

# Tropical Timber Market Report since 1990

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## Snapshot

As trade continued slowly throughout the end of August, the EU and Ghana signed the first Voluntary Partnership Agreement (VPA), the Myanmar Timber Enterprise changed teak list prices and Norway invested new funds in Brazil. To strengthen the legality of the timber trade, Ghana was undertaking steps to control the loading of timber on ships as part of their VPA work while Indonesia will begin inspecting timber companies for illegally felled timber. Norway's initial USD100 million investment in Brazil's Amazon Fund will assist Brazil in combating deforestation and reducing carbon emissions from forests.

With global economic outlook still dreary for many countries, producer and consumer members were seeking ways to cut costs and prevent future price hikes, such as threats of increasing fuel surcharges in Sabah. Some countries also reported first half results, including Guyana, which showed positive gains due to shifting trends in exports, and China, which posted a drop in log imports through Zhangjiangang Port.

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## Report from Central/West Africa

### West African timber trade continues, stable but slow

Trade with West Africa continues to be slow, with no price changes of late, so there is some stability in the market. The rains in Cameroon, Central African Republic and Northern Congo have restricted logging and volumes available for sawmills are being curtailed. The resulting lower availability of sapele sawn lumber may go some way towards inducing European buyers to arrange shipment of their previous, existing purchases that have been held at port, especially Douala. When this older stock is moved into consumption, exporters hope this will reduce the price pressures on sapele and sipo. Rains are also expected in some areas of Gabon and this may well reduce further activity in logging and processing, already much restricted as companies have closed logging areas and scaled down output from sawmills.

There are some expectations that trade with Europe will pick up during the autumn months, but rather poor and rainy weather in Northern Europe coupled with high stocks of the most favored tropical hardwood species in France and Germany may well restrict any surge in demand to gap-filling in relatively small volume.

Sawn lumber prices reported over the previous fortnight remain unchanged. This may be largely because there is very little new business being concluded and producers feel it is unlikely that lower priced offers will stimulate sales in such dull market conditions. Many are confident that the reductions in production and tighter supply situation are sufficient to keep prices stable. Much will depend on any developments in the economies in European countries that could stimulate the building construction industries. Meanwhile, China and India are active buyers, providing a stabilizing measure of support for West and Central African producers.

### West Africa Log Prices

West Africa logs, FOB	€ per m <sup>3</sup>		
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 <sup>3</sup>
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 climate change talks outline post-2012 policy options

At the end of August 2008, delegates from about 100 countries met in Accra, Ghana to discuss policy options for a post-2012 regime. The discussions, held under the auspices of the UN Framework Convention on Climate Change (UNFCCC), met as an Ad Hoc Working Group on Long-term Cooperative Action (AWG-LCA). At the opening ceremonies, the President of Ghana, J. A. Kufuor, called for an international deal where developed countries would provide financial assistance to alleviate the effect of global climate change. While the one-week talks were not designed to end in agreements on policy options, many delegates believed negotiators were moving closer to narrowing policy options for a post-2012 climate change regime.

One of the key themes the meeting addressed was the role of forests in emissions reductions. President Kufuor indicated that measures to reduce emissions from deforestation and degradation (REDD) are key for many African countries. However, little progress on REDD was made at the AWG-LCA, except that results from the

recent REDD methodological meeting in Japan were presented. Nevertheless, participants at the meeting were able to discuss further details of accounting methods for reducing emissions from forests and other sectoral approaches to reduce industrial emissions. The outputs of this meeting will be reviewed and further debated at the upcoming 14<sup>th</sup> UNFCCC Conference of the Parties (COP) in Poznan, Poland this December. This will ultimately lead to final negotiations on a post-2012 climate change regime at COP-15 in Copenhagen in 2009.

#### Ghana and EU sign landmark deal on illegal timber

On 3 September 2008, the European Union (EU) and Ghana signed a Voluntary Partnership Agreement (VPA) that is designed to stop illegally felled timber from Ghana from entering the EU market. *Agence France Presse* noted that the Agreement was regarded as a landmark deal to fight illegal timber exports from Ghana by ensuring that all timber exported from the country is certified as legal. Current statistics indicate that about 60% of logging across Ghana in recent years has been classified as illegal, according to the World Bank.

Under the Agreement, the Government of Ghana will impose stricter controls on logging from trees felled in remote forests to timber loaded onto cargo ships. The EU, which consumes more than 50% of Ghana's timber exports (more than USD400 million a year), will ban entry to shipments of Ghana timber that are not verified, audited and licensed. Timber ranks fourth after gold, tourism and cocoa in Ghana's export earnings. By signing the Agreement, Ghana hopes to gain an edge in the EU market.

#### Ghana Log Prices

Ghana logs, domestic	US\$ per m <sup>3</sup>	
	Up to 80cm	80cm+
Wawa	100-115▲	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 <sup>3</sup>	
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 <sup>3</sup>	
Wawa 25x300x4.2m	255	
Emeri 25x300x4.2m	350	
Ceiba 25x300x4.2m	204	
Dahoma 50x150x4.2m	318▲	
Redwood 50x75x4.2m	274▲	
Ofram 25x225x4.2m	330	

#### Ghana Veneer Prices

Rotary Veneer, FOB	€ per m <sup>3</sup>	
	CORE (1-1.9mm)	FACE (<2mm)
Bombax	315	350
Kyere, Ofra, 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 <sup>3</sup>
Ceiba	245
Chenchen, Ogea & Essa	295
Ofram	305

Sliced Veneer, FOB	€ per m <sup>2</sup>	
	Face	Backing
Afrormosia	1.80	1.00
Asanfina	2.00	0.80
Avodire	1.12	0.80
Chenchen	0.97▲	0.53▲
Mahogany	1.40▲	1.00▲
Makore	1.40	0.90
Odum	1.66▼	1.00

#### Ghana Plywood Prices

Plywood, FOB	€ per m <sup>3</sup>			
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 <sup>2</sup>		
	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

#### Malaysian delegation to defend oil palm activities

The *Star* reported that Plantation Industries and Commodities Minister, Mr. Peter Chin Fah Kui, and Sarawak Timber Industry Development Corporation (STIDC) General Manager, Mr. Len Talif Salleh, will be leading a delegation in Europe to defend the activities and operations of Sarawak's timber and oil palm industry. They will be meeting non-governmental organizations (NGOs) in Brussels, the Hague and London that have claimed large tracts of forest in Sarawak have been cut down to make way for oil palm plantations. The Malaysian delegation is seeking to debunk the NGOs' claims in the face of mounting criticism over logging companies' mistreatment of forest-dwellers, the Penan, and high crime rates in the state of Sarawak.

#### Trade members urge end to bunker surcharge increases

According to *The Daily Express*, a declaration made by members of chambers of commerce and various trade associations in Sabah urged the government to stop shipping cartels from raising the Emergency Bunker Surcharge (EBS) on 15 September 2008. They also

suggested the government establish a body to control the surcharge. Shippers have only recently increased the EBS to RM853-RM1,706 per 20 foot and 40 foot containers, respectively, on 15 June 2008. The cartel wanted to again increase the EBS to RM1,253 on 20-foot containers and RM2,506 for 40 foot containers. The revised EBS would be applicable to all shipments loaded on or after 15 September, including those on the following shipping lines: Chong Fui Shipping and Forwarding; Geniki Lines Sdn Bhd; Hub Shipping Sdn Bhd; Johan Shipping; Malaysia Shipping Corporation; MISC Berhad; Perkapalan; Dai Zhun Sdn Bhd; and Shin Yang Shipping Sdn Bhd. The raised rates would be applicable at all ports served by these shipping lines and payable with ocean freight on a prepaid or collected basis.

#### Malaysia Log Prices

Sarawak log, FOB	US\$ per m <sup>3</sup>
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
Selangan Batu SQ up	274-296
Pen. Malaysia logs, domestic (SQ) US\$ per m <sup>3</sup>	
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 <sup>3</sup>
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 <sup>3</sup>
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 <sup>3</sup>
2.7mm	483-511 ↓
3mm	463-489 ↓
9mm & up	426-449
Meranti ply BB/CC, domestic	US\$ per m <sup>3</sup>
3mm	460-470 ↓
12-18mm	403-411 ↓

#### Other Malaysia Panel Prices

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

#### Malaysia Added Value Product Prices

Malaysia, Mouldings, FOB	US\$ per m <sup>3</sup>
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 <sup>3</sup>
22x760x1220mm sanded & edge profiled	
Top Grade	638-648
Standard	607-624

### Report from Indonesia

#### Indonesian timber companies to be inspected for illegally felled timber

The *Jakarta Post* reported on new measures for Indonesian timber companies, which will be required to have their inventory inspected from the start of the supply chain to ensure it is from legal sources. The Ministry of Forestry will appoint independent auditors and consult local stakeholders to verify the timber chain of custody. The auditors will conduct field checks where timber is logged. In addition, companies utilizing timber as a raw material will need to obtain official legal certification by the government to verify their source materials as legal. Companies that do not comply with the above system will be prosecuted or have their operating licences revoked.

The new system, called the Wood Legality Verification System (SVLK), will replace the current approach to inspecting legal documentation for timber by the Forestry Industry Revitalization Agency (BRIK). The Indonesian Ecolabeling Institute's (LEI) Executive Director, Taufik Alamin, said the new system was necessary as several importing countries including Britain and Japan require documentation certifying the legality of timber from the source. An LEI spokesperson said it would help by acting as auditors and licensing authorities under the new system. LEI and NGOs have been actively involved in the timber verification process since 2003, when Indonesia signed a Memorandum of Understanding with Britain to address illegal logging.

Demand for Indonesia's timber is predicted to reach 30 million m<sup>3</sup> this year, with a logging quota of 9.1 million m<sup>3</sup> set by the forestry ministry. There are currently 324 logging permit holders in Indonesia that have the capacity to harvest 22 million m<sup>3</sup> of timber per year.

### Indonesia Log Prices (domestic)

Indonesia logs, domestic prices	US\$ per m <sup>3</sup>
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 <sup>3</sup>
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 <sup>3</sup>
2.7mm	476-505↓
3mm	419-477↓
6mm	398-421↓

MR Plywood (Jakarta), domestic	US\$ per m <sup>3</sup>
9mm	330-343↓
12mm	306-327↓
15mm	304-333↓

### Other Indonesia Panel Prices

Indonesia, Other Panels, FOB	US\$ per m <sup>3</sup>
Particleboard Export 9-18mm	244-254
Domestic 9mm	208-225
12-15mm	203-215
18mm	201-205
MDF Export 12-18mm	317-330
Domestic 12-18mm	258-278

### Indonesia Added Value Product Prices

Indonesia, Mouldings, FOB	US\$ per m <sup>3</sup>
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

### MTE moves away from six month average prices

New list prices for teak log sawing grades (SG) 5-8 have been issued by the Myanmar Timber Enterprise (MTE), replacing the six month average prices used previously. The new prices, which are generally valid for a period of six months, are:

Chart 1: Teak log Prices (US\$/ Hoppus ton.)

Grade	Special Area*	1 <sup>st</sup> Class Area	2 <sup>nd</sup> Class Area	3 <sup>rd</sup> Class Area
SG-3	2528	2402	2275	2149
SG-5	2281	2167	2053	1939
SG-6	1685	1601	1517	1432
Grade	All Areas			
SG-7	1174			
SG-8	871			
Short Logs	2368			
Log Ends	1392			
Posts (2' - 2' 11")	721			
Special Area-Gangaw, Pakokku, Kalay (Chin)				
1 <sup>st</sup> Class Area: Taungdwingyi, Pyinmana, Thayet, Minbu, Toung-Oo, Shwebo, Monywa, Aunglan, Pyay				
2 <sup>nd</sup> Class Area:- Zigon, Thayawaddi, Kawlin, Momeik, Lashio, Taunggyi, Pyin-Oo-Lwin, North Bago, Katha				
3 <sup>rd</sup> Class Area:- Pa-an, Hinthada, Mawlike, East Katha, South Bago, Myitkyeena, Bhamo				

Since teak veneer grade and sawing grades 1-4 are only sold in tender, these do not have new list prices. All prices for teak and other hardwood logs in Euro will be updated in the next issue of the *Tropical Timber Market Report*.

### Myanmar Log Prices (natural forests)

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

Hoppus ton=1.8m<sup>3</sup>. 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

### Norway invests funds to fight deforestation in Brazil

Valor Econômico reports that Norway will be investing nearly USD600 million over a five year period to fund projects in Brazil that will reduce carbon emissions. An initial tranche of funding for upcoming activities worth USD100 million was recently announced by the Brazilian Minister of Environment. Norway has seen Brazil as a model for combating deforestation, as it is known for its high capability satellite monitoring and reporting on tropical forest areas. Norway intends to transfer lessons learned from its projects in Brazil to other tropical countries.

### Seven percent of Amazonia biome suitable for economic activities

A total of 7% of the entire Amazonia biome territory in Brazil are available for urban and economic development, said *Amazon.org*. The results were part of a study requested by the federal government and conducted by the Brazilian Corporation for Agricultural Research (Embrapa), which considered the number of areas set aside for environmental protection and for minority populations over the last 15 years. According to the NGO 'Friends of the Land – Brazilian Amazonia', the study reinforced the notion that the rule of law is not well-implemented in the



Amazon, since a total of 72 million hectares have been deforested and Brazilian legal guidelines allow 42 million hectares to be used for economic development. Embrapa noted that the study showed an imbalance between legality and legitimacy of land ownership, which has often prompted land-use conflicts. Some laws and initiatives aimed to improve environmental protection have not taken into consideration existing partner-economic realities or the history of the occupation of Brazil.

#### Amazonian timber companies look to expand exports

*Só Notícias* reported on the outputs of PROMADEIRA, an event held for the Brazilian timber and furniture industries in late August 2008. Timber product exports and economic development policy were the main topics discussed. The event provided new developments in the industries and an opportunity to strengthen relationships between stakeholders.

Entrepreneurs from Mato Grosso said they had high expectations for wood production after the PROMADEIRA event. The North Mato Grosso Association of Timber Industry (SINDUSMAD) foresees a new scenario for the timber industry, including the increase of companies' sales domestically. Mato Grosso's wood products have been highly traded in other Brazilian states. The state's exports of veneer and plywood are sent mainly to Europe, the US, Greece, Australia, Central America and the Mercosur countries.

#### Weak dollar reduces Brazilian gains in furniture exports from Rio Grande do Sul

According to *Jornal do Comércio* and *Só Notícias*, the Rio Grande do Sul Furniture Industry Association (MOVERGS) pointed out that sales in the first half of 2008 exceeded the first semester of the previous year by 5.1%, while the US dollar decreased 11.9% relative to the Brazilian real in the same period. According to MOVERGS, it would be necessary to increase sales to the same level of USD depreciation to compensate for exchange rate loss and production costs as well as to ensure competitiveness.

The impact of the weakening USD dollar since 2007 has been catastrophic when it is converted into Brazilian currency. The total exports of Rio Grande do Sul, which amounted to USD 166.3 million in January to July 2008, results in BRL 279.2 million after the conversion. On the other hand, exports last year were USD156.97 million (BRL316.6 million) above this year's total value of exports.

Rio Grande do Sul has kept its share of Brazilian furniture exports around 30%. Brazil posted a 1.3% gain in furniture exports during the first semester of 2008, with USD566.6 million against USD559.1 million recorded in 2007.

#### Brazil Log Prices (domestic)

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

#### Brazil Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per m <sup>3</sup>
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 <sup>3</sup>
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 <sup>3</sup>
White Virola Face 2.5mm	295
Pine Veneer (C/D)	210
Rotary cut Veneer, domestic (ex-mill Northern Mill)	US\$ per m <sup>3</sup>
White Virola	Face 284 Core 238

#### Brazil Plywood Prices

Plywood, FOB	US\$ per m <sup>3</sup>
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 <sup>3</sup>
9mm C/CC (WBP)	307
15mm C/CC (WBP)	276
18mm C/CC (WBP)	278
Plywood, domestic (ex-mill Southern mill)	US\$ per m <sup>3</sup>
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 <sup>3</sup>
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 <sup>3</sup>
Edge Glued Pine Panel	
Korean market (1st Grade)	640
US Market	513
Decking Boards	Cambara 609
	Ipê 1680

### Report from Peru

#### CITES recognizes efforts of Peru on mahogany

The International Committee of Trade in Endangered Species of Wild Fauna and Flora (CITES) recognized Peru's efforts over the last two years to improve the control and management of mahogany, said Peru's Ministry of Tourism and Foreign Commerce. During the 57<sup>th</sup> meeting of the CITES Standing Committee, recently held this July in Geneva, Switzerland, the US and EU said Peru made great efforts to expedite the launch of new laws that assist in more appropriately managing mahogany.

### Peru Sawnwood Prices

Peru Sawnwood, FOB Callao Port	US\$ per m <sup>3</sup>
Mahogany S&B KD 16%, 1-2" random lengths (US market)	1823-1866
Spanish Cedar KD select	
North American market	934-965↓
Mexican market	943-970↓
Pumaquiro 25-50mm AD Mexican market	490-525

\*Cheaper and small-dimension sawnwood for this market.

Peru Sawnwood, FOB Callao Port (cont.)	US\$ per m <sup>3</sup>
Virola 1-2" thick, length 6'-8' KD	
Grade 1, Mexican market	330-375↓
Grade 2, Mexican market	298-318↓
Cumaru 4" thick, 6'-11' length KD	
Central American market	809-836
Asian market	770-789↑
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 Sawnwood, FOB Iquitos	US\$ per m <sup>3</sup>
Spanish Cedar AD Select Mexican market	935-951↓
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	331-355↓
Grade 2, Mexican market	301-312↓
Grade 3, Mexican market	176-192↓
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	245-260

Peru sawnwood, domestic	US\$ per m <sup>3</sup>
Mahogany	1295-1290
Virola	80-93
Spanish Cedar	435-450
Marupa (simarouba)	130-136

### Peru Veneer Prices

Veneer FOB	US\$ per m <sup>3</sup>
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 <sup>3</sup>
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 <sup>3</sup>
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 <sup>3</sup>
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 <sup>3</sup>
Cabreuva/estoraque KD12% S4S, Asian market	1448-1500
Cumaru KD, S4S Swedish market	674-722
Asian market	941-1012↑
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

#### La Paz and Santa Cruz exports drop 17% in first half

From January to July 2008, total exports from La Paz and Santa Cruz fell 17% when compared to the same period in 2007, decreasing from USD52.39 million to USD43.45 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 (see similar influences on quarterly results, TTM 13:16). Individually, Santa Cruz exports fell 21% and La Paz's fell 13% when compared to the first quarter of 2007.

Wooden products represented 85.20% of total exports by value (USD37 million) and non-wooden products were equal to 14.80% (6.43 million), which largely consisted of chestnuts without shells. By value, exports fell 22% when compared to the same period of 2007. By volume, wooden products fell 19% from 60,261 m<sup>3</sup> to 48,914 m<sup>3</sup>, caused mainly by decreasing exports of furniture, doors, chairs, tables, moldings, plywood and wooden fiberboards. Sawn wood was the first exported product by value (USD14.14 million), followed by doors (USD4.13 million), plates (USD4 million), fiberboard (USD2.8 million), other furniture (USD1.68 million), chairs (USD1.36 million and decking (USD1 million).

The most important species was almond (USD5.96 million), followed by morado (USD5.21 million), pink lapacho (USD3.45 million) and curupau (USD3.37 million). The US was the most important market for Bolivia's wood products exports, valued at USD13.78 million. China is the second largest destination market (USD4.14 million), followed by Argentina, Brazil and the UK. A total of 44 countries purchased Bolivian products during the first half of 2008.

### Bolivia Sawnwood Prices

Sawnwood 1-3"x3x5"x7-19', FOB Arica Port	\$ Avg un. val. per m <sup>3</sup>
Mahogany (US market)	1200-1800↑
Spanish Cedar (US market)	764-998↑
Oak (US and EU market)	594-709↑

### 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	70-340↑
Ochoó	100-300

Parquet Flooring 3-5"x4-6"x5-13', FOB Arica Port			\$ Avg un. val. per m <sup>3</sup>
Mani	(FSC) (US market)	675-675	
Caviuna	(FSC) (US market)	700-1000	▲
Cumaru	(FSC) (US, EU and Asia mkt)	600-1000	▲
3/4"x3-5"x1-7'			
Jatoba	(US, EU and Mexico market)	1050-1900	▼
Ipe	(EU and Asia market)	900-1800	▲
Jequitaba	(EU market)	-	

### Report from Mexico

#### Forest Expo showcases solutions to climate change, desertification and poverty alleviation

From 4-6 September 2008, the city of Guadalajara, Mexico, hosted Mexico's Sixth 21<sup>st</sup> Century Forest Expo. The Expo, which was estimated to receive over 15,000 visitors, exhibited the country's most important issues on business in the forest sector, forest products, and other forest competitiveness issues. Business roundtables, consisting of forestry experts, producers, technicians and artisans, were also held and over 70 presenters exhibited their products.

#### Mexico achieves Guinness World Record by planting 348,000 trees in Durango

The National Forest Agency (CONAFOR), with the support of 300 tree planters in Durango, set a new Guinness World Record by planting 348,000 trees in 24 hours on the 29 and 30 of August 2008. The reforested area consisted of 179 hectares and contributed to Mexico's goal of planting 280 million trees this year.

### Report from Guyana

#### Guyana's value added exports show positive results

Three of Guyana's added value products - moldings, shingles and sawnwood - were among those which showed positive gains over the period January to August, 2008 when compared to the previous year's corresponding period. These three product segments of the forest processing industry have been showing increasingly favorable results over 2008, with encouraging prospects for the coming six months. Export volumes of moldings continue to increase to the Latin America/Caribbean region, which has largely consumed all moldings exported from Guyana. The leading export destination continues to be Barbados, consuming mostly purpleheart moldings, while large amounts of kabukalli moldings continue to be exported, but in relatively smaller amounts.

Export volumes of purpleheart moldings to date were 58.3% greater than corresponding period of the previous year, while values were consistently higher, owing to higher average prices received for this species. The average value for purpleheart moldings to date has increased over 2007 figures. Moreover, overall volumes of moldings to date are 10.2% greater than that of 2007 figures.

Shingles exports also grew by 27.9% by volume and 72.3% by value when compared to the same period of 2007. Sawnwood exports rose 9.8% by volume and 18.9%

by value. Roundwood exports increased 2.5% by volume and a notable 18.2 % by value over the same period.

#### Debates in forest sector shift from log to sawnwood exports

The Guyana Forest Commission has noted a changing trend in the forest sector during the first half 2008. Revenue earnings for Guyana's wood products, which had previously been from the Asia/Pacific Region, were mainly from the Latin American and Caribbean Region, accounting for USD8.38 million and USD8.84 million respectively in the first half of 2008. Exports also shifted by product, with the largest revenue earner being sawnwood instead of logs (the leading product in revenue in 2007). The largest increase in revenue was dressed sawnwood, which increased significantly both by volume and value from the same period in 2007. The changing trend comes at the heels of significant debates in the forest sector on the importance of moving away from the export of logs toward processing activities and exports of added value products.

#### Results of ITTO project shows utility of LUS

The implementation of the ITTO project 'Utilization of Lesser Used Species in Guyana' will be brought to a close in September 2008. The main aim of the project was to expand the species utilization base in Guyana and to encourage the use of species with characteristics similar to those of prime commercial species in Guyana. The ITTO project was designed to provide concrete baseline information on LUS, supported by scientific evidence, to boost the utilization of these species and inform Guyana's forest sector marketing and promotion efforts.

The final deliverable and a major concluding component of the project was the results of laboratory tests on the natural durability of 10 LUS: dalli (virola), wadara (Guyana oak), kurokai (breu), futui (Guyana birch), muneridan, iteballi (ouaruba), burada (parinari), morabukea (Guyana cherry), black kakaralli (Guyana maple), and tonka bean (cumaru).

The tests for natural durability were conducted by a UK consultancy firm, which assessed the results using European laboratory standards EN 113:1996 and EN 350 Part 1:1994. The results show that of the 10 species tested, 3 species are very durable, 2 species are durable and 4 species are moderately durable – all measured against the mean % mass loss with corresponding x-value reading. The results are summarized below:

Species	Durability Classification
Tonka Bean	Very Durable
Black Kakaralli	Very Durable
Morabukea	Very Durable
Burada	Durable
Iteballi	Durable
Muneridan	Moderately Durable
Futui	Moderately Durable
Kurokai	Moderately Durable
Wadara	Moderately Durable
Dalli	Not Durable



Previous laboratory tests were conducted on the resistance of these species to abrasion and attack by *Limnoria quadripunctata* Holthuis (marine borer). These results had also shown positive results for many of the LUS species against the benchmarked species of ekki and greenheart. These results presented encouraging findings for the GFC, which has indicated the results will help inform forest producers and exporters on the utility of LUS and contribute to ongoing work of the GFC.

#### President of Guyana encourages new means of financing at UNFF CLI

The UN Forum on Forests recently concluded a country-led initiative (UNFF CLI) in Suriname on financing sustainable forest management (SFM), which was organized by the Government of Suriname and convened from 8-12 September 2008. At the meeting, the President of Guyana, His Excellency Bharrat Jaogdeo, underlined the importance of financing SFM and the urgent need to look beyond the traditional means of financing. The President of Guyana emphasized the complexity of trying to establish values for ecosystem services for high forest cover, low deforestation countries, pointing to the need to adequately assess and account for the opportunity costs. In making reference to circumstance of Guyana and Suriname, the President noted that the current approaches to REDD will not be very helpful to the two countries, unless emphasis is placed in avoided deforestation.

#### Guyana Log Prices

Logs, FOB Georgetown	SQ - \$ Avg unit value per m <sup>3</sup>		
	Std	Fair	Small
Greenheart	145↓	135↓	115-125↓
Purpleheart	180↓	-	170
Mora	-	125	115

\*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 <sup>3</sup>	
EU and US markets		Undressed	Dressed
Greenheart	Prime	-	-
	Select/Standard	475-936↑	550-1,150↑
Purpleheart	Prime	-	602
	Select/Standard	660-935↓	594-1,150↑
Mora	Select	450	-

#### Guyana Plywood Prices

Plywood, FOB Georgetown Port		\$ Avg unit val. per m <sup>3</sup>	
Baromalli	BB/CC	5.5mm	-
		12mm	-
	Utility	5.5mm	-
		12mm	415-530↓

### Report from Japan

#### Imported plywood market firms up

*Japan Lumber Reports* said that prices for imported plywood had firmed since June despite weak demand. Some Japanese plywood companies have commented that prices hikes should be gradual, as distributors selling plywood at higher prices have been facing difficulties. The *Japan Lumber Journal* also noted that demand for softwood and hardwood plywood had picked up in recent weeks, although supply of logs from the Southsea areas will prove difficult, as rising production costs have led some Malaysian producers to curtail production of certain types of plywood.

#### Housing starts show year-on-year rise of 19%

*Japan Lumber Reports* posted July's year-on-year gains for housing starts (Figure 1) and a 6% rise in plywood imports (Figure 2). The gains were seen in contrast to last year's figures, when housing starts and plywood imports began to fall as a result of Japan's revised Building Standards Act. *JLR* indicated that building permits for July were up 55% from July 2007 and were 5.5% greater than in June 2008.

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

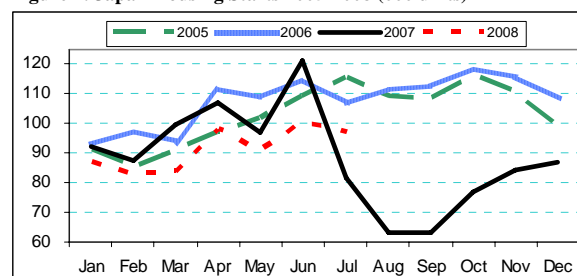
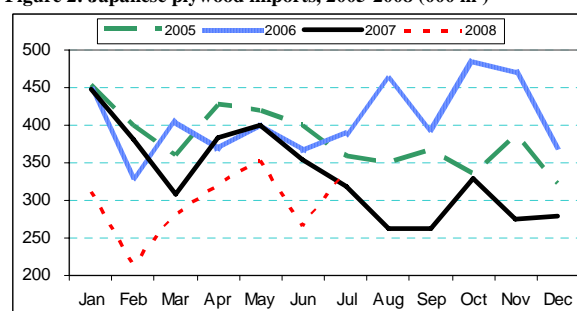


Figure 2: Japanese plywood imports, 2005-2008 (000 m<sup>3</sup>)



#### Log and Sawnwood Prices in Japan

Logs for Ply Manufacture, CIF		Yen per Koku
Meranti (Hill, Sarawak)		(Koku=0.278 m <sup>3</sup> )
Medium Mixed		8,300↑
Standard Mixed		8,400↑
Small Log (SM60%, SSM40%)		7,300↑
Taun, Calophyllum, others (PNG)		7,500↑
Mixed light hardwood, G3/4 grade (PNG)		-
Keruing MQ & up (Sarawak)		11,500↑
Kapur MQ & up (Sarawak)		11,000↑

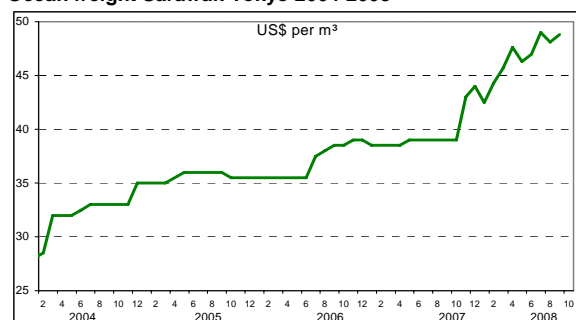
Logs for Sawmilling, CIF		Yen per Koku
Melapi (Sarawak) High Select		11,500↑
Agathis (Sarawak) High Select		-

Lumber, FOB		Yen per m <sup>3</sup>
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)	Aug (¥ per sheet)	Sep
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	1030 ↑	1040 ↑
12mm for foundation (F 4star, special)	910 X 1820	1050 ↑	1060 ↑
12mm concrete-form ply (JAS)	900 X 1800	1030 ↑	1050 ↑
12m coated concrete-form ply (JAS)	900 X 1800	1130 ↑	1130 ↑
11.5mm flooring board	945 X 1840	1420 ↑	1500 ↑
3.6mm baseboard for overlays (OVL)	1230 X 2440	870	870
<b>OSB (North American)</b>			
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](http://www.n-mokuzai.com)

## Report from China

### Log imports through Zhangjiagang Port drop in first half 2008

Due to the effects of tightening financial policies, restriction on wood products exports and increased cost of labor and sea transport, Zhangjiagang Port is facing a series of difficulties with timber imports. The problems include: falling imports, overstocking of goods and weak export markets.

Local customs agencies at Zhangjiagang Port noted that the overall import volume dropped by 10% in the January to June 2008 period. A total of 1.642 million m³ of logs valued at USD410 million were imported from January to June 2008, down 12.7% and 14.1% respectively from the same period of 2007. PNG, Gabon and the Solomon Islands were the top three sources supplying logs to the Port. A total of 665,000 m³ were imported from PNG, up 32.7% from 2007. Log imports from Gabon amounted to 495,000 m³ and Solomon Islands' log imports were 137,000 m³, down 22.2% and up 8.4%, respectively.

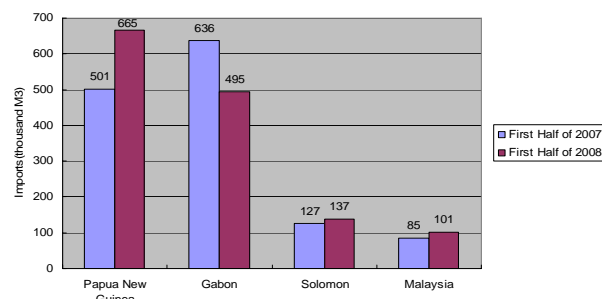


Figure 1: Tropical log imports through Zhangjiagang Port, January to July 2007-2008

The Oceania region was the main source for logs to the Port, with log imports from this region amounting to 803,000 m³, representing 48.9% of total imports to the port, a total increase of 27.8% over the previous year. Logs from this destination were mainly used for plywood, with a small proportion being used for furniture and flooring. The main species were bintangor, pometia, terminalia and malas.

Imports of African logs dropped while Southeast Asian log imports rose. A total of 659,000 m³ of logs were imported from Africa, down 39.7% from 2007 and accounting for 40% of total imports to the port. African logs were mainly from Gabon, Equatorial Guinea and Cameroon and used for plywood, furniture and flooring. However, since log quotas in these countries have limited log exports, African log imports through the Port have been reduced.

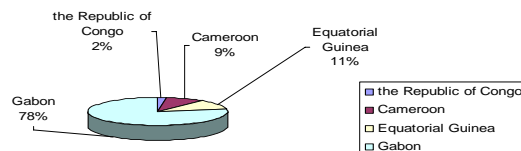


Figure 2: Proportion of African countries' log exports to Zhangjiagang Port from January to June 2008

In contrast, imports from Southeast Asia through the Port rose considerably. A total of 165,000 m³ of logs were imported during the first half of 2008, 38.2% more than over the previous year. However, only 100,000 m³ were from Malaysia, an 18.7% drop from previous years, while imports from Myanmar reached 63,000 m³, a 100% increase from 2007. Imports of coniferous logs dropped, with only 1,000 m³ of pine logs being imported from Russia during the January to July period, down 30% from the same period in 2007.

Imports of logs in containers rose considerably. A total of 100,000 m³ of imported logs were transported in containers during the first half of this year, rising 95.5% over the last year. Logs were mainly in large diameter and from West Africa, up almost 7 times the volume of last year. Cameroon exported 48,000 m³ and the Republic of Congo 15,000 m³. The Port was also overstocked and importers suffered hefty losses.

### Shift in balance of China's woodchip trade

China moved from being a net exporter to a net importer of woodchips during the first half of 2008. Customs statistics show a 25% rise in woodchip imports in the first half of 2008, while the import value rose about 60% over the same period in 2007. A total of 569,300 tons of wood chips valued at USD96.8 million were imported during the first half of 2008, compared to exports of 42,000 tons valued at USD5.1 million.

The government also developed a series of policies to prohibit or restrict the export of high resource consuming products, which have in part caused the decline in exports and a higher reliance on imports.

#### Exports of wooden doors show initial gains

According to Mr. Wang Yonglin, Secretary General of the Wooden Door Committee of the Chinese Timber Distribution Association, the export value of wooden doors was USD557 million in 2007, less than 10% of the production value. Exports have increased considerably in recent years both by volume and value. For instance, exports in 2004 rose 27% by volume and 33.9% by value when compared to 2003 exports; exports in 2005 increased over 35% both by volume and value from 2004; exports in 2006 grew 33.5% by volume and 41.6% by value; the growth slowed down in 2007 to 6.7% by volume and 12.8% by value.

Most of the exports were concentrated on the US, importing 104,400 tons of wood doors from China in 2007. Japan imported 51,500 tons of China's wood doors in the same year. The exports to these two countries accounted for 50% of China's total exports. Unit values were going up steadily, increasing from USD1,350/t in 2004 to USD1,650/t in 2007.

#### Guangzhou City Imported Timber Market

Logs	Yuan per m <sup>3</sup>
Radiata 6m, 30cm diam.	1300
Lauan	1900-2500▲
Kapur	1900-2500▼
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"	14700-15100▲
US Walnut 2"	12500-14500
SE Asian Sawn 4m+, KD	3700-3900
Plywood*note, dimensions have changed	Yuan per sheet
4x8x5mm	87
4x8x15mm	219-223

#### Shanghai Furen Wholesale Market

Sawnwood	Yuan per m <sup>3</sup>
Beech KD Grade AB	2500-3200
US Cherry, 25mm	9500-10500
US Red Oak, 50mm	9800-10500
Sapele 50mm FAS (Congo)	
KD (2", FAS)	8300-8500▼
KD (2", grade A)	7500-7800▼

#### Shandong De Zhou Timber market

Logs	Yuan per m <sup>3</sup>
Larch 6m, 24-28cm diam.	1400
White Pine 6m, 24-28cm diam.	1450
Korean Pine 4m, 30cm diam.	1650
6m, 30cm diam.	1750▲

#### Hebei Shijiazhuang Wholesale Market

Logs	Yuan per m <sup>3</sup>
Korean Pine 4m, 38cm+ diam	1900▲
Mongolian Scots Pine 4m, 30cm diam.	1400▲
6m, 30cm+ diam.	1500▲
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 <sup>3</sup>
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](http://www.forestry.ac.cn)

### Report from Europe and the UK

#### EU hardwood trade outlook gloomy

Reports from the EU sawn hardwood market are generally gloomy. Signs are that importers have returned from their summer vacations in a very cautious frame of mind, no doubt influenced by the release of yet more data to indicate that economic growth is slowing. Generally European agents report that both sales volumes and profit margins are down. Importers are focusing heavily on getting the best deal possible, closely scrutinizing specifications and bargaining down prices. This is despite the fact that on-ground stocks of many hardwood specifications are no longer particularly high while available supply in the major producing regions is not great. Agents suggest that even a minor upswing in demand in the EU could soon lead to shortages, as overseas producers would be unable to respond quickly enough. Agents are concerned that the European hardwood trade, having bought too much forward last year, may now respond by buying too little too late this year.

But for now, European importers seem unimpressed by these arguments. Reports continue to circulate of importers selling their existing landed stocks at below replacement cost. They can hardly be blamed for their caution. While landed stocks have declined overall in recent months, some reports continue to suggest high landed stocks of certain items in some areas. For example, a report in the German trade journal *EUWID* in early September notes with regard to African sawn hardwood that 'several importers note that hardly any new orders will be booked in the near future as merchants are still generally furnished with high stocks and as onward sales of goods remain slow...some merchants have announced that they will discontinue any further purchasing at least until the end of the year'. *EUWID* also suggest that stocks of African lumber of some German importers have actually increased in recent weeks as, contrary to expectations, some older contracts booked between six to 12 months ago were shipped over the summer period.

Meanwhile the economic news is far from encouraging. Figures released on 3 September confirmed that the euro area economy shrank in the three months to June 2008. Germany has been the strongest of the area's large economies. But even here economic growth is forecast by *The Economist* to slow from 2.5% in 2007 to 1.9% in 2008 and 1.6% in 2009. And against a background of large global imbalances and the strong euro, there are significant

downside risks to Germany's exports, which have been a major driver of growth in recent years.

After a reasonable start to the year, the French economy is clearly now struggling. Deteriorating consumer confidence, a slowdown in investment and a weaker outlook for external demand recently prompted the Economist Intelligence Unit to lower its growth forecasts to 1.6% and 1.5% in 2008 and 2009, respectively. Economic indicators suggest that the slowdown is beginning to spread from the consumer sector to industry. Business confidence has softened. Industrial production contracted in all sectors in May.

The Italian economy remains firmly in the doldrums. GDP growth is forecast to slow from 1.4% in 2007 to as little as 0.4% in 2008, before picking up modestly in 2009. Meanwhile Spain faces rising unemployment and a contracting house building sector with national GDP growth forecasts for the year in the region of only 0.6%-0.7%.

The UK economy also stagnated during the second quarter of 2008. Households are heavily indebted and feeling the pinch following bursting of the housing bubble. Banks bitten by the international credit crunch are no longer lending. Since financial services account for a bigger share of the UK economy than other European countries, the crises in the banking sector is having a particularly profound effect on UK growth. And because the UK government spent with both hands during long years of unremitting economic growth, this has left little scope for fiscal fine-tuning now. The governor of the Bank of England says that UK growth will be flat for a year. Sterling has lost 15% of its trade-weighted value over the past year and 5% over the past month making imports that much more expensive.

With regard to individual species, FOB prices for sapele and sipo sawn lumber on offer to European buyers quoted in euros have generally been flat at a fairly low level. However it has to be said that prices quoted by importers for sapele are currently over a wide range and it is still difficult to determine where the market is headed so soon after the summer vacation period. There are still reports of high landed stocks of sapele in some European countries. Nevertheless European agents are now fairly confident that the next movement in forward prices will be upwards as EU stocks are being gradually whittled down and as African exporters have severely curtailed production.

Iroko is one African species that has been performing reasonably well in the European market in recent weeks. One leading trader went so far as to refer to it as a 'hot item'. With good quality teak no longer available from Myanmar, demand for iroko – one of the very few species able to replace teak in certain applications – has responded accordingly.

The European market for meranti sawn lumber remains very quiet. Demand has been undermined this year by the ready availability of on-ground sapele stocks at

competitive prices. Strengthening of the dollar-euro exchange rate in recent weeks has only served to erode competitiveness of the Malaysian species (which is invoiced in dollars) even further. However reports suggest that there is better demand for higher value specialist meranti items, for example in fixed widths, longer lengths and wider boards. Furthermore production cutbacks mean that availability of meranti products for prompt shipment is generally low despite slow buying.

Meanwhile mixed reports are emerging of demand in the market for certified sustainable hardwoods in the European market. In early September, the German trade journal *EUWID* suggests that 'European demand for African lumber with an FSC certificate reflects a special situation: in view of continually poor availability, suppliers report growth rates in respect of all FSC lumber available in spite of higher sales prices'.

This analysis of the certified wood market in Germany contrasts with a more cautious appraisal coming from the UK. A representative of one leading UK-based trading company noted that in the current depressed market conditions, price is now such a pressing issue that there is very little willingness on the part of UK importers to pay the around 15% premium charged on the very small volumes of FSC certified African hardwood. Larger UK importers are however buying legally verified wood (through systems like SGS TLTV and Eurocertifor OLB) as a matter of course, partly because they are encouraged by wide availability at little or no premium and partly to hedge against ENGO campaigns and protect their brand image. However smaller importing companies in the UK are generally not requesting either verified legal or certified wood products, particularly in the current market environment.

Another UK agent noted that while they are committed to buying all their Malaysian wood as MTCC certified at a small premium, the actual level of interest from the trade further down the supply chain is negligible. This agent suggested that while importers tend to pay lip service to green issues and to stock a token amount of certified lumber, the wider market is still largely indifferent and strongly price driven.

#### **Plywood market in UK quiet**

In early September, the UK trade journal *TTJ* sums up the UK plywood market as 'worryingly quiet' but also notes that 'while stocks appear sufficient to cope with existing low demand, there is also concern that a post-summer improvement in order levels could quickly accentuate shortages'. In support of this analysis, *TTJ* notes that while world demand may have been hit by a downturn 'the plywood sector is grappling with a lack of capacity and a global shortage of raw materials, notably in Brazil and parts of the Far East. Sellers in the UK have been offering deals on plywood in a bid to move material and yet there is no weakness in forward prices'. *TTJ* also notes that Europe as a whole is under-bought in tropical hardwood plywood and stocks are low.



Meanwhile, according to TTJ, long term continuity of supply to the UK market is under threat. China's plywood manufacturing sector has contracted rapidly this year as a result of a spiking in the cost of labor, energy and raw materials and with the removal of export subsidies. And problems of long term supply to the UK market are likely to be accentuated by the fact that many mills in the Far East that now have more restricted log supply have little or no interest in supplying UK specifications, favoring Japanese and South Korean buyers that provide a better return. Availability of Brazilian hardwood plywood to UK buyers also remains very restricted due to a shortage of logs while the relative strength of the Brazilian currency and rising freight costs are undermining export opportunities.

TTJ notes that while prices of Chinese hardwood plywood on offer to UK buyers have increased, they remain competitive in the UK market against Malaysian, Brazilian and Indonesian rivals.

In early September, *EUWID* notes that prices for Indonesian raw plywood on offer to German buyers have risen with market players currently quoting prices of Indo96 +35%-37% for 4ft by 8ft BB/CC grade. Malaysian shippers are picking up more business in Germany because prices for equivalent Malaysian grades are below those of Indonesian manufacturers. *EUWID* notes that prices for Chinese poplar/bintangor on offer to German buyers have remained relatively stable in recent weeks. Demand for this grade of plywood in Germany has been steady over the summer months, picking up a little with the end of the vacation period.

#### EU changes targets for biofuels

The BBC reported on EU lawmakers' action to limit targets set on the use of biofuels for road transport. Initially, the EU had set a target to generate 10% of road transport fuel from renewable sources by 2020, which did not include crop biofuels. However, the European Parliament has now reduced this target to 6%, with the other 4% to be generated from hydrogen from renewable sources, biofuels from waste or non-food crops. The EU reexamined this target after taking into consideration the long-term impact on food prices and deforestation, particularly in developing countries.

#### The Netherlands Sawwood Prices

	USD per m <sup>3</sup>
FOB (Rotterdam)	
Sapele KD	1063↓
Iroko KD	1183↓
Sipo KD	1208↓
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 <sup>3</sup>
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 <sup>3</sup>
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)	500-510↑
Balau/Bangkirai Decking	680-700↑
White Oak	500-520

#### UK Plywood and MDF Prices

	US\$ per m <sup>3</sup>
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.**

Action of timber tycoons leaves bad taste in Sarawak. The recent salt incident in Ulu Tatau, where a meagre amount of salt was given to about 600 Punan fire victims in Rumah Ado, showed a lack of generosity from the wealthy.

<http://thestar.com.my/metro/story.asp?file=/2008/9/8/southneast/1963911&sec=southneast>

Hot air at the United Nations has been so successful that more is on the way. Secretary-General Ban Ki-moon raised the temperature in offices at U.N. headquarters by 5 degrees during August and announced he would be wearing lighter suits. Many male staff members doffed their jackets and ties while women chose sleeveless attire as thermostats went up from 72 to 77 degrees in offices and 72 to 75 degrees in conference rooms.

<http://abcnews.go.com/US/wireStory?id=5757138>

Pirates have stepped up attacks on merchant vessels in the Gulf of Aden, increasing insurance costs for ship owners and raising the specter of military intervention in one of the world's most important sea lanes. The waterway lies

between Yemen and Somalia, and connects the Red Sea with the Indian Ocean. It is an important energy corridor, especially for Persian Gulf oil heading west through the Suez Canal.

[http://online.wsj.com/article/SB122083029536208391.htm?mod=googlenews\\_wsj](http://online.wsj.com/article/SB122083029536208391.htm?mod=googlenews_wsj)

Plans to use a state-of-the-art camera onboard a satellite to monitor deforestation levels in Africa's Congo Basin have been unveiled. The high resolution RALCam3 camera, designed and built by UK scientists, will provide the first detailed view of the area's rate of forest cover loss. The project is part of the Congo Basin Forest Fund, a £108m joint-initiative by the UK and Norwegian governments.

[http://www.therussaijournal.com/index.php?option=com\\_content&view=article&id=50:space-cameras-to-monitor-forests&catid=29:space&Itemid=50](http://www.therussaijournal.com/index.php?option=com_content&view=article&id=50:space-cameras-to-monitor-forests&catid=29:space&Itemid=50)

The presidents of Brazil and Argentina on Monday signed a deal that will let their two countries dispense with converting transactions into dollars when they trade. The accord is important for Mercosur, the South American trading bloc comprising Argentina, Brazil, Uruguay, Paraguay and soon, if plans are agreed, Venezuela. Argentina and Brazil's exchanges currently account for 80 percent of the trade in Mercosur.

<http://www.antara.co.id/en/arc/2008/9/9/brazil-argentina-do-away-with-dollar-conversions-in-trade/>

A series of fossilized forests the size of small cities have provided prehistoric evidence of how tropical rainforests are destroyed by global warming. The fossil remains represent the first rainforests grown on the planet and their demise more than 300 million years ago 'points to the future' of the modern-day Amazon.

<http://www.timesonline.co.uk/tol/news/environment/article4710608.ece>

The six Gulf Cooperation Council (GCC) countries will endorse at their November summit in Muscat the proposed monetary union agreement and announce the setting up of a monetary council in a prelude to creating a GCC central bank.

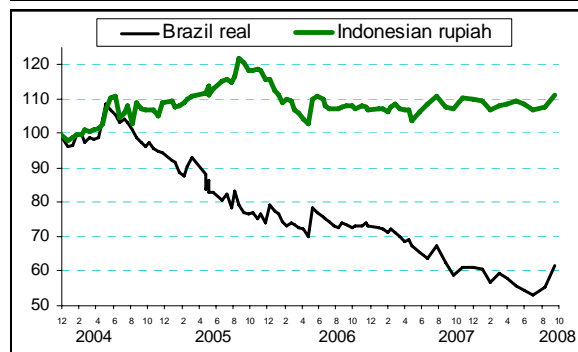
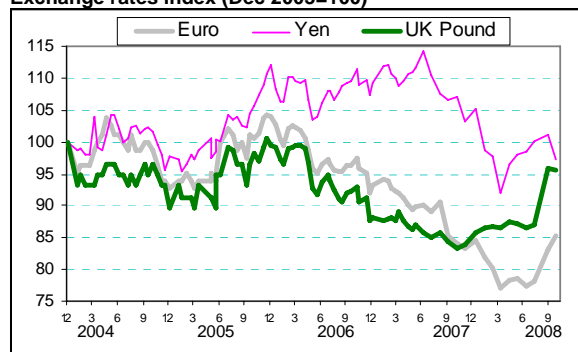
<http://www.gulfnews.com/business/Economy/10243624.html>

## Main US Dollar Exchange Rates

As of 15 September 2008

Brazil	Real	1.8146	↑
CFA countries	CFA Franc	458.382	↑
China	Yuan	6.8487	
EU	Euro	0.6988	↑
Indonesia	Rupiah	9,452.00	↑
Japan	Yen	104.88	↓
Malaysia	Ringgit	3.4554	↑
Peru	New Sol	2.9735	↑
UK	Pound	0.5547	↓

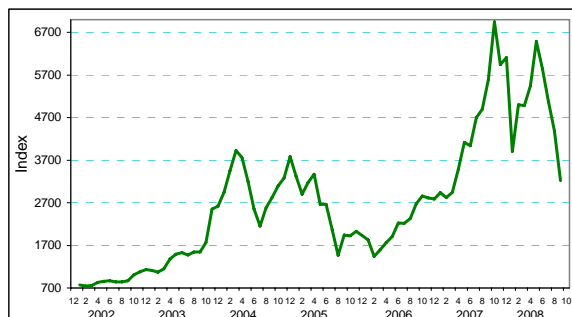
Exchange rates index (Dec 2003=100)



## 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 <sup>3</sup>
Koku	0.278 m <sup>3</sup> or 120 BF
SQ; SSQ	Sawmill Quality; Select Sawmill Quality
FAS	Sawnwood Grade First and Second
GMS	General Market Specifications
GSP	Guiding Selling Price
MR; WBP	Moisture Resistant; Water and Boil Proof
MDF	Medium Density Fibreboard
PHND	Pin hole no defect grade
\$; ↑ ↓	US dollar; Price has moved up or down

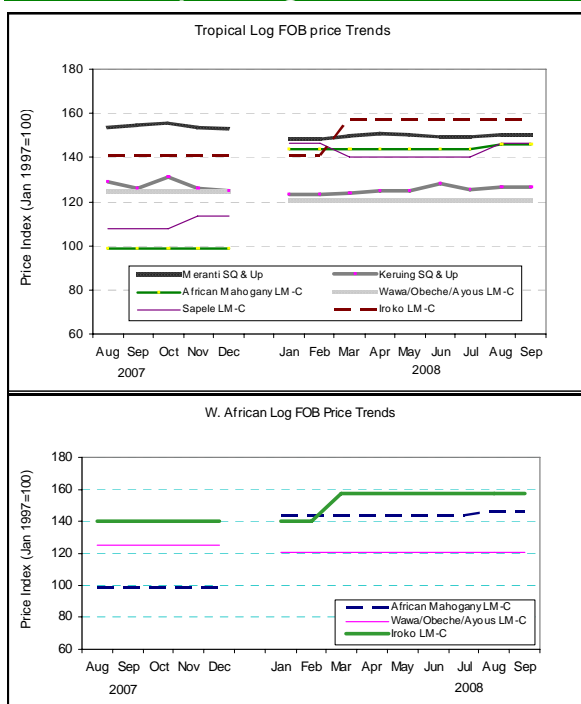
## Ocean Freight Index



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

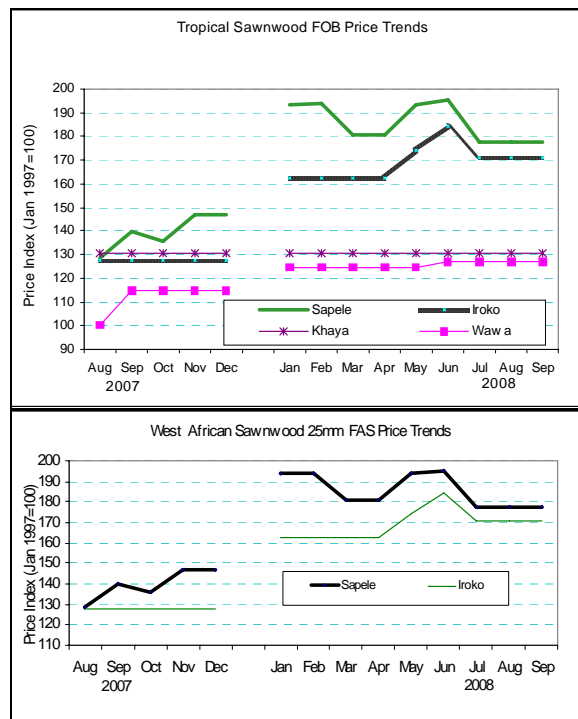
## Appendix. Tropical Timber Price Trends

### Tropical Log Price Trends



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

## Tropical Sawnwood Price Trends



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

## Tropical Plywood Price Trends

