

Tropical Timber Market Report since 1990

Volume 13 Number 16, 16-31 August 2008



The ITTO *Tropical Timber Market (TTM) Report*, an output of the ITTO Market Information Service (MIS), is published in English every two weeks with the aim of improving transparency in the international tropical timber market. Its contents do not necessarily reflect the views or policies of ITTO. News may be reprinted without charge provided that the ITTO *TTM Report* is credited. A copy of the publication should be sent to the editor.

Snapshot

A number of countries posted first half trade results for 2008, with some news more positive than others. Ghana posted gains in wood products exports of 8.0% by volume and 3.8% by value; Brazilian furniture exports fell USD1.3 million from the 2007 period; Peru's first half wood exports grew over 15% to USD119 million; Guyana's sawn lumber exports jumped 38.82% due to higher exports of dressed sawn lumber.

Japan's imports of Southsea logs for the first half of 2008 fell 43% from the previous period in 2007. Plywood imports were also down 16.7% from one year ago. Chinese furniture exports through Guangdong Port rose 26%, generating a value of USD5.23 billion during the first half of 2008.

Business, particularly in West Africa and Europe, remained slow as a result of the European summer holidays. Many producers continued to develop strategies to tap into new or emerging market destinations for their products, due to waning consumption of wood products in the US.

Contents

Central/West Africa	2
Ghana	2
Malaysia	4
Indonesia	4
Myanmar	5
Brazil	5
Peru	7
Bolivia	9
Mexico	9
Guyana	10
Japan	11
China	12
Europe and the UK	13
Internet News	16
Currencies and Abbreviations	17
Ocean Freight Index	17
Appendix: Tropical Timber Price Trends	17

Headlines

Business slow in West Africa as European holidays continue	2
Ghana posts gains in exports for first half 2008	2
Trade mission raises Indonesia's hopes for greater investment	4
Brazilian wood product prices rise due to currency appreciation	5
Exports of Brazilian wood products fall 7.3% in July 2008	6
South American countries expand interest in Brazilian furniture	6
Peru's wood exports grow 15% in first half 2008	7
Bolivian exports slide during January to April 2008 period	9
Mexico extends Procymaf programme	10
Sawn lumber exports from Guyana continue to rise	10
New project in Guyana to address value adding in SMEs	10
Chinese tax rebate policies adjusted for some wood products	12
Furniture exports through Guangdong Port jump 26%	12
Green Procurement initiatives trudge ahead in the EC	13
Demand for sawn lumber stable in the UK	13

Report from Central/West Africa

Business slow in West Africa as European holidays continue

West African log trade remained very slow and selective, although one encouraging sign was the steady business in okoume logs for China. Even for this destination, prices had eased by USD3 to 5/m³, but the level of trade was much more satisfactory than only five or six weeks ago. The bulk of the volume of old okoume log stocks sold to China at reduced prices has now been shipped. This alone has removed a significant deterrent to new business. Regarding other log species, there were no changes in prices through the past two to three weeks, but business was very selective. There were still reports of relatively high stocks in importing countries. Demand for okan has improved slightly and dabema also has been of greater interest recently. Prices had not changed and though the market appears reasonably stable, the total level of trade was not high. Should serious buying resume there is no doubt importers will drive very hard bargains.

No price changes were reported for sawn lumber. Demand was low and without signs of significant buyer interest. The end of the European vacations might result in some spot buying to fill gaps in stock although importers and merchants were reporting very slow demand as building activity in most European countries remained at a low level. The UK industry seems to be suffering as a result of the country's economic slow down. Major housebuilders have closed down new build sites due to lack of buyers. Economists are forecasting at best a slow recovery over the next two years.

Sapele was possibly the worst affected species, with high stocks of sold but unshipped supplies still waiting in the ports for buyers to give shipment instructions. New business was said to be only in small volumes for prompt shipment to fill gaps in importers' stock or for specific orders. Sapele prices were weak and very variable with shippers keen to accept almost any serious offer to move stock into consumption.

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) (China only)	132	-	-	
Moabi	259	259	206	
Movingui	191	191	137	
Niove	129	129	-	
Okan	152	152	122	
Padouk	259	259	229	
Sapele	251	251	191	
Sipo/Utile	305	305	228	
Tali	152	152	114	

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 posts gains in exports for the first half of 2008

Ghana exported 287,224 m³ of wood products for the January to June 2008 period, earning EUR96.5 million. This resulted in gains of 8.0% and 3.8% by volume and value, respectively, compared to the same period of last year. Kiln dried lumber (21.4%), air dried lumber (11.7%) and plywood (25.7%) altogether accounted for 58.8% of the total volume exported the first half of the year. Table 1 below shows the pattern of wood products exports for the period under review compared to 2007:

PRODUCT	<<Jan-Jun. 2007>>		<<-----Jan-Jun.2008----->>		<-----% Change----->	
	Vol(m³)	Val(EUR)	Vol(m³)	Val(EUR)	Vol.(m³)	Value(EUR)
Sawn Timber	('000)	(million)	('000)	(million)		
Lumber (AD) ¹	41.26	12.58	33.70	9.62	(18.3)	(23.5)
Lumber(KD)	56.02	22.51	61.43	24.01	9.7	6.7
Veneers:						
Sliced Veneer ²	17.79	14.94	21.25	16.97	19.4	13.6
Rotary Veneer	17.29	4.04	16.70	4.04	(3.4)	-
Curls Veneer	0.13	1.38	0.07	0.67	(46.2)	(51.40)
Plywood ³	63.85	14.35	73.71	21.42	15.4	49.3
Furniture Parts	0.18	0.36	0.04	0.07	(77.8)	(80.6)
Mouldings	14.99	6.46	13.17	5.88	(12.1)	(9.0)
Boules (AD+KD)	3.94	1.97	2.38	1.19	(39.6)	(39.6)
Parquet/Flooring	1.39	1.31	1.19	1.12	(14.4)	(14.5)
Other Wood Products	49.07	13.11	63.60	11.51	29.6	(17.6)
TOTAL	265.91	93.01	287.24	96.50	8.0	3.8
NB:	1 - Lumber(AD) includes lumber overland ;					
	2 - Sliced Veneer includes Layons					
	3 - Plywood includes Overland					

Table 1: Ghana Exports of Wood Products, 2007-2008 (January to June), by volume and value

Kiln dried lumber exports increased from 56,020 m³ in 2007 to 61,430 m³ in 2008, a 9.7% year-on-year increase. Revenue from lumber (KD) also grew from EUR 22.51 million in 2007 to EUR 24.01 million in 2008. Over the same period, the total volume of air-dried lumber, including overland exports registered a 18.3% drop in volume compared to the previous year. The revenue from lumber (AD) was EUR9.62 million, showing a 23.5% decrease compared to year 2007.

Exports of sliced veneer, including lay-ons, increased to 21,250 m³ in 2008 from the previous year's record of 17,790 m³. The volume of rotary veneer exports for 2008 dipped 3.4% to 16,073 m³, although there was no significant change in export revenue for the period compared to 2007. The 2008 curl veneer export also dropped by both volume and value, registering decreases of 46.2% and 51.4%, respectively.

The volume of furniture parts decreased from 181 m³ to 41 m³ 2008, with export revenue from the product decreasing 80.6% to EUR0.7 million in 2008. Plywood exports rose to 73,710 m³ from a volume of 63,850 m³ in 2007, a jump of 15.4%. The export revenue from plywood exports for 2007 and 2008 were EUR14.35 million and EUR21.42 million, respectively.

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	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	855	-
Asanfina	490↑	560
Ceiba	200↓	255↓
Dahoma	330	390
Edinam (mixed redwood)	400	470
Emeri	425	485↓
African mahogany (Ivorenensis)	585	670
Makore	510	585↓
Niangon	550	-
Odum	650↓	720↓
Sapele	540	600
Wawa 1C & Select	260	285

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	315↓	350
Kyere, Ofram, Ogea & Otie	325	360
Chenchen	315	360
Ceiba	360	305↓
Mahogany	415↓	450↓

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	0.90↓
Odum	1.75	1.00↓

Ghana Plywood Prices

Plywood, FOB	€ per m ³			
B/BB, Thickness	Redwoods		Light Woods	
	WBP	MR	WBP	MR
4mm	560	475	500	365
6mm	340↓	325	335	285
9mm	380	300↓	290	270
12mm	300↓	300↑	280	255
15mm	310↓	280↓	300	260
18mm	300	280↓	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	13.93	17.82
Afrormosia	13.72	18.22	17.82

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

Report from Malaysia

Malaysia establishes GCC-Asean Economic Center

Malaysia has recently established the Gulf Cooperation Council – Asean Economic Center (GAEC) in Kuala Lumpur, reported *Bernama*. The new center is expected to facilitate trade and investment activities between the GCC and Asean countries. Mr. Muhyiddin Yassin, Malaysia's Minister of International Trade, hoped the center would yield positive increases in trade and investment for both the Asean and GCC areas and help Malaysia and Asean countries expand operations in the Middle East.

Muhyiddin expected room for trade expansion and opportunities for the GCC to invest in the manufacturing and services sectors in Malaysia. He noted that Malaysia could help launch GCC companies into the regional market, which had a combined GDP of USD1.1 trillion. As of June 2008, trade between the GCC and Malaysia was around USD9.5 billion and the GCC's investment in Malaysia was about USD3.6 billion.

Malaysia announces dates for 15th International Furniture Fair

According to *Furniture Today*, Malaysia has announced that the 15th Malaysian International Furniture Fair (MIFF 2009) will be held on 3—7 March 2009 at the Putra World Trade Center and the MATRADE Exhibition and Convention Center. Last year's MIFF drew over 19,500 visitors and generated USD690 million in sales. MIFF organizers are hoping to keep the show focused on style, innovation and quality to cater to the needs of the international market.

Malaysia Log Prices

Sarawak log, FOB	US\$ per m ³
Meranti SQ up	298-320↑
Small	280-301↑
Super small	277-275↑
Keruing SQ up	277-287↑
Small	245-277↑
Super small	237-242↑
Kapur SQ up	253-271↑
Selangang Batu SQ up	274-296↑
Pen. Malaysia logs, domestic (SQ) US\$ per m ³	
DR Meranti	363-403↑
Balau	304-344↑
Merbau	419-441↑
Rubberwood	263-282↑
Keruing	293-308↑

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	438-461↑
Seraya Scantlings (75x125 KD)	703-742↑
Sepetir Boards	343-355↑
Sesendok 25,50mm	450-480↑
Kembang Semangkok	432-453↑

Malaysian Sawnwood, domestic	US\$ per m ³
Balau (25&50mm,100mm+)	355-375↑
Merbau	559-582↑
Kempas 50mmx(75,100 & 125mm)	305-320↑
Rubberwood 25x75x660mm up	297-327↑
50-75mm Sq.	321-345↑
>75mm Sq.	333-364↑

Malaysia Plywood Prices

Malaysia ply MR BB/CC, FOB	US\$ per m ³
2.7mm	484-512↑
3mm	464-490↑
9mm & up	426-449↑
Meranti ply BB/CC, domestic	US\$ per m ³
3mm	462-472↑
12-18mm	405-413↑

Other Malaysia Panel Prices

Malaysia, Other Panels, FOB	US\$ per m ³
<i>Particleboard</i> Export 12mm & up	250-267↑
Domestic 12mm & up	241-255↑
<i>MDF</i> Export 15-19mm	312-335↑
Domestic 12-18mm	291-311↑

Malaysia Added Value Product Prices

Malaysia, Mouldings, FOB	US\$ per m ³
Selagan Batu Decking	681-700↑
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	717-737↑
Grade B	637-659↑

Malaysia Furniture and Parts Prices

Malaysia, Rubberwood, FOB	US\$ per piece
Semi-finished dining table	
solid laminated top 2.5'x4', extension leaf	62-78↑
As above, Oak Veneer	69-83↑
Windsor Chair	61-63↑
Colonial Chair	59-64↑
Queen Anne Chair (soft seat) without arm	59-67↑
with arm	59-68↑
Chair Seat 27x430x500mm	47-52↑
Rubberwood Tabletop	US\$ per m ³
22x760x1220mm sanded & edge profiled	
Top Grade	638-648↑
Standard	607-624↑

Report from Indonesia

Trade mission raises hopes for greater investment in Indonesia

During a three-day visit to Beijing this August, Indonesian Trade Minister Mari Elka Pangestu met with Chen Deming, the Chinese Trade Minister, to facilitate trade and investment issues between the two countries, said *Antara News*. Due to increasing cooperation of Chinese companies with their Indonesian counterparts, Indonesia believes furniture makers will import both Indonesian logs and produce furniture. This is hoped to improve value-adding and attract greater foreign investment.

Australian Minister's visit focuses on illegal logging

ABC Radio Australia reported on a recent meeting between Australia's Forestry and Fisheries Minister Tony Burke and his Indonesian counterpart, which highlighted illegal logging as a priority item. Mr. Burke noted that Australia had been working with Indonesia to halt illegal logging and promote sustainable forest management (SFM). To illustrate this point, he explained how Australia was working with a community in Kalimantan, Borneo, to show how income could be generated from SFM and benefits distributed to the wider community.

Indonesia Log Prices (domestic)

Indonesia logs, domestic prices	US\$ per m ³
Plywood logs	
Face Logs	239-279↑
Core logs	195-225↑
Sawlogs (Meranti)	235-274↑
Falcata logs	196-212↑
Rubberwood	218-242↑
Pine	210-233↑
Mahoni (plantation mahogany)	601-647

Indonesia Sawnwood Prices

Indonesia, construction material, domestic	US\$ per m ³
Kampar (Ex-mill) AD 3x12-15x400cm	253-261↑
KD	331-346↑
AD 3x20x400cm	352-373↑
KD	376-386↑
Keruing (Ex-mill) AD 3x12-15x400cm	287-296↑
AD 2x20x400cm	275-284↑
AD 3x30x400cm	280-289↑

Indonesia Plywood Prices

Indonesia ply MR BB/CC, FOB	US\$ per m ³
2.7mm	478-508
3mm	420-479
6mm	399-422↑

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	244-254↑
Domestic 9mm	208-225↑
12-15mm	203-215↑
18mm	201-205↑
<i>MDF</i> Export 12-18mm	317-330↑
Domestic 12-18mm	258-278↑

Indonesia Added Value Product Prices

Indonesia, Mouldings, FOB	US\$ per m ³
Laminated Boards Falcata wood	385-405↑
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	673-699↑
Grade B	604-644↑

Report from Myanmar

Teak market unchanged since May 2008

The teak market in Myanmar seems to have held steady since May 2008. There has been some uncertainty in the market as new list prices could soon be issued. A regular list price has been hoped for by buyers and sellers, as they have had problems working with the average prices, which change on a monthly basis. Some buyers are reported to be waiting to see the developments on the new price list before making purchases.

Bago Yoma Greening Plan sets 2008-2009 targets

The Bago Yoma (the central mountain range) is located in the south central Myanmar region and traverses from Yangon in the south to the north in central Myanmar. The range is about 270 miles long and where teak and pyinkado logs are found in abundance.

As part of the Bago Yoma Greening Plan for 2008-2009, 427,610 acres of remaining natural forests will be protected and rehabilitated, 47,000 acres of enrichment planting will take place, and 58,750 acres will undergo artificial regeneration. The following areas will also be established as plantation areas: 19,400 acres for teak plantations; 1,650 acres of commercial hardwood (pyinkado) plantations; 17,890 acres around watershed areas; 7,000 acres for village firewood supply; 2,000 acres for industrial raw materials; and 490 acres for other purposes.

Myanmar Log Prices (natural forests)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)		
<i>Veneer Quality</i>	Jul	Aug	6 mo. Avg
2nd Quality	5,817	5,428	5,412
	(6 tons)	(6 tons)	
3rd Quality	4,443	3,964	4,524
	(12 tons)	(13 tons)	
4th Quality	3,397	3,294	3,683
	(45 tons)	(43 tons)	
<i>Sawing Quality</i>	Jul	Aug	
Grade 1 (SG-1)	2,640	2,514	2,655
	(156 tons)	(253 tons)	
Grade 2 (SG-2)	2,034	2,074	2,056
	(448 tons)	(465 tons)	
Grade 3 (SG-3)	1,589	1,462	1,590
	(63 tons)	(58 tons)	
Grade 4 (SG-4)	2,001	1,858	1,867
	(582 tons)	(470 tons)	
Grade 5 (SG-5)	1,469	1,537	1,533
Assorted	(522 tons)	(592 tons)	
Grade 6 (SG-6)	1,100	1,215	1,143
Domestic	(574 tons)	(382 tons)	
Grade 7 (ER-1)	904	1,055	837
	(97 tons)	(156 tons)	
Grade 8 (ER-2)	-	790	632
		(69 tons)	

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)	402 (467 tons)
Gurjan (keruing-exp)	223 (23 tons)
Tamalan	364 (76 tons)
Taungthayet	--

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

Report from Brazil

Prices rise as a result of currency appreciation

While wood product prices have not changed in Brazilian Real, prices in US dollars rose on average 3.7% due to the Brazilian currency's appreciation against the US dollar. The government Consumer Price Index for the June 2007-2008 period was 6.37% in comparison to 6.06% from the June 2006-2007 period. However, this was still within the upper limit of the government's inflation target for 2008 of 6.5%. The prime interest rate continued to be at 13%, and the next meeting of the Monetary Policy Committee at end August would discuss whether to keep this rate, which aims to control inflation without significantly impacting economic growth.

Weak US housing market reduces consumption of Brazilian wood products

O Estadão reported on the UN Food and Agriculture Organization (FAO) and UN Economic Commission for Europe's (UNECE) recent survey, which discussed how the fall in construction in the US and some parts of Europe had been reducing wood exports from Brazil and other Latin American countries. With nearly 70% of wood imports and production going to the construction sector, the market for wood and paper had dropped in developed countries for the first time in nearly six years. Latin American furniture exporters had been particularly hard hit over the last two years, as nearly 50% of the entire supply of high value-added wood from Latin America was directed to the US market. For Brazil, the Chinese market and domestic demand had enabled tropical wood production to grow.

Brazil to host PROMADEIRA event

In late August 2008, Brazil's largest event for the forest-based sector, PROMADEIRA, was held. Wood, furniture and machinery and equipment were the three major exhibitions at the PROMADEIRA event. It also hosted national and international business meetings and conferences with well-known global experts and workshops for the furniture and forestry sectors. PROMADEIRA is a bi-annual event held in the Amazonian state of Mato Grosso.

PROMADEIRA 2008's theme was focused on forest management practices, with a particular focus on promoting sustainability through management techniques. The event was expected to raise awareness of forest conservation and sustainable use of natural resources. The event organizers were the Center for Industrial Wood Producers and Exporters of Mato Grosso State (CIPEM), the Federation of Mato Grosso State Industries (FIEMT) and the Timber Industry Association of Northern Mato Grosso State (SINDUSMAD).

Exports for wood products fall 7.3% in July

General wood products exports (except pulp and paper) fell from USD331 million in July 2007 to USD307 million in July 2008, a 7% decrease. Exports of pine sawnwood fell the most, by almost 28%, with exports down from USD19.5 million in July 2007 to USD14.1 million in July 2008. The charts below show the volume and value of exports for July 2008 compared to the same month a year earlier:

Brazil's Exports by Value in July 2007 and 2008 (USD million)

		2007	2008	% change
JULY	Solid wood*	331.3	307.2	(7.3)
	Tropical plywood	57.1	56.3	(1.4)
	Pine plywood	37.3	43.8	17.4
	Tropical sawnwood	44.1	34.4	(22)
	Pine sawnwood	19.5	14.1	(27.7)
	Wood furniture	66.9	73.5	9.9

*Figures for solid wood exclude pulp and paper exports

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

		2007	2008	% change
JULY	Tropical plywood	134.3	125.5	(6.6)
	Pine plywood	116.8	125.8	7.7
	Tropical sawnwood	104.2	66.5	(36.2)
	Pine sawnwood	116.8	125.8	7.7

US furniture imports from Brazil lose competitive edge

The *Jornal do Comércio* reported that the Brazilian furniture industry had lost its competitiveness in recent years due to the weakening US dollar. Brazilian companies were aiming to use their comparative advantages in the market to reverse the negative trends, but this seemed not to have occurred. The total value of exports to the US from January—June 2008 was USD9.5 million compared to USD15.7 million during the same period in 2007. Currently, Brazil lags behind the UK, Argentina, and Chile in its exports to the US.

According to the Center for Management and Innovation (CGI), the US accounts for 51% of world sales in the furniture sector. It is hoped that the US market can be expanded or recovered by Brazil by using new strategies, innovative product design and more focused marketing techniques. CGI expects to develop new strategies for transport logistics and to tap into new export destinations.

Others have recognized the need to break into or expand non-US markets. APEX Brasil (the Brazilian Agency for Export Promotion and Investments) intends to create business centers in Lisbon, Warsaw and Frankfurt so that companies can negotiate contracts with potential clients and use them as references for establishing subsidiaries. China and African countries are also considered as potential buyers, according to APEX.

In order to promote Brazilian products, APEX Brasil will convene a 'Brazil Design House' fair in Buenos Aires in the first week of September 2008. Argentina has been selected to host the event as it is the second largest importer of Brazilian products, with Brazilian exports to Argentina totaling USD53.6 million in the first half of 2008, a 50% increase compared to the same period of 2007.

South American countries expand interest in Brazilian furniture

According to the Brazilian Ministry of Development, Industry and Foreign Trade (MDIC), Brazilian furniture exports to Peru increased 130% by value in the first half of 2008, said *Portal Moveleiro*. Paraguay, Venezuela and Argentina also showed positive gains in imports of 77%, 53% and 50%, respectively, during the same period. In the South American region, only Ecuador decreased its imports of Brazilian furniture by 14% over the period.

Several factors contributed to this significant increase of exports to neighboring countries, including highly proactive business leaders promoting Brazilian products in neighboring countries and lower transportation costs due to the proximity to South American importers. According to importers, Brazilian products had a competitive edge,

given their quality and prices when compared to Chinese products, Brazil's main competition.

Total furniture exports of Brazil decreased marginally (0.27% by value) in the first half of 2008. Brazilian furniture exports totaled USD471.0 million during the first half of 2008, compared to USD472.3 million during the same period in 2007. According to Brazilian Association of Furniture Industries (ABIMOVEL) estimates, Brazilian furniture exports are expected to grow 5% by the end of 2008.

Brazil Log Prices (domestic)

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

Brazil Sawwood Prices

Sawwood, 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 sawwood, 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
Face	Core
White Virola	284 238

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

Domestic Prices, Ex-mill Southern Region	
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

Wood exports grow 15% in first half of 2008

According to the Peruvian Export Association (ADEX), wood exports from January through June 2008 grew 15%, with exports rising USD119.07 million from USD103.38 million during the same period in 2007. Even as wood exports from January to June 2008 had grown, this was not an expected trend.

Exports in the month of June 2008 were USD6.71 million less than exports during June 2007. The volume of wood products exported to the US and Mexico eased in June 2008, in contrast to an increase in exports to China during the same period. Part of the fall in the month of June 2008 was caused by strong currents in the Amazon River, which made navigation dangerous.

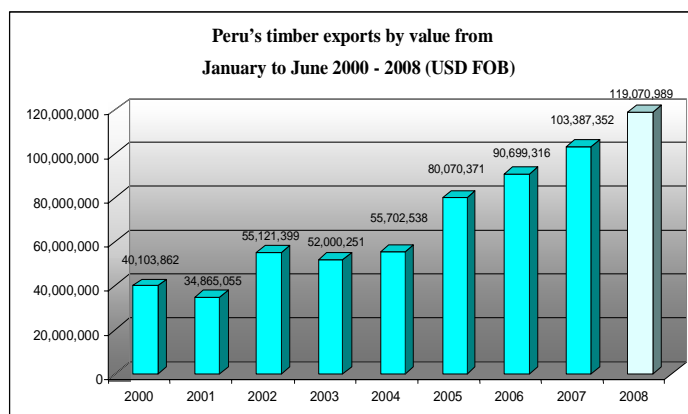


Chart 1: Peru's timber exports by value from January to June 2000-2008 (Source: ADEX Trade Data)

Sawwood was the most exported item, representing about 47% of exports in the sector. Sawwood exports between January-June 2008 were USD55.86 million, a rise of about 4% from first half 2007 exports by value. However, sawwood exports dropped USD7.66 million in June 2008 compared to the same month in 2007. The main markets for Peru's lumber are Mexico (51%), the US (26%) and China (11%).

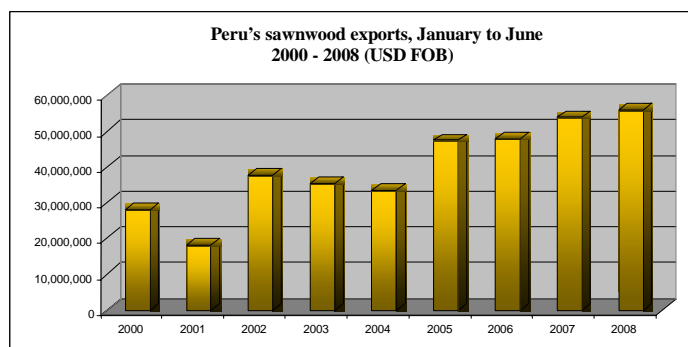


Chart 2: Peru's sawwood exports, January to June 2000-2008 (Source: ADEX Trade Data)

Peru's semi-manufactured products represented almost 29% of wood sector exports from January to June 2008 and were valued at USD34.20 million. This represented a 27% gain from 2007, when exports were valued at

USD26.87 million. Exports of semi-manufactured products for the month of June 2008 showed a USD405,530 increase from June 2007. This was a result of the growth in decking exports for which China was the main destination market, representing 70% of sub-sector exports.

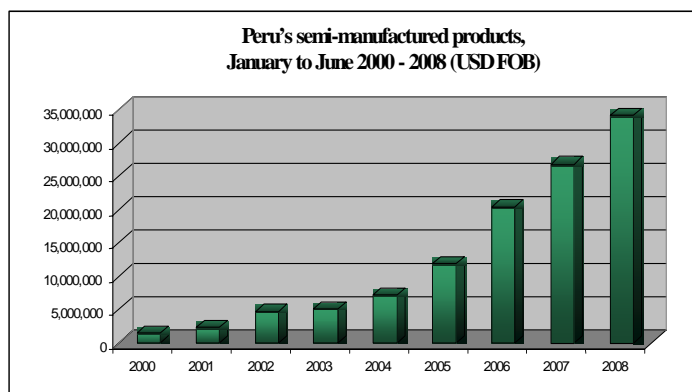


Chart 3: Peru's semi-manufactured products, January to June 2000-2008 (Source: ADEX Trade Data)

Veneer and plywood exports were USD15.45 million during the January to June 2008 period, up from USD10.88 million from the same period in 2007. Exports of veneer and plywood in June 2008 alone showed a year-on-year gain of USD1.06 million. Exports show Mexico as the main market (89%), followed by Venezuela (8%).

Furniture exports were valued at USD6.92 million for the January to June 2008 period, a drop of 18%. Results for the same period in 2007 were valued at USD8.49 million. June 2008 exports were USD914,000 less compared to the same month of 2008.

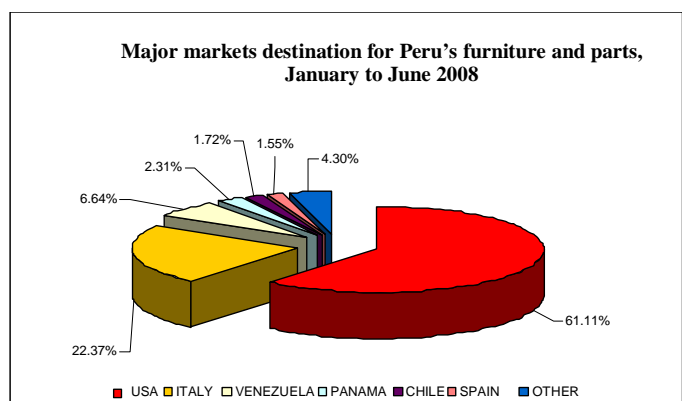


Chart 4: Major market destinations for Peru's furniture and parts, January to June 2008 (Source: ADEX Trade Data)

The US was the main market for furniture exports, as it received 61% of exports. The share of the US's furniture exports had diminished as a result of the US economic slowdown. During the January to June 2008 period, exports were concentrated in three markets which received 84% of total wood sector exports: Mexico (38%), China (25%), and the US (22%).

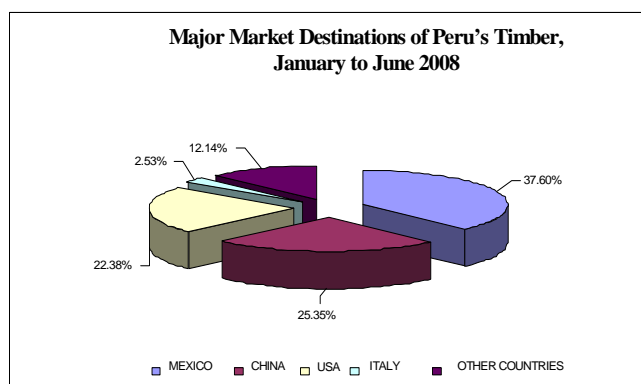


Chart 5: Major market destinations of Peru's timber, January to June 2008 (Source: ADEX Trade Data)

Peru Sawnwood Prices

Product	Market	US\$ per m ³
Peru Sawnwood, 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 sawnwood for this market.

Product	Market	US\$ per m ³
Peru Sawnwood, 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		809-836↑
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

Product	Market	US\$ per m ³
Peru Sawnwood, 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

Product	Market	US\$ per m ³
Peru sawnwood, domestic		US\$ per m ³
Mahogany		1295-1290↓
Virola		80-93↓
Spanish Cedar		435-450
Marupa (simarouba)		130-136

Peru Veneer Prices

Product	Market	US\$ per m ³
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

Product	Market	US\$ per m ³
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

Bolivian exports slide 12% from January to April 2008

During the period January to April 2008, exports of Bolivian forestry products registered a fall of 12% by value in comparison to the same period of 2007. This broke a positive trend that has lasted since 2002, as the total value of products dropped from USD59.71 million to USD52.59 million. The main causes of the downward trend were the shortage of diesel supply, depreciation of the US dollar, and the downturn of the housing market in the US and parts of Europe.

Although the decrease in exports originated from the manufactured products sector, 76.97% of the sector's exports were forest products during the first four months of 2008. Of total exports, USD40.48 million comprised mainly of products such as chestnut without husks, doors, canned palm tree hearts, plates, parquet, chairs, decking, and fiberboards. Another USD12.11 million (23%) consisted of semi-manufactured products which include sawn wood, small wood planks and posts.

Exports of wood products were USD30 million in value, or 57% of the total, and non-wood forest product export accounted for USD22.55 million by value. In comparison to 2007, twelve fewer products were exported in 2008. Of total exports, USD11.93 million of sawnwood was exported, followed by doors (USD3.82 million), plates (USD2.51 million), parquet (USD2.38 million), chairs (USD1.32), decking (USD1.18 million) and fiberboard (USD1.10 million). By volume, the main species exported were oak, followed by almond tree, pink lapacho, chinchona and curupay, among 50 other species.

The US is the most important market for Bolivia's wood product exports (USD17.94 million), followed by the UK (USD6.59 million) and Argentina (USD3.46 million). Just as in 2007, a total of 49 countries purchased Bolivian forestry products.

Bolivia Sawnwood Prices

Sawnwood 1-3"x3x5"x7-19', FOB Arica Port	\$ Avg un. val. per m ³
Mahogany (US market)	1128-1800↓
Spanish Cedar (US market)	684-998↓
Oak (US and EU market)	555-709↓

Bolivia Added Value Product Prices

Doors 13/4"x36"x96", FOB Arica Port	Avg \$ per piece
US market Mara macho/Tornillo (FSC)	100-299↓
Yesquero	65-340↓
Ochoó	100-300↓

Parquet Flooring 3-5"x4-6"x5-13', FOB Arica Port	\$ Avg un. val. per m ³
Mani (FSC) (US market)	675-675↓
Caviuna (FSC) (US market)	600-1000↓
Cumaru (FSC) (US, EU and Asia mkt)	500-1000↓
3/4"x3-5"x1-7'	
Jatoba (US, EU and Mexico market)	1100-1890↑
Ipe (EU and Asia market)	890-1800↑
Jequitaba (EU market)	-

Report from Mexico

ProTree expands work for communities

In 2008, the National Forestry Agency CONAFOR will be using USD130 million to fortify common rural and forest communities located mainly in indigenous zones and highly remote areas. The programme will help common rural forest communities strengthen timber forest resources management, identify alternatives to take advantage of non-timber resources and establish areas for conservation, recovery and restoration of degraded areas.

Mexico extends Procymaf programme

The Programme of Communitarian Forest Development (Procymaf) was founded in 1997 in Oaxaca and extended in the states of Guerrero and Michoacan. After 2004, a second phase of the programme, Procymaf II, began and was extended to the states of Durango, Jalisco and Quintana Roo. Due to the results of Procymaf II, the programme will be extended for a third phase in the states of Campeche, Chiapas, Chihuahua, Puebla and Veracruz in 2008. The overall programme will be reviewed in 2009.

Mexico's efforts to stop deforestation receive further World Bank funding

Fourteen countries, including Mexico, Bolivia, Costa Rica and Panama will be receiving the first resources from the Forest Carbon Partnership Facility (FCPF) to stimulate efforts to combat climate change. The Fund, created by the World Bank in 2007 and operationalized last June, is expected to receive financial support from governments, private companies and the general public. Funds will be allocated via agreements with developing countries to reduce greenhouse gases. Currently, the Fund covers the Congo, Gabon, Ghana, Kenya, Liberia, Madagascar, Bolivia, Costa Rica, Guyana, Panama, Nepal, Laos and Vietnam.

Report from Guyana

Sawn lumber exports continue to pick up in 2008

Exports of dressed sawn lumber continued to rise during the first half of 2008, jumping 40% in 2008 compared to the same period in 2007, accounting for 15% of total sawnwood exports. This offered encouraging news to local manufacturers who in the past have pointed to challenges in gaining raw materials to meet their capacity.

This outcome had increasingly been anticipated over the past few months as Guyana experienced a shift from exports of undressed lumber to dressed lumber as further processed lumber obtained higher value in the markets. Barbados, Guyana's most lucrative and leading destination for this dressed lumber, recently shifted its demand from undressed to dressed lumber, which has helped boost exports in the first half of 2008.

A comparative analysis also revealed a 17% increase in average prices for dressed lumber over 2007 figures. Despite this shift, undressed lumber continued to account for a fairly large share of total exports, mainly because of higher and continued demand from other markets including many in the Latin American/Caribbean region. The leading destinations for undressed sawn lumber were China, the Netherlands and US. Overall, sawnwood exports had increased both in volume and value.

New project will address value adding for SMEs

Guyana was successful in securing funding to implement an ITTO project 'Value-adding and Kiln Drying of Commercial Timbers by Small Scale Community Saw Millers in Guyana'.

The objective of the project is to use kiln drying techniques to increase value-adding within small scale community saw mills in Guyana. The results of the project should demonstrate the necessity and value of drying wood to meet market specifications, the need to invest in kiln drying technology and the importance of enhancing competitiveness through marketing products based on value rather than price alone.

The project aims to establish three kilns at strategic locations in Guyana for use by small operators in an effort to expand the use of this technology in forest products manufacturing. This project will also conduct trail runs of commercial kiln drying of wood in three small scale community sawmilling regions to demonstrate value-adding processes and quality standards expected by international markets. It is expected that through these demonstration projects, the small scale community saw millers will understand and learn the requirements for exporting to international markets.

This project comes at a strategic time when the Guyana Forestry Commission (GFC) has been enforcing standards to improve quality in specific processing facilities in Guyana. The project will see direct involvement of the private sector, particularly small operators and forest products manufacturers in Guyana. A series of national consultations is being planned for September 2008 where the inputs of stakeholders in the three counties of Guyana

will be sought and incorporated into the project planning activities. This project will be coordinated by the GFC.

Lesser Used Species project shows encouraging results

Guyana's ITTO Project on 'Enhancing the Utilization of Lesser Used Wood Species', is showing positive results in enhancing production levels of many of the species targeted under the initiative. The project activities include a combination of lab tests done on technical properties of 15 lesser used species, as well as a series of marketing and promotion initiatives all aimed at boosting the utilization and demand of these key species.

The Guyana Forestry Commission has announced an increase in production for lesser used species, which is leading to an expansion of the species utilization base in Guyana's forest product sector. Recent trends have shown that several of the 15 species that were selected for promotion are now being harvested on a more commercial and sustainable basis. These species were found in a fair level of abundance in Guyana's forests but were not being utilized.

From January to July 2008, muniridan and iteballi, two of the lesser used species under the ITTO project, ranked as the tenth and eleventh highest species harvested nationally, with darina and dalli also included in the top 20 species harvested in 2008. Production for ten of the 15 lesser used species (dalli, fukadi, futui, iteballi, itikiboroballi, kurokai, muniridan, suya, wadara and morabukea) had increased as much as 16% – 35% from 2006 to 2007 levels.

Exports of these species had also increased, especially to the Asian markets such as China and India, and to some extent the UK. Some exports of these species are to closer locations, including to countries such as Venezuela and St. Vincent. In 2007, iteballi and muniridan exports to these destinations grew significantly by volume.

Guyana Log Prices

Logs, FOB Georgetown	SQ - \$ Avg unit value per m ³		
	Std	Fair	Small
Greenheart	145-150↓	135-140↓	115-130↓
Purpleheart	190-196↓	175-180↓	170↓
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	475↓	550-678↓
Purpleheart	Prime	-	670
	Select/Standard	1,150↑	551-721↓
Mora	Select	-	-

Guyana Plywood Prices

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

Report from Japan

Southsea Lumber Conference reveals declining results for first half 2008

The *Japan Lumber Journal* indicated that the amount of Southsea logs received in the first half of 2008 fell about 43% from the same period of 2007. The results, announced at the Tokyo Chapter of the Japan Southsea Lumber Conference, revealed a fall in imports as a result of factors such as an inability to secure shipping for log transport and a decrease in demand. This has begun to affect businesses in Japan. *Japan Lumber Reports* has indicated Seiho, a major lauan plywood factory in Tokyo, will suspend its operations when logs run out at the end of August.

Some have speculated that a possible price increase for Southsea logs may be approaching, although prices were already hovering at high levels. *JLJ* reports also indicate that there has not been any arrival of Sabah logs because of low demand. Plywood purchasing is expected to be slow throughout August and prices for some lauan plywood items are expected to rise in the future. Production conditions in Sarawak continue to be difficult, and with FOB prices rising, buyers in Japan are not accepting most highly priced items.

Housing starts stagnate while plywood imports fall

Japan Lumber Reports indicated that housing starts fell 16.7% (Figure 1) from the same month in 2007, reflecting the depressed tone of the market. Plywood imports (Figure 2) dropped 2.7% in June 2008 from June 2007 levels, although *JLJ* noted that shipments of plywood in August had increased.

Figure 1: Japan Housing Starts 2005-2008 (000 units)

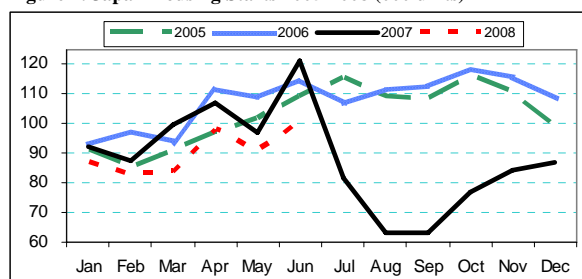
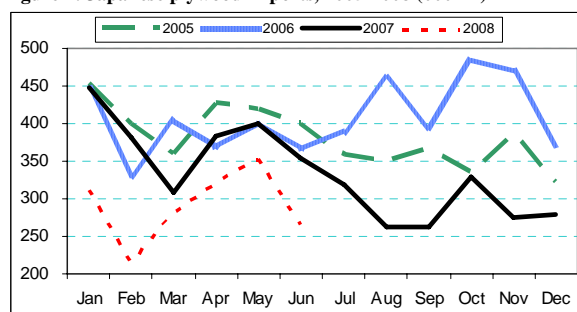


Figure 2: Japanese plywood imports, 2005-2008 (000 m³)



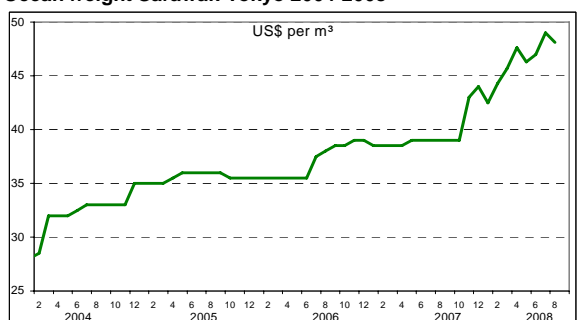
Log and Sawwood Prices in Japan

Logs for Ply Manufacture, CIF		Yen per Koku (Koku=0.278 m ³)
Meranti (Hill, Sarawak)	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

Turkey imposes anti-dumping measures on Chinese composite panels

The Turkish government recently decided to impose anti-dumping measures on composite panels from China. Chinese enterprises now impacted by the imposed measures include Jiangsu Lodgi Woods Industry, Co., Changzhou Lingdian Woods Co., Changzhou Dongjia Decorative Materials Co., Changzhou Ou Qiang Wood Industry Co. and Jiangsu Zhongxin Desai Wood Products Co. An antidumping duty of EUR1.60 per m² would be imposed on the above companies. Turkey began anti-dumping investigations on Chinese composite panels from 31 October 2007. Customs codes of products involved in the case were HS44111390, HS44111490, HS44119290 and HS44119390.

Chinese tax rebate policies adjusted for some wood products

According to a decision taken by the Ministry of Finance and State Taxation Bureau, China will increase its export tax rebate on some bamboo products and abolish the export tax rebate rate on products such as rosin and Korean pine nuts. The export tax on bamboo products, which includes multi-layer bamboo floors with less than 6 millimeters in thickness per layer, disposable bamboo chopsticks, disposable bamboo round toothpicks, round sticks, tongue-pressing plates and other disposable bamboo products, will increase 11%. Local experts believe that adjusting export tax rebates of some wood products will help accelerate China's bamboo products exports and bring greater attention to the importance of forest sector reform in the southern collective forest regions. In the meantime, the regulation of export tax rebate policy will help promote the adjustment of the rosin industry's industrial structure.

Furniture exports through Guangdong Port jump 26%

In the first half of 2008, the value of furniture exports through Guangdong Port rose 26% and were worth USD5.23 billion. More than half of the furniture exports were made by foreign enterprises investing in China, many of which showed strong gains in the first of 2008. The value of furniture exports from foreign enterprises in China rose 16% to USD2.7 million, comprising 52% of the total.

The main destinations for Guangdong furniture exports were the US, EU and Hong Kong SAR. In the first half of 2008, the value of Guangdong furniture exports to the US rose 11% to USD2.09 billion, making up 40% of the total. Exports to the EU soared 51% to USD1.21 billion, while exports to Hong Kong SAR fell 52% to USD300 million. The proportion of the value of Guangdong furniture to the above mentioned areas and regions was 69% of Guangdong's furniture exports.

Lin Yi City establishes itself as a significant wood-based panel export base

The China Timber Circulation Association recently awarded Lin Yi City of Shandong Province the title 'The City of China's Wood Industry and Wood-Based Panels' as a result of its important contribution to the national

wood-based panel industry. In the city, there are more than 3000 processing enterprises of wood-based panels with more than 600 production lines and an annual output of 10 million m³. In the first half of 2008, there were 104 wood-based panel export enterprises. The value of wood-based panel exports by these enterprises was USD195 million, accounting for 15% of the entire city's export total and one-third of the national panel exports total.

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
<i>Plywood*note, dimensions have changed</i>	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

Green Procurement initiatives trudge ahead

Formal FLEGT Voluntary Partnership Agreement (VPA) negotiations are currently underway between the EU and Malaysia, Indonesia, Cameroon, Ghana and The Congo. Once finalized, the intent of these agreements would be for the EU to import only wood products from concessions in these countries that are licensed as legal. VPA negotiations are proceeding well in African countries but are problematic in Asian countries due to worries over the impact on competitiveness vis-à-vis non VPA countries (notably China and Brazil). Long term market impacts of the VPA process remain very uncertain and are heavily dependent on the success and effectiveness of additional EU legislation designed to prevent imports of illegal wood products.

The European Commission recently reported on the status of their deliberations on additional legislation to prevent imports of illegal wood into the EU. The EC Communication on this issue, originally scheduled for April, is now expected in September. The EC's favored option is now to directly impose a requirement for due diligence on wood trading companies in the EU. Although no final decision has been taken, the process of formal public consultation on the legislation is now ended and all EC Directorate-Generals are believed to be in broad agreement with the approach proposed. However signs are they still have much work to do to convince key stakeholders. Environmental groups are looking for much more far-reaching measures putting the onus on the trade to demonstrate that all wood derives from legal sources. At the same time, many EU timber importing associations are against the idea of their members being required to take full responsibility for assessing the legality of their wood imports. They want governments in timber supplying countries to play the lead role, for example by issuing a 'declaration of legality' with each consignment of timber.

Following delays, a draft version of the much anticipated EC Communication on Green Public Procurement was released in July 2008. The Communication sets out a process with potential to encourage convergence between public sector procurement policies in the EU. It also enshrines various principles that could boost prospects for timber. For example it recommends discrimination in favor of renewable products and emphasizes full life cycle impacts. But the Communication and associated documents have certain weaknesses for timber. For example, draft procurement guidelines issued with the Communication propose that verification of legality should require full supply chain traceability. This could create problems for timber from small forest owners and communities and is out of line with green requirements imposed on alternative non-wood products.

Demand for sawn lumber stable in the UK

TTJ's latest hardwood sawn lumber market report suggests that 'while no-one in the UK hardwood trade is pretending that business is anything other than difficult, demand seems to be proving more durable than in other sectors of

the timber industry'. Some *TTJ* contacts in the hardwood importing industry suggest that sales volumes in 2008 have been comparable to last year, although rising costs and intense competition have meant that profit margins have been down. Most importers and agents are also reporting a nervousness among purchasers which is manifesting itself in a reluctance to buy forward and in large volumes. *TTJ* quotes one UK hardwood trader: 'If people can get away with buying little and often, they are doing that in preference to buying big box loads'. *TTJ* suggests that a number of leading hardwood importers 'confessed to surprise at how sales had held up, but also to concern about the robustness of demand going forward'.

On specific species, *TTJ* reports that prices for UK and continental landed stocks of sapele have continued to weaken in the face of subdued consumption and ample availability. Prices for utile/sipo vary widely and available volumes are proving to be readily saleable. Framire prices are soft as supply is relatively abundant and replacement costs are not being met. Wawa purchasing levels in the UK are below the same period last year, although this is at least partly due to the very difficult supply situation in Ghana. According to *TTJ*, UK forward buying of dark red meranti 'has been no better than steady' while 'consumption of keruing has been quite low although prices have remained firm on the back of rising freight costs'. Trade in hardwoods between Brazil and the UK remains difficult as recent delays in the issue of transport permits by the Brazilian authorities has led many UK buyers to conclude that Brazil is an unreliable supplier.

Mounting economic problems weigh down Europe

A report in *The Economist* suggests that European economic prospects are deteriorating. It notes that 'Europe is struggling to stay above water. Figures released on August 14th showed that the euro-area economy shrank at an annualized rate of 0.8% in the second quarter, the first such reverse since 2001. Nor are things likely to improve soon....Meanwhile Spain's GDP has predictably stuttered as it endures a painful shock from its burst housing bubble...Ireland's GDP which grew by 6% in 2007 is likely to shrink this year...Britain is on the brink of recession'.

The Economist reports that even the Eastern European economy, which has been a source of significant growth following the EU's recent expansion to absorb 10 eastern neighbors, is now experiencing a slowdown. In this region in recent years, economic and political stability has boosted investor's confidence and cut borrowing costs. A big pool of cheap and diligent workers along with the unleashing of entrepreneurial talents has produced thriving new private businesses. This produced stellar growth rates across the region until 2007. But now wage costs are creeping up, labor shortages are biting, out-dated infrastructure is clogging trade, export markets are looking tougher, and some countries are struggling under the weight of large current account deficits built up during the period of rapid growth. The bubble has already popped in the Baltic States and the Hungarian economy also looks

very wobbly due to a near disastrous government spending and borrowing splurge in the early years of this decade.

One source of comfort is that Poland, Easter Europe's biggest economy and an important market for hardwoods due to its large export-oriented furniture and flooring sectors, looks more stable. Polish GDP growth in the first quarter was a healthy 6.1% and unemployment which was 20% in 2003 has all but vanished. But Poland's growth is now likely to slow as rising interest rates and slowing export markets begin to bite.

Heat-treated frake to be sold in the UK

According to the *TTJ*, Ecochoice Ltd. will now market certified frake from West Africa, which is the first new type of thermally treated hardwood to be sold in the UK. The Plato hydrothermal process has made it possible to offer new species as an alternative to rare or over explored cladding species. The Plato technology uses a process to treat timber at a lower temperature and under higher pressure to provide greater durability and stability of the product. The market certified frake will be available through Howarth Timber and Palgrave Brown in the UK.

Plywood shortages may be seen if demand rises

A recent report in the UK's *TTJ* notes that while a few UK plywood importers were buying in decent volumes at the start of the third quarter, many others had reined in purchases in a bid to control costs and cash flow and due to uncertainty over market prospects in the second half of the year. As a result some plywood suppliers believe that shortages could arise if demand were to increase unexpectedly. *TTJ* suggests that without a significant increase in forward buying, shortages of Malaysian and Brazilian hardwood plywood, as well as good quality Chinese ply could emerge in September after the summer holiday lull. *TTJ* notes that supply problems may be particularly pronounced for Chinese plywood where many manufacturers have closed in recent months in response to rising costs and where some manufacturers are now focusing more on supplying the domestic furniture industry. *TTJ* also suggests that many UK buyers that switched to Malaysian product at the turn of the year due to uncertainty created by the European Commission's anti-dumping investigation have not returned to Chinese products despite the Commission's decision not to impose duties on tropical hardwood faced plywood from China. *TTJ* also notes that while Indonesian mills are keen to supply the UK market, their asking prices are currently well above those of their Malaysian counterparts. Meanwhile, UK importers report that supply of hardwood plywood out of Brazil is still extremely difficult.

Hardwood flooring market in EU more positive than expected

A recent *Asian Timbers* article on the international wood flooring market provides some interesting insights into the European flooring sector. The article is by Michael Buckley, a former European Director of the American Hardwood Export Council and now an independent industry consultant. Buckley comments that as a 'finishing trade' the European flooring sector has been slower to respond than other timber industry sectors to the recent

dramatic downturn in European residential markets. He also notes that the sector may be partially insulated from this downturn because there is often an increase in renovation and restoration by people who cannot afford to move home or are unable to sell the one they have. He suggests that 'hopefully, when the backlog of current new housing completions are worked through, then the inevitable downturn for hardwood flooring will be a softer landing than it has been for bricks, cement, concrete and roof tiles'. In support of this argument he quotes a Spanish kitchen manufacturer at Interzum Guangzhou who said that the first quarter of 2008 in Spain, where the housing bubble has really burst, was the best the company had enjoyed. But this manufacturer added that they were bracing themselves for the downturn to come based on the new housing starts data emerging in Spain.

Buckley goes on to note that the key to future market success in the European and North American hardwood flooring markets will be specialization. 'No longer will it be possible to make money by just offering basic hardwood flooring. A perceptive understanding of species, colors, finishes and trends will be all the more important for individual manufacturers – for one reason only. That is the word 'choice'...Finally there is the whole issue of sustainable and legal sourcing which is increasingly on the agenda'.

Buckley comments that Europe is much more into engineered flooring than North America which tends to much prefer solid wood. Oak is by far the dominant species in both regions accounting for 50% in Europe and perhaps two-thirds of production in the USA and Canada. He notes that 'both continents have huge flooring manufacturing capacity but also growing demand for imports, especially at the cheaper end of the market'. He suggests that there is potential for further growth in European consumption, despite the economic downturn. Cheap imports from China may, in fact, have helped to stimulate demand. Buckley is optimistic about longer term prospects, quoting the National Wood Flooring Association of America: 'the facts are clear, wood flooring is the only flooring option that is completely sustainable, and with new guidelines promoting responsible management, it has become the flooring option of choice among many eco-friendly builders, architects, specifiers, designers and consumers'.

Veneer sector undergoes another restructuring

The German trade journal *EUWID* reports that the central European veneer sector is undergoing a second phase of consolidation and restructuring. The first phase occurred in 2002 when a significant number of slicing machines were shifted from Western Europe (mainly Germany) into Eastern Europe as a cost cutting measure. The second phase now underway is due to a combination of factors. These include: weakening domestic demand in the current economic climate; a slowdown in export sales due to the strength of the euro; continuing substitution of real wood veneer by artificial surfaces; and intensifying competition in international markets from Chinese and North American producers.

EUWID reports that at least six slicing machines and two Staylog machines have been shut down in the central European veneer industry in the last 18 months, reducing the number of plants operating in the region by 20%. When combined with the 20 slicing and Staylog machines closed in 2002, this means that total veneer capacity in central Europe has fallen by almost 50% in only six years.

EUWID notes that the decline in demand and capacity has been particularly pronounced for veneer products manufactured in bulk. Demand for these products from the door and furniture industries has weakened dramatically in recent months, notably in Germany, Spain, Portugal, Italy and the UK. However demand from flooring manufacturers in Scandinavia and Eastern Europe has been more robust in the face of the downturn. Veneer consumption in oil-exporting economies of the Middle East and Russia has also remained brisk, but the strong euro rate has meant that European exporters are losing out to US and Chinese competitors in these markets.

Demand for custom veneers for interior finishing, yacht building, the aircraft and car industries has also been holding up reasonably well, although the recent insolvency of one German firm engaged in this business suggests that the high value sector has not completely escaped the slowing pace of business activity. In any case, the high value sector accounts for a relatively small proportion of overall production and cannot adequately compensate for declining sales in the bulk door and furniture sectors.

EUWID suggests that prospects for the second half of the year do not look promising. Despite recent cut-backs in production, manufacturers report that consumption is so slow that production and stock levels remain well in excess of demand. Veneer prices remain under pressure especially for standard products. Longer term, manufacturers expect veneer's share of the surfaces market to continue to slide.

The decline in veneer capacity in central Europe will of course have a major impact on market demand for veneer quality logs in the region. According to *EUWID*, less than 100,000 m³ of logs are expected to be converted into veneer in Germany during 2008, down from 120,000 m³ last year. To put this into long term perspective, 30 years ago the German veneer industry was processing in excess of 800,000 m³ of logs into veneer every year.

The German Timber Trade Federation's annual poll of the German veneer trade reveals that in 2007, 56% of total veneer output comprised European hardwoods (down from 60% in 2006), 23% comprised North American hardwood (up from 19% in 2006), 16% comprised tropical hardwood (down from 17% in 2006), while specialties such as burl veneer and flamed maple accounted for 4% (up from 3.5% in 2006). Leading tropical wood species used by the German veneer industry are mahogany, wenge, sipo, sapele, zebrano and makassar.

UNECE/FAO publication discusses effects of US housing slump

According to press releases from the UN Economic Commission for Europe (UNECE) on the UNECE/FAO *Forest Products Annual Market Review 2007-2008*, the US's declining housing construction has had a major impact on the UNECE region's forest products markets as well as world markets. Regarding trends for tropical hardwood markets, the publication highlights the uncertainties green building initiatives may create for tropical timber suppliers; recent measures taken to extend anti-dumping duties on Chinese okoume plywood; and declining log production of tropical countries since 2004. The full report will be discussed at the upcoming UNECE Timber Committee and FAO European Forestry Commission Market Discussions from 21-22 October 2008. The full report can be found at www.unece.org.

French construction sector shows weakness

Until recently the French market for hardwoods seemed to be holding up rather better than other western European countries. However, prospects for the second half of the year appear gloomy with emerging reports of a sharp downturn in French construction activity during the first half of 2008. According to *EUWID*, the French authorities have reported that the number of residential planning permits issued during the first six months of the year reached only 234,866, 16% lower than the same period in 2007. The number of housing starts during the first six months of 2008 reached 171,006, down 20% down on the same period in 2007. The slowdown is reflected in a decline in trading activity by members of CAPEB, the French builders' merchant association. According to CAPEB, the total value of members sales during the second quarter of 2008 were only 0.5% higher than the same period in 2007. This compares with a 2% increase in sales value in the first quarter of 2008 compared to the same period in 2007. According to CAPEB the slowing rate of sales growth is particularly worrying because it seems to have affected all regions of France. Furthermore, while sales growth to the new build residential sector has slowed particularly dramatically, there has also been a slowdown in the renovation sector.

The Netherlands Sawntwood Prices

	USD per m ³
FOB (Rotterdam)	
Sapele KD	1109↓
Iroko KD	1130↓
Sipo KD	1260↓
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.

A group of Yale undergraduates have discovered dozens of potentially beneficial bioactive microorganisms within plants they collected in the Amazon rain forest, including several so genetically distinct that they may be the first members of new taxonomical genera.

http://www.eurekalert.org/pub_releases/2008-08/yua082108.php

Delegates to a UN climate convention meeting in Ghana begin hard discussions on establishing a carbon market system around avoided deforestation and its inclusion in a future global climate agreement. There is disagreement on what offers the best system of forest carbon payments to deliver for forest preservation, forest communities and wider climate change mitigation efforts.

<http://www.carbonpositive.net/viewarticle.aspx?articleID=1209>

Farmers in the tropical region of Xishuangbanna in China's south-west Yunnan province recently staged a protest, accusing local officials of colluding with the rubber industry to destroy the local rainforest.

<http://news.bbc.co.uk/2/hi/asia-pacific/7570501.stm>

Going green can be entertaining and educational, thanks to the launch of Treewala(TM), a free, online vocabulary game that generates revenue to plant trees in South American rainforests.

<http://www.marketwatch.com/news/story/play-game-plant-tree-help/story.aspx?guid={2373A311-09BA-4505-ABB4-52EC9921ED4C}&dist=hppr>

The head of the African Development Bank unveiled a USD540 million loan for Kenya and said he saw East Africa's biggest economy recovering from a post-election crisis to grow at 7%.

<http://www.arabnews.com/?page=6§ion=0&article=113299&d=24&m=8&y=2008&pix=business.jpg&category=Business>

Last year's outbreaks of the deadly Marburg and Ebola Hemorrhagic Fever viruses in southwestern Uganda and in the neighboring Democratic Republic of Congo's province of Kasai Occidental and the sporadic outbreaks of Avian Influenza (Bird Flu) across the continent once again bring to light the threat zoonotic diseases pose to sub-Saharan Africa in particular and the world generally.

http://www.monitor.co.ug/artman/publish/features/More_diseases_surface_as_bush_meat_eating_rises_70101.shtml

Mainland China overtook the US as Japan's largest export destination for the first time, underlining the growing importance of Chinese demand to the world's second-largest economy. Exports to China, which have risen in each of the last 38 months, expanded by 16.8% in July to their highest level since the Japanese government began compiling statistics in 1950.

http://www.ft.com/cms/s/0/938fdeb8-6fab-11dd-986f-0000779fd18c.html?nclink_check=1

Thanks to a collaborative agreement signed between the Smithsonian Tropical Research Institute and the Organization for Unity and Development of the Community Ipeti-Embera, the Institute in Panama will offset its estimated carbon emissions for the next three years.

<http://www.medicalnewstoday.com/articles/119054.php>

Work on a AUD280 million Australian-first centre dedicated to solving some of the biggest environmental issues, including climate change, is now underway in Brisbane.

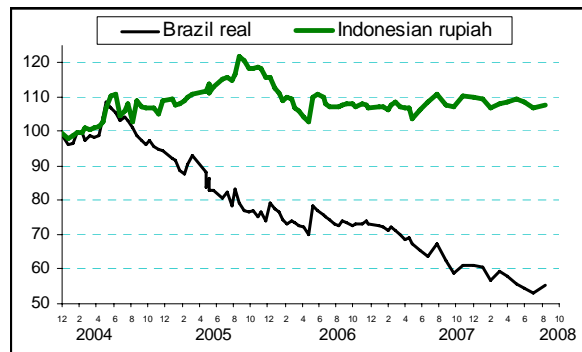
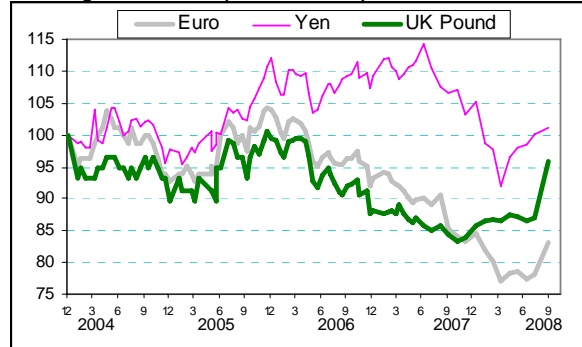
http://media-newswire.com/release_1071137.html

Main US Dollar Exchange Rates

As of 31 August 2008

Brazil	Real	1.6300	▲
CFA countries	CFA Franc	447.100	▲
China	Yuan	6.8487	▼
EU	Euro	0.6816	▲
Indonesia	Rupiah	9,149.00	▼
Japan	Yen	108.83	▼
Malaysia	Ringgit	3.3933	▲
Peru	New Sol	2.9516	▲
UK	Pound	0.5554	▲

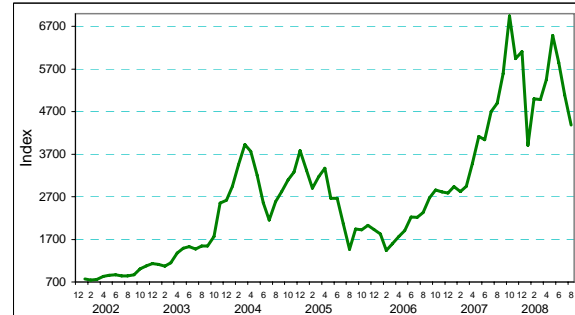
Exchange rates index (Dec 2003=100)



Abbreviations and Equivalences

LM	Loyale Merchant, a grade of log parcel
QS	Qualite Superieure
CI, CE, CS	Choix Industriel, Economique or Supplimentaire
FOB	Free-on-Board
CIF; CNF	Cost, insurance and freight; Cost and freight
KD; AD	Kiln Dry; Air Dry
Boule	A log sawn through and through, the boards from one log are bundled together.
BB/CC, etc.	Log/plywood grades. Letter(s) on the left indicate face veneer(s), on the right backing veneer(s). Grade decreases in order B, BB, C, CC, etc.
BF; MBF	Board Foot; 1000 Board Feet
Hoppus ton	1.8 m ³
Koku	0.278 m ³ or 120 BF
SQ; SSQ	Sawmill Quality; Select Sawmill Quality
FAS	Sawnwood Grade First and Second
GMS	General Market Specifications
GSP	Guiding Selling Price
MR; WBP	Moisture Resistant; Water and Boil Proof
MDF	Medium Density Fibreboard
PHND	Pin hole no defect grade
\$; ▲▼	US dollar; Price has moved up or down

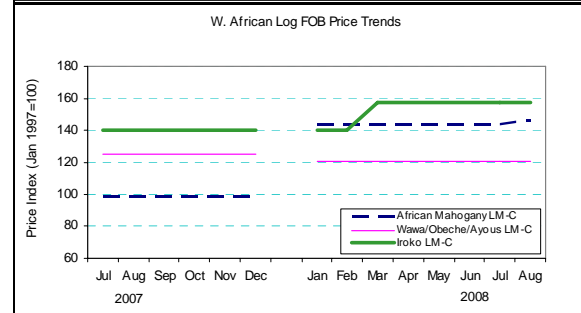
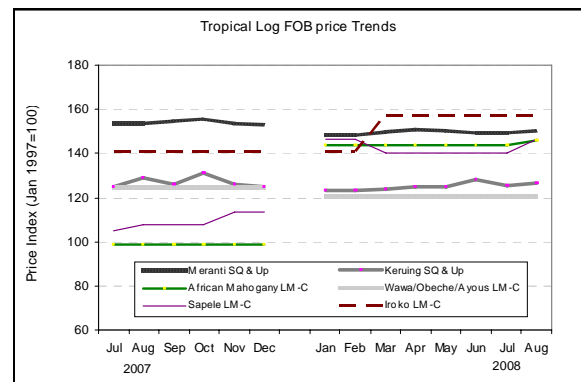
Ocean Freight Index



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

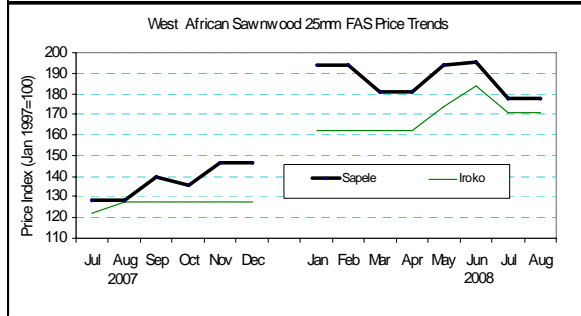
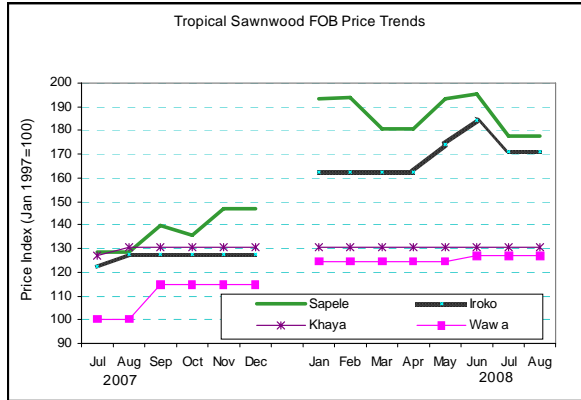
Appendix. Tropical Timber Price Trends

Tropical Log Price Trends



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

Tropical 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

