821	90	46	11647
BRAZIL	920	40	1830	1600	3309	91	3651	11441
MOROCCO	0	3870	321	4918	33	0	0	9142
IVORY COAST	0	0	1406	0	1885	384	334	4009
OTHER	478	253	540	1595	1363	255	2671	7155
TOTAL	28965	23529	21819	17321	14194	11725	20660	138213

EU-25 Tropical Hardwood Plywood Imports (% change 1st Qtr 08 vs 1st Qtr 07)

D_COUNTRY	GB	NL	BE	IT	FR	DE	OTHER	TOTAL
CHINA	-31	-32	-43	92	25	-61	-6	-24
INDONESIA	-55	141	25	55	-86	2	141	22
MALAYSIA	-19	32	-42	395	0	-38	181	-8
GABON	-100	1451	-100	81	77	-87	-98	6
BRAZIL	na	-98	424	-52	1	-7	2010	19
MOROCCO	-100	-34	53	99	na	na	-100	3
IVORY COAST	-100	na	103	-100	-13	-16	-47	-4
OTHER	-86	1	-54	242	0	-67	45	-24
TOTAL	-33	10	-14	54	8	-17	14	-6

Source: Forest Industries Intelligence Analysis of Eurostat

EU-25 Hardwood Veneer Imports from Tropical Countries Jan-Mar 2008 (m3)

D_COUNTRY	FR	IT	ES	DE	GR	PT	OTHER	TOTAL
GABON	40679	6078	748	13	1472	716	1849	51555
IVORY COAST	903	13713	7858	7601	404	395	1097	31971
EQ. GUINEA	572	3262	8691	0	0	0	0	12525
CAMEROON	102	10443	1108	210	145	62	105	12175
GHANA	451	2344	1432	904	105	114	1019	6369
CONGO REP.	3681	2178	140	0	0	0	0	5999
BRAZIL	102	578	302	94	73	225	185	1559
OTHER	205	340	80	473	0	0	884	1982
TOTAL	46695	38936	20359	9295	2199	1512	5139	124135

EU-25 Hardwood Veneer Imports from Tropical Countries (% change 1st Qtr 08 vs 1st Qtr 07)

D_COUNTRY	FR	IT	ES	DE	GR	PT	OTHER	TOTAL
GABON	1	20	26	-75	-47	88	-28	0
IVORY COAST	-22	11	26	6	-25	-30	-35	8
EQ. GUINEA	-86	293	165	na	na	na	na	54
CAMEROON	-39	-4	41	26	-19	0	-70	-3
GHANA	-4	-1	1	-27	-21	-44	-50	-19
CONGO REP.	1239	1588	na	na	na	na	-100	1112
BRAZIL	-37	71	-40	40	na	-74	-38	-30
OTHER	120	5	-4	-20	na	-100	-2	-5
TOTAL	0	21	58	0	-39	-30	-35	8

Source: Forest Industries Intelligence Analysis of Eurostat

EU economic conditions worsen

European trading conditions for tropical hardwood products are currently very quiet. This year the usual slowdown during the summer holiday season has been reinforced by slowing economic conditions throughout the continent. A recent article in *The Economist* suggests that economic conditions in Europe took a significant turn for the worst during the second quarter of 2008.

According to *The Economist*, 'A clutch of indicators point to rougher times ahead. Business confidence has fallen sharply across the euro zone, according to a monthly European Commission survey published on July 30th. A closely watched activity index, which combines surveys of purchasing managers in services and manufacturing, fell in July to its lowest level since 2001. The gauge for France, whose economy had seemed resilient, is pointing to a fall in output. Germany's economy is now barely growing. Italy and Spain were already shrinking fast in June'.

The Economist suggests a number of factors may explain the downturn. There has been a significant drop in European exports to the United States. This is compounded by a slowdown in spending at home as banks have become less willing to lend, inflation has been rising, and housing markets have weakened dramatically in some countries – notably Spain, the UK and Ireland. There has also been retrenchment by companies as profit margins are under pressure from high oil prices and, latterly, from a pickup in wage growth. Furthermore, *The Economist* notes that 'the economy's apparent seizure sits uncomfortably with the ECB's decision to raise interest rates to 4.25% on 3 July', a move designed to reassure markets that the Central Bank is serious about controlling inflation.

Against this background, reports from the European tropical hardwood trade are almost universal in indicating a slow pace of forward buying and onward sales. In the market for African redwood saw and veneer grade logs, there is only weak forward buying as CIF log prices have remained quite firm due to quite limited forward availability and rises in freight rates. This means narrowing margins for importers at a time when there is significant downward pressure on prices for onward sales in Europe.

In the market for the major commercial species of African sawnwood, existing high landed stock levels are only being slowly eroded while forward availability is generally perceived to be good. Importers are being very cautious indeed about entering the forward market, tending only to do so when they have confirmed onward sales. Importers are still offering stocks of sapele for onward sale at low prices in order to maintain cash flow.

In the current market, European importers have not been very receptive to efforts by some Asian shippers to increase European selling prices for meranti sawn lumber and scantlings and bangkirai decking profiles on the back of relatively tight forward supplies and rising production costs. Euro and GBP prices for Asian hardwoods are rising in any case as the dollar has strengthened against European currencies in recent weeks. With European stock levels of Asian sawn lumber generally regarded as high, forward buying is now very slow. Large importers have been making bulk sales of certain meranti lumber specifications at relatively low costs in an effort to bring down stocks to more sustainable levels.

European building sector outlook forecast to grow slowly through 2010

Building sector output in the 19 Euroconstruct countries is expected to increase 0.3% during 2008 from 2007 levels to reach EUR1.51 billion. This is according to forecasts issued at the latest Euroconstruct conference held in Rome on 13 June 2008.

This year and in the next two years, the European building sector is expected to grow at a slightly slower rate than the European economy as a whole. New residential construction accounting for around EUR351 million of total construction in the region is now expected to decline

dramatically following increases in the last 2 years. The value of residential construction is forecast to drop by 8% in 2008 and 5% in 2009. Current expectations are that the decline should be halted by 2010.

In contrast, activity in the building renovation sector is expected to rise at a modest rate of around 1.3% per year between 2008 and 2010. The non-residential sector is expected to grow at a rate of around 2.5% in 2008, but to slow in 2009 and 2010.

The Euroconstruct countries are: Belgium, Denmark, Germany, Finland, France, UK, Ireland, Italy, Netherlands, Norway, Austria, Portugal, Sweden, Spain, Switzerland, Czech Republic, Hungary, Poland, and Slovakia.

The Netherlands Sawwood Prices

	USD per m ³
FOB (Rotterdam)	
Sapele KD	1116↓
Iroko KD	1137↓
Sipo KD	1268↓
DRM Bukit KD	1158↓
DRM Seraya KD	1158↓
DRM Meranti KD Seraya MTCC cert.	1172↓
Merbau KD	1201↓
Sapupira (non FSC) KD	904
Sapupira (FSC) KD	1412
Anti-slip decking AD C&F Rotterdam	
Selangan batu	1254

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

	€ per m ³
FOB plus commission	
N'Gollon (khaya) 70cm+ LM-C	330-360↑
Ayous (wawa) 80cm+ LM-C	220-230
Sapele 80cm+ LM-C	340-400↑
Iroko 80cm+ LM-C	330-350

UK Sawwood Prices

	Pounds per m ³
FOB plus Commission	
Framire FAS 25mm	435-470
Sipo FAS 25mm	630-640
Sapele FAS 25mm	550-570
Iroko FAS 25mm	580-600
Wawa No.1 C&S 25mm	255-265
CIF plus Commission	
Tulipwood FAS 25mm	240-250↑
Meranti Tembaga Sel/Btr (KD 2"boards)	460-490↑
Balau/Bangkirai Decking	640-660↑
White Oak	500-520↑

UK Plywood and MDF Prices

	US\$ per m ³
Plywood Panels 8x4", CIF	
Brazilian WBP BB/CC 6mm	560-575
Malaysian WBP BB/B 6mm	545-555
China (hardwood face, eucalyptus core) 18mm	430-440
China (hard face, poplar core) 18mm	400-420

Internet News

Below are web links to news items published by the press. These items do not necessarily reflect the views and policies of ITTO.

Bank Indonesia will contain excessive volatility in the rupiah exchange rate, deputy governor Budi Mulya said in a text message. 'Bank Indonesia will keep containing the volatility of the exchange rate by keeping its presence in the market,' Mulya said. 'I'm optimistic that there was no negative change in the (economic) fundamentals and maintaining macroeconomic stability will remain Bank Indonesia's top priority,' he added.

<http://www.fxstreet.com/news/forex-news/article.aspx?StoryId=7ca839c4-828a-40dc-81d8-d1865bf28a24>

Brazilian President Luiz Inacio Lula da Silva signed a decree creating an international fund that will seek to raise USD21 billion over the next 13 years to fight deforestation in the Amazon. Norway will be the fund's first donor, with a pledge of USD100 million, Environment Minister Carlos Minc said at ceremony in Rio de Janeiro. The fund, which aims to raise USD1 billion in its first year, will finance conservation and sustainable development projects in the Amazon.

http://www.bloomberg.com/apps/news?pid=20601086&sid=ahDbiZfuCxZI&refer=latin_america

The Forest Management Contract (FMC) Due Diligence Committee has submitted its report to the Inter-Ministerial Concession Committee (IMCC) on the financial and technical capabilities of companies that submitted bids for logging operations in Liberia.

http://thenews.com.lr/story.php?record_id=3707&sub=News

A government sponsored World Bank review of timber contracts in the Democratic Republic of Congo reported that the nation should withdraw more than 75% of its logging deals for not meeting standards. The review was an attempt to recover millions of dollars in lost tax revenue and set the corruption-prone business straight.

http://www.redorbit.com/news/science/1515062/commission_recommends_congo_cancel_majority_of_logging_contracts/

Japan said its longest economic recovery since World War II appears to have come to an end, as fears of a recession in Asia's largest economy add to a darkening global outlook. The prospect of a Japanese downturn comes as concerns mount that the eurozone economy could also be heading into a recession, with the fallout from the US financial crisis spreading around the globe.

<http://www.mywire.com/pubs/AFP/2008/08/07/7167827?pbl=249>

Qatar's real estate sector is poised to grow in double digits this year as a huge supply of projects will keep the construction industry busy in the months ahead. With the master planning and design phases of major developments around the country reaching their point of completion, contractors are preparing themselves for a hectic new tendering round in the year ahead, Oxford Business Group said in its latest report.

http://www.gulf-times.com/site/topics/article.asp?cu_no=2&item_no=234485&version=1&template_id=36&parent_id=16

WWF today announced that more than one million hectares of Congo Basin forests have achieved certification under the world's leading sustainable forestry scheme. The world's second largest block of rainforests, the Congo Basin is a haven for indigenous peoples and endangered species like elephants and gorillas. It is also important in sequestering carbon and safeguarding water supply and quality. 'With rampant illegal logging, vague logging concession boundaries and massive blocks of pristine forest destined for the chainsaw, this is a laudable step towards avoiding an ecological disaster,' says James P. Leape, Director General of WWF.

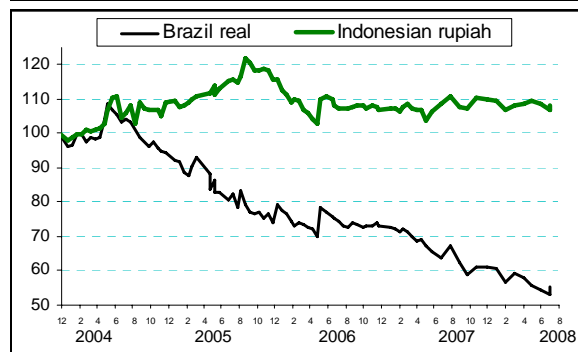
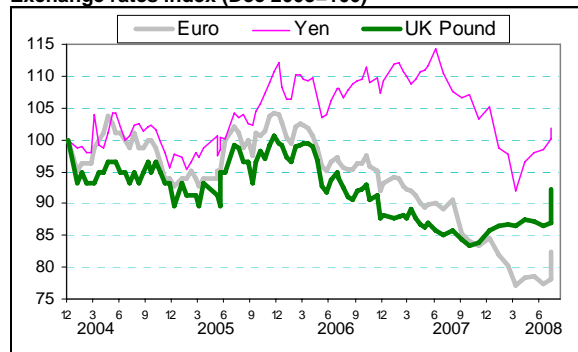
<http://www.sciencecentric.com/news/article.php?q=08080140>

Main US Dollar Exchange Rates

As of 15 August 2008

Brazil	Real	1.6252	↑
CFA countries	CFA Franc	443.295	↑
China	Yuan	6.8630	↑
EU	Euro	0.6758	↑
Indonesia	Rupiah	9,183.00	↑
Japan	Yen	109.63	↑
Malaysia	Ringgit	3.3311	↑
Peru	New Sol	2.9248	↑
UK	Pound	0.5356	↑

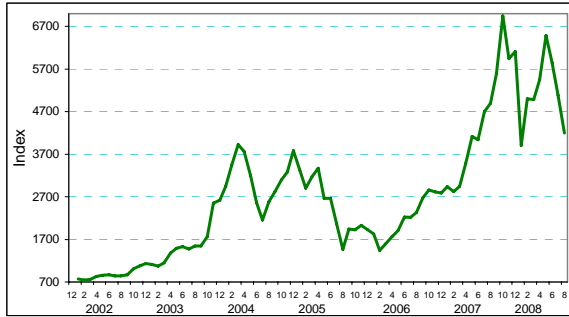
Exchange rates index (Dec 2003=100)



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

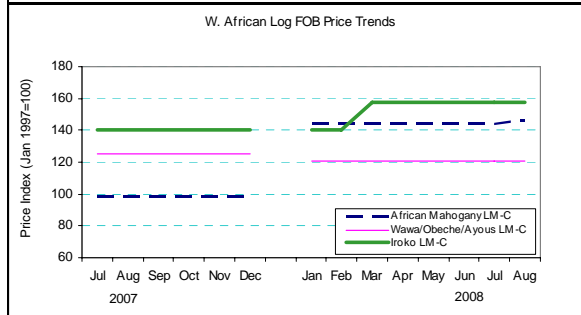
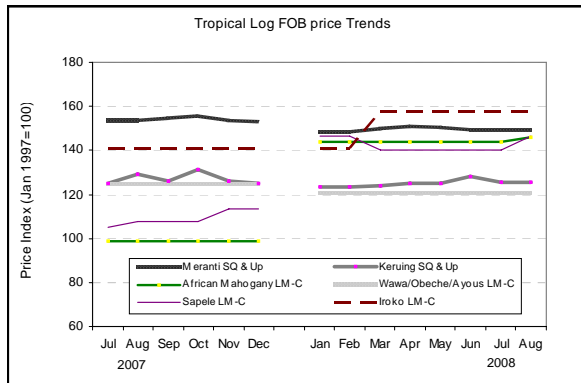
Ocean Freight Index



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.

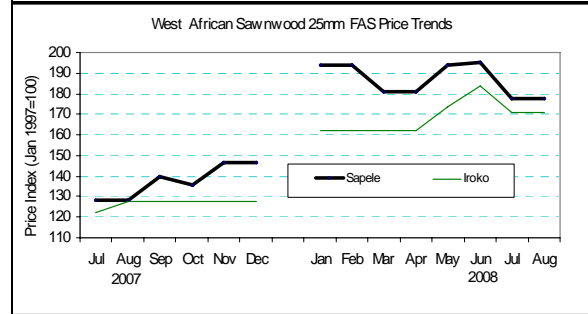
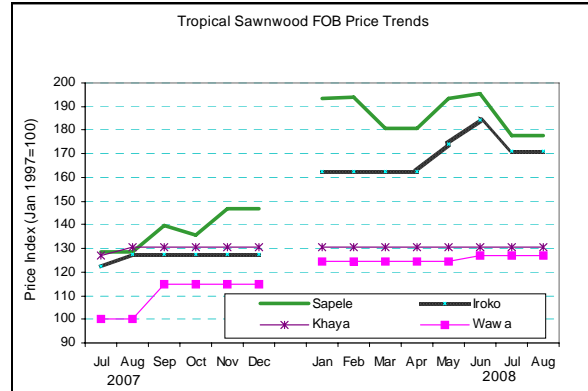
Appendix. Tropical Timber Price Trends

Tropical Log Price Trends



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

Tropical Sawwood 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 sawwood price charts above, are now collected from different suppliers.

Tropical Plywood Price Trends

