Tropical Timber Market Report

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Editorial

Prices for most African and Latin American tropical products were unchanged as inactivity in main consumer markets held back some price hikes. Prices for products from these regions have not been able to follow the upward trend seen in tropical Asia.

In contrast, prices for Southeast Asian products continued to advance as supply remains restricted due to the lunar new-year holiday and ongoing monsoon rains in main production areas. Prices for most Asian tropical products firmed despite the usual weak demand season in traditional export markets.

Some Indonesian panels have failed to benefit from price hikes as buyers have lost confidence in the supply. Several panel manufacturers have been unable to fulfil orders amid mill closures, lay-offs and declining exports.

Brazil consolidates as one of the world's largest tropical exporters of furniture, but the industry faces challenges in 2006. Peru suspends 15 forestry concessions in its continued crackdown on illegal logging. Guyana is set to overtake Ecuador as Latin America's largest exporter of tropical logs with a range of 50 species.

Japan signs of recovery are backed by the growth in housing starts units, which hit an 8-year high.

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Report from Francophone West Africa

Market conditions remain unchanged

Prices remain firm but it is not clear yet how far West African exporters are going to follow Asian log price upward trend in 2006. Although log exports to Europe continue to decline, the dull overall market situation in the major importing countries seems to have held back possible price hikes after few increases in January.

The Italian market is quiet, dampening down production of ayous (wawa). Although the UK housing market is said to be resuming an upward trend and there are somewhat controversial plans to build large numbers of new houses in the South East, the timber and joinery trade appear to be less optimistic about prospects for 2006.

Prices remain firm despite sporadic competition

Some West African exporters and traders feel that the recent resurgence of large log volumes in Northern Rep. of Congo and, intermittently, from Central African Republic has led to occasional fierce price competition in sapele and sipo logs and lumber. However, this might give the wrong impression of what is actually a very firm and rising market trend.

Concession in R. of Congo passes legality audit

The German Danzer Group has informed that one of its subsidiaries, Industrie Forestière d'Ouesso (IFO), has passed an independent legality audit carried out by SGS in a forest concession in the Republic of Congo.

Passing the audit is seen as a major step to full certification. IFO is awaiting approval of its sustainable forest management plan from the Congolese authorities. SIFORCO, the other major Danzer Group subsidiary in the Democratic Republic of Congo, will undergo a similar SGS legality audit within the next few months. The Danzer Group is the world's largest manufacturer of sliced veneers.

Log Prices

West Africa logs, FOB	€ per m^3		
	LM	B	BC/C
Afromosia/Assaméla	381	351	-
Acajou/N'Gollon	206	175	-
Ayous/Obéché/Wawa	206	191	160
Azobe	183	167	152
Bibolo/Dibétou	152	114	-
Movingui	190	175	152
Fromager/Ceiba	114	114	99
Iroko	274	259	229
Limba/Fraké	137	114	99
Moabi	244	221	206
Padouk	221⬆	206	175
Sapelli	221	206	175
Sipo/Utile	274	259	229
Tali	151⬆	123⬇	91
Doussie	457	396	274

Gabon Okoumé logs, FOB	US$ per m^3
Grade	
QS	176
CI	150
CE	122
CS	94
Okoumé log for China	**US$ per m^3**
Grade	(Free alongside ship)
40% CI, 40% CE, 20% CS	200

Sawnwood Prices

West Africa sawnwood, FOB	€ per m^3
Okoumé	
FAS GMS	290
St. & Bet. GMS Italy	260
St. & Bet. fixed sizes	-
Sipo	
FAS GMS	488
FAS fixed sizes	519
Sapelli	
Fixed sizes	-
FAS scantlings	396
Dibetou	
FAS standard sizes	-
FAS fixed sizes	-
Iroko	
FAS GMS	427
Scantlings	488
Strips	304
Khaya	
FAS GMS	366

Report from Ghana

Timber exports surged 8% in 2005

According to the Timber Industry Development Division (TIDD) of the Forestry Commission, export of wood products reached €184 million (466,155 m^3) in 2005. This corresponds to 7.9% and 2.4% increments in value and volume, respectively, compared with 2004. The 7.9% increase in exports exceeds TIDD's projected 3.5% increase in revenue for 2005.

Ghana's timber exports in 2005 (% change)

Category	'000 m^3	€ (mil)	% vol.	% val.
Lumber (KD)	125.22	48.47	8.3	15.2
Lumber (AD)	128.27	42.48	36.1	43.4
Veneers				
Sliced	38.47	31.52	0.2	2.5
Rotary	59.19	13.80	-8.6	-3.4
Curls	0.27	2.53	32.4	47.8
Plywood	57.70	15.70	-22.5	-12.3
Furniture Parts	1.77	3.53	-27.7	-30.8
Mouldings	34.06	13.75	-21.6	-21.5
Boules AD,KD	12.89	5.99	-10.7	-2.9
Flooring	6.44	5.24	39.9	28.6
Others	1.87	0.99	-29.1	-21.7
Total	466.16	184.01	2.41	7.93

Exports up despite SPWP retreat

Of the total, secondary processed wood products (SPWP, furniture parts, mouldings, flooring, etc.) accounted for €29.5 million in 2005, down 14% from 2004, while primary products (lumber, veneer, plywood, etc.)

accounted for €154.5 million in 2005, up 13% from 2004. KD and AD lumber accounted for almost half of the total export volume in 2005. Compared with 2004, these products registered volume increases of 8% and 36%, and value increases of 15% and 43%, respectively. According to TIDD, average unit prices for curls veneer, AD and KD lumber products rose 11.7%, 6.1% and 6.3%, respectively.

EU remains Ghana's main trading partner

The EU remains Ghana's major trading partner, accounting for €92.85 million (216,840 m^3) in 2005. This trade is equivalent to 50% in value and 47% in volume of Ghana's total wood exports. Key markets include Italy, France, Germany, the UK, Belgium, Spain, Ireland and the Netherlands.

The USA accounted for 15.6% and 15% of the total export value and volume in 2005 as compared with 14% and 16.4%, respectively, in 2004. This market remains the most lucrative destination for Ghana's plywood, lumber (KD) and rotary veneer exports. The ECOWAS countries (Senegal, Nigeria Gambia, Burkina Faso, Sierra Leone and Togo) accounted for 66% of Africa's €19.6 million wood imports from Ghana in 2005. Plywood and AD lumber continue to draw interest in the Senegalese and Nigerian markets.

Asian and Far Eastern countries (India, Malaysia, Taiwan, China, Singapore, Thailand and the Philippines) accounted for €32.6 million (17.7%) of the total value of wood exports in 2005. India remains the leading importer of Ghana's teak AD lumber. Middle East countries (Saudi Arabia, Lebanon, UAE and Israel) accounted for €8.5 million (4.6%) of the total export value in 2005.

Log Prices

Ghana logs, domestic	US\$ per m^3
Wawa	39-50
Odum	89-175
Ceiba	38-64
Chenchen	49-101
Mahogany (Veneer Qual.)	40-91
Sapele	63-157
Makore (Veneer Qual.)	55-154

Sawnwood Prices

Air-dry FAS 25-100mm x 150mm and up x 2.4m and up.

Ghana Sawnwood, FOB	€ per m^3
Afromosia	855
Asanfina	480
Ceiba	205
Dahoma	348↑
Emeri	385↑
Edinam	420↑
Khaya	924↑
Makore	490↑
Niangon	550↑
Odum	630↓
Sapele	515↑
Wawa 1C & Sel.	342↑

Ghana sawnwood, domestic		US\$ per m^3
Wawa	25x300x4.2m	108
Emeri	25x300x4.2m	260
Ceiba	25x300x4.2m	106
Dahoma	50x150x4.2m	138
Redwood	50x75x4.2m	122
Ofram	25x225x4.2m	153

Veneer Prices

Rotary Veneer, FOB	€ per m^3	
	CORE (1-1.9mm)	FACE (<2mm)
Bombax, Chenchen, Kyere, Ofram, Ogea & Otie	325	360
Ceiba	390↑	300
Mahogany	425	460

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

Rotary Veneer, FOB	€ per m^3
Core Grade 2mm and up	
Ceiba	324↑
Chenchen, Ogea & Essa	295
Ofram	305

Sliced Veneer, FOB	€ per m^2	
	Face	Backing
Afromosia	1.19	1.00
Asanfina	1.25	0.80
Avodire	0.92	0.60
Chenchen	0.72	0.50
Mahogany	1.03	0.70
Makore	1.01	0.60
Odum	1.54	0.95

Plywood Prices

Plywood, FOB	€ per m^3			
Thickness	Redwoods		Light Woods	
B/BB	WBP	MR	WBP	MR
4mm	560	460	500	330
6mm	340	310	335	270
9mm	315	290	290	280↑
12mm	300	280	270	280↑
15mm	310	285	280	260↑
18mm	300	275	245	260↑

Grade AB/BB would attract a premium of 5%. BB/BB would be 5% less, C/CC 10% less and CC/CC 15% less.

Added Value Product Prices

Parquet flooring 1st	FOB € per m^2		
	10x60x300mm	10x65-75mm	14x70mm
Apa	12.0	14.47	17.00
Odum	7.8	10.18	11.00
Hyedua	13.67	18.22	17.82
Afromosia	13.72	13.93	17.82

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

Report from Malaysia

Market begins to reactivate slowly

The Malaysian timber market begins to move slowly as the annual lunar new-year holidays come to an end. However, prices for most timber products surged again in early February due to reduced supply of wood raw material. Monsoon rains continued to affect logging and sawmilling operations in the major production areas.

Latex and palm oil push rubberwood prices up

Prices for rubber latex firmed at 7 Malaysian ringgit (MR) per kg. As a result, furniture and panel products manufacturers are facing an uphill task in securing raw material for production, as previously reported by the MIS. Over 80% of furniture manufactured in Malaysia is made of rubberwood.

The problem is compounded by rising prices of palm oil. With palm oil prices at 1,460 MR per ton, panel producers are having difficulties in securing palm fiber. Fibers from aged oil palm trees constitute the bulk of raw material for panel products, especially MDF. A number of panel products manufacturers have turned to rubberwood as a source of raw material, thereby, aggravating an already tight supply situation.

Market analysts think that rubber latex and palm oil could hit 10 MR per kg at 1,500 MR per ton in the near future, respectively.

Malaysia proposes to host the AFIC secretariat

Malaysia has proposed the establishment of a permanent Asean Furniture Industries Council (AFIC) secretariat in Kuala Lumpur, during the AFIC Conference on 14 February.

AFIC chairman, Datuk Yong Seng Yeow said the proposed AFIC secretariat would be a base for Asean member countries to source data on raw timber materials and a development hub for furniture design.

The Deputy Minister of Plantation Industries and Commodities, Datuk Anifah Aman, indicated that the setting up of the secretariat in KL was also in line with the vision for Asean to be a major hub for high-end furniture industries. He stressed that Asean countries had to work together towards being a manufacturer of high-end furniture to face rising competition from China.

Mr. Anifah added that Malaysia could play a pivotal role to promote competitiveness with its established position as the second biggest exporter in Asia and the leading exporter in Asean.

Costs hinder imports of temperate hardwood

Timber exporters from the US have limited success in penetrating the Malaysian market, with local manufacturers overtly concern about costs. Timber exporters from New Zealand, Nordic countries and Canada have yet to tap into the Malaysian market. The exception is IKEA, which operates several large home-furnishing depots in Malaysia, with great success.

In addition to costs, some Malaysian sawmillers argue that their machineries are not designed to work with temperate logs. Moreover, there is lack of technical expertise in working with such wood species.

New shipping service from Bintulu, Sarawak

Evergreen Marine Corporation, one of the world's largest mainline operators (MLOs), launched a new China-Indonesia-Manila (CIM) service from Sarawak's Bintulu International Container Terminal (BICT) in December 2005. The service deploys even bigger vessels in the range of 1,812 TEUs (twenty-foot-equivalent-units) capacity.

The weekly service calls direct at Manila and at few Chinese ports from Bintulu. Export growth is expected to improve this year, with optimism based on growing containerization of timber products, such as MDF, from the timber-rich Bintulu region.

Log Prices

Sarawak log, FOB	US$ per m^3
Meranti SQ up	245-258⬆
Small	215-228⬆
Super small	183-195⬆
Keruing SQ up	215-228⬆
Small	183-193⬆
Super small	143-157⬆
Kapur SQ up	193-202⬆
Selangan Batu SQ up	212-228⬆

Pen. Malaysia logs, domestic (SQ ex-log yard)	US$ per m^3
DR Meranti	288-298⬆
Balau	225-235
Merbau	348-358⬆
Rubberwood	140-150⬆
Keruing	215-225

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

Sawnwood Prices

Malaysia Sawnwood, FOB	US$ per m^3
White Meranti A & up	375-385⬆
Seraya Scantlings (75x125 KD)	675-695⬆
Sepetir Boards	252-262⬆
Sesendok 25,50mm	393-403⬆
Kembang Semangkok	373-383⬆

Malaysian Sawnwood, domestic	US$ per m^3
Balau (25&50mm,100mm+)	305-310⬆
Merbau	520-530⬆
Kempas 50mmx(75,100 & 125mm)	232-242⬆
Rubberwood	
25x75x660mm up	210-225⬆
50-75mm Sq.	230-247⬆
>75mm Sq.	250-268⬆

Plywood Prices

Malaysia ply MR BB/CC, FOB	US$ per m^3
2.7mm	435-450⬆
3mm	410-420⬆
9mm & up	345-355⬆

Meranti ply BB/CC, domestic	US$ per m^3
3mm	405-415⬆
12-18mm	335-345⬆

Other Panel Prices

Malaysia, Other Panels, FOB	US$ per m^3
Particleboard	
Export 12mm & up	143-153↑
Domestic 12mm & up	138-148↑
MDF	
Export 15-19mm	218-228↑
Domestic 12-18mm	205-215

Added Value Product Prices

Malaysia, Mouldings, FOB	US$ per m^3
Selagan Batu Decking	628-638↑
Red Meranti Mouldings	
11x68/92mm x 7ft up	
Grade A	675-685↑
Grade B	575-585↑

Furniture and Parts Prices

Malaysia, Rubberwood, FOB	US$ per piece
Semi-finished dining table	
solid laminated top 2.5'x4', extension leaf	22-27↑
As above, Oak Veneer	32-38↑
Windsor Chair	11-14↑
Colonial Chair	13-15↑
Queen Anne Chair (soft seat)	
without arm	15-18
with arm	20-23
Chair Seat 27x430x500mm	2.50-3↑

Rubberwood Tabletop	US$ per m^3
22x760x1220mm sanded & edge profiled	
Top Grade	540-550↑
Standard	500-530↑

Report from Indonesia

Panel producers unable to fulfil orders

Prices for most wood products went up amid lunar new-year celebrations while those for panel products showed mixed trends. Many Indonesian panel manufacturers have been unable to fulfil orders, affecting the confidence on supplies and bearing down prices. Buyers are increasingly wary of the market situation.

Plywood sector hit by closures and lay-offs

Nearly 50% of Indonesia's 126 plywood factories are lying idle due to difficulties in securing raw material, reported the newspaper "Bisnis Indonesia".

The wood panel association (Apkindo) lamented that more than 10,000 workers may soon lose their jobs. About 60 of the 126 plywood companies in the country have been forced to cease operation while the rest operate below their production capacity. In 2005 about 350,000 workers lost their jobs in the country, up sharply from 138,000 in 2004. Almost half of the lay-offs were in the wood-processing industry, followed by the textile and garment sector.

Hadi Susanto, Director General, Forestry Research & Development Agency (FORDA) of the Ministry of Forestry, indicated that many Indonesian plywood companies are neither efficient nor competitive as most of them are still using old machines. Painful adjustments may come down to more worker lay-offs.

Checks further troubled the wood industry

With the fight against illegal logging intensifying, some government officials, including many without authorization, have started to carry out unnecessary checks and raids on the supply of timber, according to Ms. Soewarni, Chair of the Indonesian Sawmill and Woodworking Association. This makes it even more difficult for mills to secure raw materials.

Ms. Soewarni contended that about half of the country's wood-based industries had collapsed due to high-cost and the prevalence of aging machinery amid increased competition from more efficient countries like China and Malaysia.

Wood exports continues to decline

Indonesia wood products exports have fallen from $3.28 billion in 2003 to $3.17 billion in 2004 and, further, to an estimated $2.8 billion in 2005. With no signs of an economic upturn yet, the outlook for the export industry seems uncertain. A planned hike in electricity rates (see MIS Report 11/2), if realized, would have an added negative impact on the industry.

Indonesia urges EU to ban illegal logs

Antara News reported that the Indonesian Forestry Minister, MS Kaban, urged the EU to ban its member countries from accepting illegal logs from Indonesia.

"According to our data, there are still several European countries accepting illegal logs from Indonesia," Minister Kaban added after opening a workshop organized by the Illegal Logging Response Center (ILRC) in Jakarta.

The ILRC is a joint project between the Indonesian Government and the EU, aimed at preventing illegal logging activities in Indonesian national parks. In its initial three years of operation, ILRC has covered three national parks, namely Bukit Barisan Selatan in Lampung and Bengkulu, Gunung Palung in West Kalimantan and Tanjung Puting in Central Kalimantan.

Log Prices (domestic)

Indonesia logs, domestic prices	US$ per m^3
Plywood logs	
Face Logs	183-207↑
Core logs	112-135↑
Sawlogs (Meranti)	183-207↑
Falcata logs	117-138↑
Rubberwood	132-155↑
Pine	143-167↑
Mahoni (plantation mahogany)	568-600↑

Sawnwood Prices

Indonesia, construction material, domestic	US$ per m³
Kampar (Ex-mill)	
AD 3x12-15x400cm	213-227⬆
KD	305-318⬆
AD 3x20x400cm	322-335⬆
KD	342-355⬆
Keruing (Ex-mill)	
AD 3x12-15x400cm	243-255⬆
AD 2x20x400cm	232-245⬆
AD 3x30x400cm	243-255⬆

Plywood Prices

Indonesia ply MR BB/CC, FOB	US$ per m³
2.7mm	425-435⬆
3mm	393-403⬆
6mm	332-342⬆

MR Plywood (Jakarta), domestic	US$ per m³
9mm	290-300⬇
12mm	278-288⬆
15mm	265-275⬇

Other Panel Prices

Indonesia, Other Panels, FOB	US$ per m³
Particleboard	
Export 9-18mm	163-173⬆
Domestic	
9mm	160-170⬇
12-15mm	150-160⬇
18mm	140-150⬇
MDF	
Export 12-18mm	235-245⬆
Domestic 12-18mm	220-230⬇

Added Value Product Prices

Indonesia, Mouldings, FOB	US$ per m³
Laminated Boards	
Falcata wood	332-342⬇
Red Meranti Mouldings	
11x68/92mm x 7ft up	
Grade A	645-670⬆
Grade B	553-580⬆

Report from Myanmar

MTE raises direct sales teak prices

With its fiscal year coming to a close at the end of March, MTE, as usual, is expected to engage in more dynamic marketing to meet the targeted export earnings. MTE raised the prices for direct sales of teak logs from 1 February. Direct sales prices are at (US$ per hoppus ton FOB Yangon) $1,270-$1,677 for SG-4 grade, $999-$1,152 for SG-5 and $814-$890 for SG-5, depending on the source region.

Market conditions unchanged for other logs

The gurjan market remains dull with fresh logs coming out of the forest while a significant backlog of earlier season's fellings lies in log depots. In contrast, the pyinkado market remains firm. The pyinkado market depends on the quality of available logs and the supply of merbau from Indonesia.

Negotiations with China to end illegal trade

In a recent declaration to the press, the Minister of Forestry, Brigadier-General Thein Aung informed that Myanmar is currently undertaking negotiations with China to find ways to end the illegal extraction and trade of timber along their common border. The Minister made the comments during a meeting at the International Business Center (IBC) in Yangon.

Annually, more than 100,000 tons of teak and other valuable hardwoods are illegally extracted from Kachin and Shan states in northern Myanmar and smuggled into China, the Minister said.

According to London-based Global Witness, there are signs that Myanmar is treating the problem seriously, possibly because the illegal trade costs the country an estimated $250 million a year in lost taxes.

Log Prices (natural forest)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)	
Veneer Quality	December	January
2nd Quality	4215⬆ (6 tons)	4,219⬆ (4 tons)
3rd Quality	3924⬆ (7 tons)	3,856⬇ (14 tons)
4th Quality	3380⬆ (49 tons)	3,346⬇ (52 tons)
Sawing Quality		
Grade 1 (SG-1)	1,993⬇ (64 tons)	2,106⬆ (57 tons)
Grade 2 (SG-2)	1663⬇ (240 tons)	1,574⬇ (331 tons)
Grade 3 (SG-3)	- (-)	- (-)
Grade 4 (SG-4)	1038⬇ (642 tons)	1,064⬆ (742 tons)
Grade 5 (SG-5) Assorted	928⬆ (173 tons)	964⬆ (724 tons)
Grade 6 (SG-6) Domestic	732⬇ (440 tons)	743⬆ (758 tons)

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

Myanmar Prime Minister visits China

Myanmar Prime Minister, Soe Win, is paying an four-day visit to China on 14 February. According to the Financial Times, the bilateral trade between the two countries was worth $1.32 billion in 2005. About three-quarters of Chinese imports from Myanmar, worth $274 million, were logs and wood products.

Report from Papua New Guinea

Log Prices

Saw/veneer log grade	US$ Avg FOB per m^3 November
Malas	59
Calophyllum (bintangor)	77↓
Taun	70↓
Terminalia	59
Pencil Cedar	75↓
PNG Mersawa	81↓
Red Canarium	59
Erima	58
Dillenia	58↓
Burckella	61
Kwila	100↓

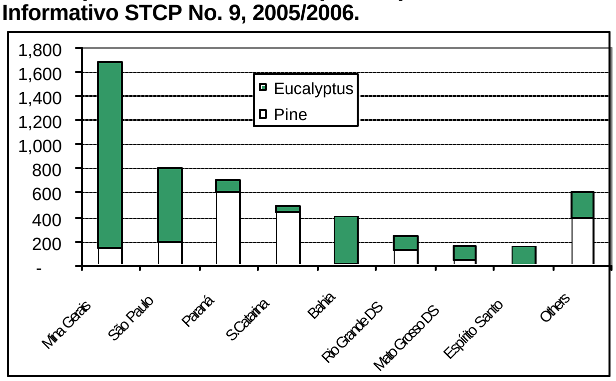
Plantation kamarere logs Diameter	US$ Avg FOB per m^3 November
60+cm (Vietnam market)	62↓
50-59cm (Viet.,Japan markets)	57↓
40-49cm (Viet.,Japan markets)	52↓
30-39cm (Viet.,Japan markets)	48↓
20-29cm (Viet.,Japan markets)	41

Report from Brazil

Forest plantations at 5.25 million ha in Brazil

Brazil's private forest plantations account for 5.25 million hectares or about 0.6% of the country's area. Although significant compared with other tropical countries, the share of this area is lower than that under cattle raising (21%) and agriculture (6%). Forest plantations are predominantly eucalyptus (63%) and pine (37%). Pine is mainly used for pulp and paper and solid-wood products, while eucalyptus is used for pulp and paper and charcoal production. Only 35% of the forest plantations are located in the temperate states of Paraná, Santa Catarina, Rio Grande do Sul and southern São Paulo. The tropical state of Minas Gerais alone accounts for 32% of the plantations in Brazil. Most of the plantations were established in the 1970s due to fiscal incentives. Over 70% of the timber consumed in Brazil comes from forest plantations.

Forest plantations in Brazil (000 ha). Source: FAO, 2004; Informativo STCP No. 9, 2005/2006.



Mato Grosso inspects sawmill's operations

About 400 sawmills in the Northern region of the State of Mato Grosso will be inspected in a joint operation by the State Secretaries of Environment and Resources (SEMA and SEFAZ), and the Institute of Farming Defence (INDEA). The objective is to check changes in the new SEMA one-registry system for businesses. Out of a total existing 4,000 sawmills registered under the previous system, more than 1,000 companies have ceased operations.

The inspections seek also to detect anomalies, such as the illegal sale of bills of sale transactions and ATPFs (authorization for forest products transportation), which affect those operating legally. Inactive companies will be excluded from the new registry system. The inspections will start with forest companies based in Sinop, the main regional forest production centre. Other companies in neighbouring cities will follow.

New law opens 13m ha for forest concessions

The Brazilian Senate has approved a Project of Law that provides for forest concessions of up to 3% of the Brazilian Amazon (nearly 13 million ha) for sustainable forest management (SFM). The forest concessions would last up to 40 years. The law would also create the Brazilian Forest Service and the National Fund of Forest Development, with a focus on forest partnerships and labour training in the domestic solid wood sector.

The law aims at promoting SFM and combating illegal logging, deforestation and illegal land occupancy in the Amazon. Moreover, the law intends to transform biodiversity into actual assets and be the key for the long-term planning of the region. The Ministry of Environment (MMA) expected that within the next ten years, the area under concessions would generate direct annual revenues of 187 million Brazilian real (BRL), annual taxes of around 1.9 billion BRL and about 140,000 jobs.

Before the implementation of the law, the forests would be included in the National Public Forest Registry while an Annual Plan of Forest Concession would be elaborated to define the areas for concession. After the approval of the plan, each area would be studied and divided into management units for the bidding process.

With the final approval of this project of law, the Brazilian Society of Silviculture (SBS) estimates that, in the next decade, investments in the Amazon region would double those made in the past 15 years. Some entrepreneurs are said to be ready to invest $8 billion in SFM projects in the region as soon as the law is approved.

Brazilian furniture exports hit $1 billion

Brazilian exports of furniture reached a record $1 billion in 2005, up 5.1% from 2004, according to ABIMOVEL

(Brazilian Association of Furniture Industries). The main market was the USA ($373.3 million) while Mercosur countries were ranked in sixth position. Argentina alone imported $48.7 million, up 41% from 2004.

The furniture cluster in the Southern state of Santa Catarina led the exports with $443.9 million, followed by the cluster of Rio Grande do Sul ($ 272.3 million) and São Paulo ($104.4 million). These three southern furniture clusters accounted for over 80% of Brazil's furniture exports in 2005.

Furniture producers hope to remain competitive

The outlook of furniture exports for 2006 is pessimistic according to ABIMOVEL. Furniture exports might decline, especially if the US dollar remains between 2.20 and 2.30 BRL. Companies would prefer an average exchange rate in the area of 2.35 BRL. In addition, the Presidential election in October this year adds uncertainty to the outlook.

Last year, the timber sector saw substantial lay-offs, reduction of private investments and closure of factories. This year, companies are hoping to be competitive by reducing the period of job contracts from 180 days to 60 days and undertaking partnerships with companies from other countries such as Mexico, Japan and countries in Mid-west Europe and South America. Moreover, some companies are focusing on the domestic market while increasing their participation in international fairs.

Furniture producers eye exports to Mercosur

A group of furniture companies from the Southern State of Rio Grande do Sul have initiated negotiations with importers from the three Mercosur countries (Argentina, Uruguay and Paraguay), for exports valued at $150,000 to take place over the next 12 months. This is one of the results of the Buyer Project promoted by the Brazilian Service of Support to Small Enterprises (SEBRA) through the SebraExport Furniture Program.

The Buyer project is also considering negotiations with other countries yet to be identified. The prospect of African markets and the participation of the Rio Grande do Sul companies in the US High Point Trade Fair and the Dubai's Index Fair are also under consideration.

Log Prices (domestic)

Brazilian logs, mill yard, domestic	US$ per m^3
Mahogany 1st Grade	No sales
Ipê	101
Jatoba	70
Guaruba	49
Mescla (white virola)	53

Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US$ per m^3
Mahogany KD FAS (UK market)	no trade
Jatoba Green (dressed)	600
Cambara KD	460
Asian Market (green)	
Guaruba	260
Angelim pedra	270
Mandioqueira	230
Pine (AD)	135

Brazil sawnwood, domestic (Green)	US$ per m^3
Northern Mills (ex-mill)	
Mahogany	No sales
Ipé	468
Jatoba	357
Southern Mills (ex-mill)	
Eucalyptus (AD)	143
Pine (KD) 1st Grad	194

Veneer Prices

Veneer, FOB (Belem/Paranagua Ports)	US$ per m^3
White Virola Face 2.5mm	240
Pine Veneer (C/D)	140

Rotary cut Veneer, domestic (ex-mill Northern Mill)	US$ per m^3
White Virola Face	193
White Virola Core	161

Plywood Prices

Plywood, FOB	US$ per m^3
White Virola (US Market)	
5.2mm OV2 (MR)	390
15mm BB/CC (MR)	350
White Virola (Caribbean market)	
4mm BB/CC (MR)	480
12mm BB/CC (MR)	380

Pine Plywood EU market, FOB	US$ per m^3
9mm C/CC (WBP)	255
15mm C/CC (WBP)	245
18mm C/CC (WBP)	240

Plywood, domestic (ex-mill Southern mill)	US$ per m^3
Grade MR (B/BB)	
White Virola 4mm	654
White Virola 15mm	479

Domestic prices include taxes and may be subject to discounts.

Other Panel Prices

	US$ per m^3
Belem/Paranagua Ports, FOB	
Blockboard Pine 18mm 5 ply (B/C)	360
Domestic Prices	
Ex-mill Southern Region	
Blockboard White Virola faced 15mm	428
Particleboard (ex-mill) 15mm	249

Added Value Products

FOB Belem/Paranagua Ports	US$ per m^3
Edge Glued Pine Panel	
Korean market (1st Grade)	550
US Market	515
Decking Boards	
Cambara	600
Ipê	1200

Report from Peru

Peru losses $44.5 million to illegal logging

Peru's National Institute of Natural Resources (INRENA) estimated that economic losses from illegal logging in the country reached at least $44.5 million in 2005, compared with total timber exports of over $160 million that year. According to INRENA, illegal logging represented 15% of the total national timber production. Mahogany (*Swietenia macrophylla*) and Spanish cedar (*Cedrela odorata*) are the species most targeted by illegal loggers. About 195 timber species are logged from the Peruvian forests, with mahogany and Spanish cedar representing one-third of the total exports.

According to Marco Romero, chief of INRENA's CIEF (Forest Strategic Information Center, established with ITTO funds in 1998), forest concessions and due controls of their operations are some of the tools to combat illegal logging activities. Last year, 15 forestry concessions were terminated after timber harvesting outside of the concession areas was detected.

Uyacali calls measures against illegal logging

The National Forest Chamber and the Ucayali's Association of Forest Harvesters (AEMRU) sent a letter to INRENA on 1 February reporting illegal logging and trade activities and the involvement of several civil servants in Pucallpa (Ucayali). They called on INRENA to take the following immediate measures:

- Proclamation of a state of emergency in the forestry activity in the Ucayali region.
- Investigation and sanction against to public officers involved in illegal logging issues.
- Reorganization of the INRENA office in Ucayali.
- Review of the POAs (Annual Operation Plans) and PGMF (General Forest Management Plans) not yet evaluated.

The associations seek to put in order the current forestry situation in the region, which is the country's largest timber producer.

WWF supports capirona furniture for the USA

The World Wildlife Fund (WWF) and Peru's Furniture Consortium (CPM) concluded an agreement for a monthly supply of 15,000 m^3 of capirona (Calycophyllum spruceanum) as part of WWF's support program to Peru's forest concessions.

The main purpose of the agreement is to reduce demand and commercial pressure on mahogany and Spanish cedar and promote lesser used species (LUS) in the international and domestic furniture markets. CPM plans to introduce capirona furniture in the US market. WWF is also encouraging chain of custody and FSC certification in Peru.

COM is composed of five companies, four located in Lima (Muebles Laureano, Comarsa, Muebles Oregon and D'Uno) and one in Trujillo (Décor Mueble). In collaboration with the UNALM (National Agrarian University "La Molina"), WWF is exploring other LUS, such as aguano masha (*Paramachaerium ormosioides*), for the furniture market.

Sawnwood Prices

Peru Sawnwood, FOB	US$ per m^3
Mahogany 1C&B, KD 16%	
Central American market*	1350-1400
US market	1580-1620
Spanish Cedar 1C&B, KD 16%	
Central American market	690-710
Mexican market	700-720
Walnut 1" thick, 6'-11' length	
US market	640-660
Pumaquiro 25-50mm AD	
Mexican market	460-490

*Cheaper and small-dimension sawnwood for this market.

Peru Sawnwood, FOB (cont.)	US$ per m^3
Virola 1-2" thick, length 6'-8' KD	
Grade 1, Mexican market	270-300
Grade 2, Mexican market	210-225
Lagarto 2" thick, 6'-8' length	
Spanish market	320-340
Cumaru 4" thick, 6'-11' length KD	
Central American market	760-790
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	355-365

Peru sawnwood, domestic	US$ per m^3
Mahogany	1458-1467
Virola	179-193
Spanish Cedar	607-617
Catahua	171-176
Tornillo	344-352

Veneer Prices

Veneer FOB	US$ per m^3
Lupuna 3/Btr 2.5mm	210-215
Lupuna 2/Btr 4.2mm	220-235
Lupuna 3/Btr 1.5mm	235-240

Plywood Prices

Peru plywood, FOB (Mexican Market)	US$ per m^3
Copaiba, 2 faces sanded, B/C, 15x4x8mm	360-370
Virola, 2 faces sanded, B/C, 5.24x8mm	405-413
Lupuna, treated, 2 faces sanded 5.2x4x8mm	350-360
Lupuna plywood	
B/C 15x4x8mm	330-338
B/C 9x4x8mm	345-350
B/C 12x4x8mm	335-340
C/C 4x8x4mm	365-370

Lupuna Plywood BB/CC, domestic (Pucallpa mills)	US$ per m^3
122 x 244 x 4mm	444
122 x 244 x 6mm	435
122 x 244 x 8mm	422
122 x 244 x 10mm	409
122 x 244 x 12mm	415
122 x 244 x 15mm	411
122 x 244 x 18mm	473

Other Panel Prices

Peru, Domestic Particleboard	US$ per m^3
1.83m x 2.44m x 4mm	279
1.83m x 2.44m x 6mm	235
1.83m x 2.44m x 8mm	209
1.83m x 2.44m x 9mm	217
1.83m x 2.44m x 12mm	200

Added Value Product Prices

Peru, strips for parquet	US$ per m^3
Cabreuva/estoraque KD 12% S4S	
Asian market	1320-1380
Cumaru KD, S4S	
Swedish market	610-625
Asian market	570-590
Cumaru decking, AD, S4S E4S	
US market	750-800
Pumaquiro KD # 1, C&B	
Mexican market	465-480
Quinilla KD, S4S 2x10x62cm	
Asian market	570-580

Report from Bolivia

Sawnwood Prices

Sawnwood 1-3"x3x5"x7-19', FOB Arica Port		Avg $ per m^3
Mahogany	(US market)	1200-1900
Spanish Cedar	(Chilean market)	530
Oak	(Asian market)	510-540

Added Value Product Prices

Doors 1 3/4"x36"x96", FOB Arica Port	Avg $ per piece
US market	
Mara macho/Tornillo (FSC)	120
Yesquero	140-170
Oak (FSC)	145

Report from Guatemala

Log Prices

Teak, FOB S.Tomas de Castilla Port	Avg $ per m^3
Plantation teak 16+cm (Indian market)	230

Sawnwood Prices

Teak, FOB S.Tomas de Castilla Port 8-20.5cm x 9-20.5cm x 2.2m	Avg $ per m^3
Plantation teak (Indian market)	442

Report from Guyana

Guyana poised to be L.A.'s largest log exporter

The total value of Guyana's forest products exported reached almost $48.6 million in 2005, up 12% from 2004. The surge in exports was due to increases in exports of logs (up 67% in value), doors (66%), sawn lumber (28%) and living room and garden furniture (15%). The export value of plywood decreased 27% in 2005. Other products remained fairly stable.

Forest products' exports in 2005

Product	Quantity	Value mill. $	% of value
Sawnwood (m^3)	43,020	17.80	37%
Logs (m^3)	124,951	13.70	28%
Plywood (m^3)	36,574	11.33	23%
Furniture (pieces)	43,971	3.42	7%
Wallaba hingles (m^3)	2,198	1.06	2%
Doors (pieces)	9,150	0.69	1%
Mouldings (m)	184,034	0.25	1%
Others		0.34	1%
Total		**48.58**	**100%**

Sawnwood was the major export product in 2005, accounting for 37% of the total export value. The main markets for sawnwood were the Caribbean (notably Barbados), the USA and UK. Continued investment in the sawmilling sector is expected to result in increases in the production and export of sawn lumber.

The number of exported log lesser used species (LUS) rose to 50 species. This is expected to continue in 2006 as more species gain recognition in the market place. Guyana is set to overtake Ecuador as Latin America's largest exporter of tropical logs. The major destinations for Guyana's logs were India, China, Vietnam, Taiwan P.O.C. and Hong Kong S.A.R.

Log Prices

Logs, FOB Georgetown Port	Avg $ per m^3
Greenheart	
Standard SQ	105-110
Fair SQ	100-104
Small SQ*	130-270 ⬇
Purpleheart	
Standard SQ	130-140
Fair SQ	110-115
Small SQ*	80-100 ⬇
Mora	
Standard SQ	-
Fair SQ	83-110
Small SQ*	73-83

*Small SQ is used for piling in the USA and EU. Price depends on length.

Sawnwood Prices

Sawnwood (dressed), FOB Georgetown EU and US markets	Avg $ per m^3
Greenheart	
Prime	425-575
Select	400-424
Purpleheart	
Prime	500-600
Select	400-460

Plywood Prices

Plywood, FOB Georgetown Port		Avg $ per m^3
Baromalli		
BB/CC	5.5mm	291-378⬆
	9mm	335-360⬆
Utility	5.5mm	360-382⬆
	9mm	320-330⬆

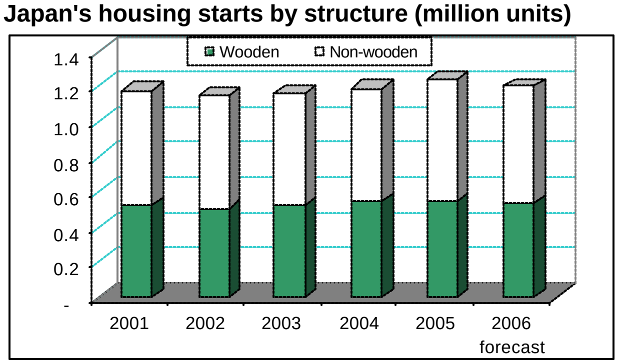
Report from Japan

Housing starts reached 8-year high in 2005

New housing starts reached almost 1,236,122 million units in 2005, up 4% from 2004 (see chart). This was the highest level in the last eight years and the first over the 1.2 million mark in five years due to a general recovery in the Japanese economy. Rental units accounted for 504,191 units, a 5-year high and the first time to exceed 500,000 units since 1997. Units built for sale reached 369,103 units, up 7% from 2004, of which condominiums accounted for 229,395 units (up 12.4%), while detached units accounted for 137,829 (down 1%). However, owner built units declined to 353,282, down 4.5% from 2004 and the second consecutive drop.

Wood based units were 542,859 or 44% of all built housing starts, up 0.4% from 2004. Of these, 2x4 units increased almost 6%, the fourth consecutive annual increase. In October, Japan's Research Institute of Construction and Economy had forecast new housing starts just under 1.2 million units for 2006 (see chart). However, this might be an underestimation if the Japanese economy continues to improve.

Japan's housing starts by structure (million units)



Log price negotiations stall again

Price negotiations on imported tropical logs between importers and domestic plywood mills failed in January and were carried over again to early February. There remained gaps between asked and offered prices.

Log importers asked ¥7,500 per koku CIF (1 koku=0.278 m^3) for Sarawak meranti regular logs arrived in December, while plywood mills offers were at about ¥7,200. Plywood mills continued to resist further log price increases, while importers are reported to be suffering financial losses. The recent depreciation of the yen has complicated the negotiations.

FOB prices firm regardless of Japanese demand

FOB prices continue to advance in Malaysia. As demand from domestic plywood mills as well as from India, China and Vietnan remains strong, log suppliers are bullish regardless of developments in Japan. Due to the lunar New Year holidays, log supply is expected to remain tight up to late February. Sarawak meranti suppliers are pushing FOB prices up $2-3 per m^3 for all grades. Kapur prices, in turn, have moved up close to keruing price levels after some aggressive buying by India. This, in turn is pushing demand and prices for keruing.

Marubeni invest in plantation business

Japan's Marubeni Corporation has acquired majority control of two Indonesian companies: P.T. Musi Hutan Persada (MHP), a plantation company and P.T. Tanjungenimu Lestari Pulp and Paper (TEL), which buys raw material from MHP. MHP holds a concession for industrial plantation for 43 years. Out of its 300,000 hectares of timberland, 190,000 hectares are forest plantations, 95% of which is of acacia mangium with an annual harvest of about 2.2 million m^3. TEL buys acacia mangium from MHP and has an annual production of 450,000 ton of pulp for paper, which are sold over the world since 2000.

Marubeni Corp. plans to develop not only the production of pulp but also of board and building materials utilizing surplus plantation production. Marubeni sees the utilization of plantation wood as an important strategy in the face of tightening availability of timber from natural forests worldwide. Marubeni intends to develop its building materials businesses from plantation forest in Indonesia.

Half of wooden houses need reinforcement

NPO Corporation, Japan's Environment and Disaster Research Center, indicated that 12.2-14.9 million of wooden house units, out of total 28-30 million units, needed reinforcement for earthquake resistance. Of these, 11.65-14.37 million of detached wooden house units have safety problems, particularly those built before the new anti-earthquake standard set in 1981.

It would take 24-30 years to reinforce all house units under risk, assuming that 500,000 units are renewed or rebuilt annually. But, at the same time, 500,000 old house units are replaced annually; this may slow down reinforcement activities of house units under risk.

Log and Sawnwood Prices in Japan

Logs for Ply Manufacture, CIF	Yen per Koku
Meranti (Hill, Sarawak)	(Koku=0.278 m^3)
Medium Mixed	7,100
Standard Mixed	7,200
Small Log (SM60%, SSM40%)	6,200
Taun, Calophyllum, others (PNG)	5,700
Mixed light hardwood, G3-G4 grade (PNG)	5,200
Okoumé (Gabon)	8,000
Keruing MQ & up (Sarawak)	8,000
Kapur MQ & up (Sarawak)	7,900

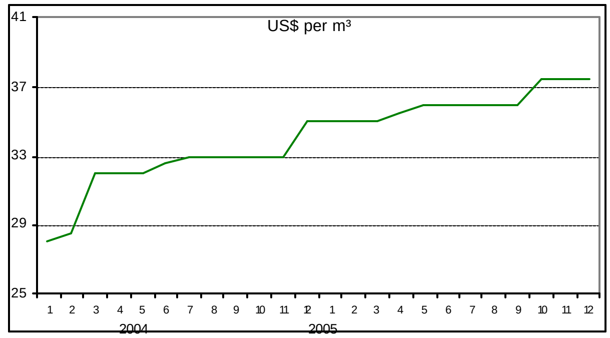
Logs for Sawmilling, CIF	Yen per Koku
Melapi (Sarawak) High Select	8,800
Agathis (Sarawak) High Select	8,600

Lumber, FOB	Yen per m^3
White Seraya (Sabah)	
24x150mm, 4m, Grade 1	105,000
Mixed Seraya, Sangi	
24x48mm, 1.8-4m, S2S	43,000

December and January Wholesale Prices

Indonesian Plywood	Size (mm)	January (¥ per sheet)	February (¥ per sheet)
2.3mm (thin plywood, F 4star, type 2)	920 X 1830	320 ↑	340 ↑
3.7mm (med. thickness, F 4star, type1)	910 X 1820	430	440 ↑
5.2mm (med. thickness, F 4star, type 1)	910 X 1820	540	550 ↑
12mm for sheathing (F 3star, type 2)	910 X 1820	900 ↑	900
12mm for foundation (F 4star, special)	910 X 1820	960 ↑	960
12mm concrete-form ply (JAS)	900 X 1800	920 ↑	920
11.5mm flooring board	945 X 1840	1130	1130
3.6mm baseboard for overlays (OVL)	1230 X 2440	780	780
5.2mm for packing	1230 X 2440	830	n/a
8.5mm for packing	1230 X 2440	1080	1080
Malaysian Plywood			
2.3mm (thin plywood, F 4star, type 2)	920 X 1830	320 ↑	340 ↑
3.6mm (med. thickness, F 4star, type1)	910 X 1820	430	440 ↑
5.2mm (med. thickness, F 4star, type 1)	910 X 1820	540	550 ↑
12mm for sheathing (F 3star, type 2)	910 X 1820	900 ↑	900
12mm for foundation (F 4 star, special)	910 X 1820	960 ↑	960
11.5mm concrete-form ply (JAS)	900 X 1800	920 ↑	920
11.5mm flooring board	945 X 1840	1130	1130
3.6mm baseboard for overlays (OVL)	1230 X 2440	780	780
Softwood Plywood (Canadian CSP)			
9.5mm foundation of wall (JAS)	1220 X 2440	1500	1500
12.5mm sheathing (T&G JAS)	606 X 2273	1030	1030
15.5mm foundation (T&G JAS)	1220 X 2440	2500	2500
18.5mm foundation (T&G JAS)	1220 X 2440	2850	2850
Particleboard (Indonesian)			
12mm for woodworking	910 X 1820	n/a	n/a
15mm for woodworking	910 X 1820	n/a	n/a
OSB (North American)			
12mm foundation of roof (JAS)	910 X 1820	980	980
9.5mm foundation for 2 by 4 (JAS)	910 X 2440	1020	1020
9.5mm conventional foundation (JAS)	910 X 2730	1250	1250
9.5mm conventional foundation (JAS)	910 X 3030	1350	1350

Ocean freight Sarawak-Tokyo 2004-2005



More information on Japan in www.n-mokuzai.com

Report from China

China's 2005 trade statistics

China's Customs Office has recently published 2005 statistics of forest product trade.

Imports

China's log imports totalled 29.37 million m^3 ($3.2 billion) in 2005, up 10.4% (up 16% in value) from 2004. Tropical timber imports accounted for 7.42 million m^3 (25% of total log imports), up almost 1%. Log imports were mainly from Russia (20.04 million m^3, 68% of the total), Malaysia (1.86 million m^3), PNG (1.84 million m^3), Myanmar (1.13 million m^3), Gabon (0.8 million m^3), Solomon Islands (0.65 million m^3), New Zealand (0.64 million m^3), Congo (454,000 m^3), Germany (445,000 million m^3), Equatorial Guinea (304,000 m^3) and Australia (236,000 m^3).

Most log imports came through the ports of Manzhouli (8.1 million m^3), Harbin (7.1 million m^3, notably through Suifenhe port), Nanjing (5.65 million m^3, notably through Zhangjiagang port), Hohhot (2.67 million m^3, notably Erlian), Shanghai (1.02 million m^3) and Kunming (1.01 million m^3, notably Ruili).

China's sawnwood imports amounted to 5.97 million m^3 ($1.51 billion) in 2005, up 1.3% (up 8.7% in value) from 2004. Sawnwood imports were mainly from Russia (1.06 million m^3, 18% of total imports), the USA (852,000 m^3), Thailand (762,000 m^3), Indonesia (720,000 m^3), Malaysia (475,000 m^3), Canada (350,000 m^3), Myanmar (321,000 m^3), Brazil (280,000 m^3), New Zealand (217,000 m^3) and Chile (143,000 m^3).

China's plywood imports continued their downward trend, declining to 589,100 m^3 ($276.68 million) in 2005, down over 26% (down 28% in value) from 2004. Plywood imports were mainly from Indonesia (65%) and Malaysia (21%). Other imports included waste paper (17.04 million tons valued at $2.46 billion), pulp (7.59 million tons valued at $3.73 billion), and paper and cardboard (5.21 million tons valued at $3.55 billion).

Exports

China's sawnwood exports were 615,000 m^3 ($278.5 million) in 2005, up 26% (up 27% in value) from 2004. Exports went mainly to Japan (392,000 m^3), South Korea (74,000 m^3), Taiwan P.O.C. (38,000 m^3) and the USA (21,000 m^3).

Plywood exports continued to climb, reaching 5.59 million m^3 ($1.88 billion) in 2005, up 30% (up 50% in value) from 2004. Main export markets were the USA (1.7 million m^3, 30% of total plywood exports), Japan (429,500 m^3, 7.7%), South Korea (321,100 m^3, 5.7%), the UK (316,400 m^3, 5.6%) and Taiwan P.O.C. (287,800 m^3, 5%).

Paper and paperboard exports amounted to 1.67 million tons ($1.344 billion) in 2005, up 65% (up 64% in value) from 2004. Exports of all type of furniture (including wooden and metal furniture) climbed 33% to over $13.5 billion in 2005.

Guangzhou City Imported Timber Market

Logs	Yuan per m^3
Radiata 6m, 30cm diam.	1050⬇
Luan	1650-2000⬇
Merbau 6m, 60cm diam.	4500-6100⬆
Kapur/Keruing 60cm+ diam.	1800-2300
Beech 6m,30cm veneer Qual.	3300-3600
Sawnwood	
Teak Boards	8000-14800
US Maple 2" KD	8000-12200⬆
US Cherry 2"	11500-14000⬇
US Walnut 2"	12000-14500⬆
SE Asian Sawn 4m+, KD	3800-4300
Plywood	Yuan per sheet
4x8x3mm	26-35
4x8x18mm	155-175

Shanghai Furen Wholesale Market

Logs	Yuan per m^3
Wenge (Africa)	-
Sawnwood	
Beech KD Grade AB	2900-3400
US Cherry, 25mm	12500-13000
US Red Oak, 50mm	10500-11000
Sapele AD 50mm (Congo)	6200-6400⬇

Shandong De Zhou Timber market

Logs	Yuan per m^3
Larch	
4m, 24-28cm diam.	950⬆
6m, 24-28cm diam.	950
White Pine	
4m, 24-28cm diam.	950
6m, 24-28cm diam.	960
Korean Pine	
4m, 30cm diam.	1100
6m, 30cm diam .	1200

Hebei Shijiangzhuang Wholesale Market

Logs	Yuan per m^3
Korean Pine 4m, 38cm+ diam	1000⬇
Mongolian Scots Pine	
4m, 30cm diam.	1040⬆
6m, 30cm+ diam.	1060
Sawnwood	
Mongolian Scots Pine	
4m, 5-6cm thick	1300⬆
4m, 10cm thick	1300

Tian Jin City Huan Bo Hai timber Market

Sawnwood	Yuan per m^3
US Black Walnut 2.2-4m, 5cm thick	15000
Padauk 2.2-3.2m, 5cm thick	8500-9800
Sapele 2.2-2.6m, 5cm thick	5300
Ash 4m, 50mm thick	(3600)

Combi-plywood Prices (US Market)

Plywood 4'x8', Shanghai Port	FOB $ per m^3
Okoume face, Poplar core	
18mm, BB/CC	215
15mm, BB/CC	225
Birch face, Poplar core	
18mm, B/B	300
15mm, B/B	315
Poplar through & through	
18mm, C/C	245
15mm, C/C	255

Birch- and poplar-poplar ply have low yield rate due to small diameter and bad quality, and are therefore more expensive than okoume-poplar ply.

For information on China's forestry try: www.forestry.ac.cn

Report from Europe

Russia, a booming market for the UK

Russia is considered a booming market for furniture made in the UK, according to the British Furniture Manufacturers Association (BFM). Trade missions were organized to host Russian trade operators at Birmingham's "The Furniture Show" in January, while a delegation of BFM attended Moscow's international furniture show "Mebel" last November. BFM invited over 50 Russian furniture retailers and interior designers during the event, who were seeking furniture suppliers other than Italian and German.

Real income in Russia was expected to increase 10% in 2005. The implementation of the first six new Special Economic Zones (SEZ) was announced last October, aiming at favouring both local and foreign investors. According to CSIL Milano, Russia is not within UK's ten top furniture export destinations. Presently, UK's main furniture trading partners are Ireland, the US, France, Germany, Belgium, Spain, Netherlands, Italy, Japan and Switzerland.

To further promote UK furniture in the Russian market, BFM will hold exhibitions both at the Mebel's Forum Pavilion 2006 edition and at Manezh, a prestigious art gallery and exhibition focusing on high-end furniture, interior design and decoration, located near the Kremlin.

World consumption of kitchen furniture grows

World consumption of kitchen furniture (valued at production prices, excluding markup) is worth about $38 billion, or about 16% of total world furniture consumption, according to CSIL estimates based on the 56 most important countries. World consumption of kitchen furniture at production prices grew from $27 billion in 1997 to $38 billion in 2004, and continues to grow. About 82% of the world's kitchen furniture consumption takes place in the ten large markets, namely the USA, Germany, Japan, Italy, the UK, France, Canada, Spain, South Korea and Australia.

Report from the UK

Manufacturing and building still at inertia

Manufacturers continued to struggle with a further fall in orders hitting both output and confidence during the last quarter of 2005. Research shows that manufacturers reacted by reducing staff and a further reduction of 24,000 is expected in this quarter, due to higher fuel prices and a lower demand.

The annual growth rate of house prices in December was 2.3%, up from the previous month. However, the building sector remains subdued, affected by the very cold weather in recent weeks.

Economic indicators

Last week, a UK parliamentary by-election held in a Scottish constituency was won by the Liberal party turning over a majority by the Labour party. The results are believed to be caused by the closure of companies in the area. Some analysts think this could be the turning point in the New Labour's fortune and in the UK economy. The basic interest rate of 4.25% was held once again by the Bank of England amid calls for a reduction, which now appears unlikely in the near future. The Office of National Statistics (ONS) has reported that the trade deficit for goods (excluding services) reached £6.06 billion last December and a record £65.50 billion for the whole of 2005.

Log Prices

FOB plus commission		€ per m^3
N'Gollon (khaya)	70cm+ LM-C	230-240
Ayous (wawa)	80cm+ LM-C	240-250
Sapele	80cm+ LM-C	260-270
Iroko	80cm+ LM-C	340-360

Sawnwood Prices

FOB plus Commission	Pounds per m^3
Brazilian Mahogany FAS 25mm	925*
Teak 1st Quality 1"x8"x8"	2035-2350
Cedro FAS 25mm	420-450
DR Meranti Sel/Btr 25mm	410-420
Keruing Std/Btr 25mm	288-315
Sapele FAS 25mm	358-390
Iroko FAS 25mm	460-485
Khaya FAS 25mm	380-400
Utile FAS 25mm	425-435
Wawa No.1 C&S 25mm	200-235

*When last available

Plywood and MDF Prices

Plywood Panels 8x4", CIF	US$ per m^3
Brazilian WBP BB/CC 6mm	610
Brazilian Mahogany 6mm	1265*
Indonesian WBP BB/B 6mm	610-630
MDF	Pounds per 10m^2
Eire, BS1142 12mm	45.50⬆

*When last available

Report from the Netherlands

Prices remain firm despite flat Dutch market

The Dutch market for tropical hardwoods remained flat while lunar new-year celebrations continued in Asian producer countries. Some local business was carried out only at discounted prices, particularly for dark red meranti (DRM), sapupira and sapelli, as Dutch retailers and end-users were putting downward pressure on prices.

Despite the quite market, few fresh quotations for 3x5" KD DRM PHND show firm levels while prices for nemesu KD PHND even went up. Since bad weather conditions remain in Peninsular Malaysia, it is generally expected that the cost of logs will continue the upward trend seen since late November. Moreover, possible hikes in oil prices would have an added impact on container rates, sawmillers' overheads (higher diesel prices for aggregates and band-saws) and kilning costs.

Supply from Brazil remains restricted

The supply situation from Brazil to the Dutch market remains problematical due mainly to a backlog of harvesting permits pending approval in that country. Export of Brazilian sawn timber into the Netherlands is heavily disrupted. Bad weather conditions in Brazil are compounding the situation.

Acquisition in the Dutch timber market

Recent press reports indicate that Royal Jongeneel, one of the largest traders in timber products since 1797, plans to takeover four companies from the DPW van Stolk Holding BV (part of the Indofin Group). Jongeneel, which operates independently from its parent company N.V. Deli-Universal, has already a network of 34 subsidiaries nationwide. Jongeneel also comprises M/s Heuvelman (a large softwood trader) and the well known brand Jéwé (importers of mouldings/semi-finished timber products). Jongeneel aims to expand its network of regional branches and gives Stolk the opportunity to concentrate more on its core activity, which is the international trade of hardwood and softwood, and the production/distribution of (semi-)finished (tropical hardwood) timber products.

Exakta holding declared bankrupt

Recent news indicates that the Exakta holding has been declared bankrupt in late January. The holding operated window frame factory Exakta (PVC windows) and the parquet factory Rowi. The latter, an old manufacturer of tropical parquet made of hardwood species such as teak, merbau, kembang semangkok and robinia, was a known brand in the Dutch market. Despite aggressive marketing campaigns, Exakta sales shrank due to the economic recession in the Netherlands.

In one of the marketing campaigns in 1998, Exakta offered customers refund for purchases of Rowi flooring or Exakta windows by 2006. The holding has now to arrange a refund of about €16 million to 1,650 clients but funds will probably be insufficient due to preferential claims (loans, social funds, etc.).

Sawnwood Prices

CNF Rotterdam	US$ per Ton of 50 ft^3
Malaysian DRM KD Sel/Btr PHND in 3x5"	
Bukit	1135⬆
Nemesu	1135⬆
Seraya	1120-1125
MTCC Certified Seraya*	1175
MTCC Certified Bukit	1175
Merbau DRM KD Sel/Btr Sapfree in 3x5"	1440-1450⬆
Merbau 1¾x12"	1500⬇
Indonesian DRM KD Sel/Btr PHND,3x5"	
Bukit	1100-1110
Seraya	1110
Sapupira (Angelim pedra) AD FAS 3x5"	US$ per m^3
Non certified	591⬆
FSC-certified	860⬆

1 ton of 50 Cu.ft. = 1.416 m^3; PHND= Pin hole no defect grade.
*Price also for Keurhout Legal (KH-LET) certified product.

Okoumé Plywood Prices

Small 250x122, 18mm thick., through and through (landed, incl. imp. duty)	€ per m^2
Non-KOMO (China)	10.53
KOMO (China)	11.58
KOMO (France/Morocco)	11.89

KOMO is a quality standard for the Dutch building sector.

Report from North America

The US hardwood market: the Appalachians

This is the second article on the US hardwood market, focusing on the Appalachians sub-region. The Appalachians are commercially the most productive hardwood region in the USA. Valuable species in the Appalachians include cherry, oak (red and white), maple (hard and soft), birch and walnut. The overall market conditions for Appalachian hardwoods are fairly stable. However, each wood species is subject to special circumstances.

Prices of key species in the US Appalachians ($/1000 bf, 1", top quality, FOB mill, truckload quant.)

	Mid-Dec '05	Mid-Jan '06	% change
Green			
Cherry	1,570	1,570	0.0
Red oak (plain)	1,045	1,030	-1.4
White oak (plain)	975	980	0.5
Hard maple (white)	2,150	2,145	-0.2
Soft maple	1,210	1,205	-0.4
Walnut	2,040	2,040	0.0
Birch	930	930	0.0
Kiln Dried			
Cherry	3,000	3,000	0.0
Red oak (plain)	1,525	1,525	0.0
White oak (plain)	1,540	1,550	0.7
Hard maple (white)	2,510	2,510	0.0
Soft maple	1,730	1,725	-0.3
Walnut	2,520	2,520	0.0

Red oak demand subdued

Prices for green red oak are on a general downward trend. Prices of kiln-dried red oak lumber are still stable but may also experience some weakness in the months to come. As a result, many sawnmills are now curtailing the production of this species in favour of the more lucrative cherry and maple woods.

Demand for white oak depends on grade

Market conditions for white oak vary depending on the grade. Demand for upper grades is vivid and prices are moving forward. On the other hand, demand for lower grades is less buoyant and prices are falling.

Cherry bullish, hard maple demand strong

Cherry is a very popular species in the furniture, cabinet, flooring and millwork industry. However, inventories of the lower grades and of the most common thicknesses have been growing and can now be sold only at discount prices.

The appearance of hard maple is of great appeal to US buyers of cabinets and many other wooden end-use products. Due to the great popularity of this species and the associated lucrative profit margins, sawmills raised production levels resulting in an oversupply of hard maple and softening of prices.

Soft maple: firm demand and abundant supply

Although demand for soft maple remains solid, the supply of this wood is also presently abundant. Upper grades and thicker lumber have been less affected by the price weakness.

Birch under pressure

Current business conditions for birch are difficult while supply is ample. Competition from imported lumber, wooden parts and finished goods is hurting US birch producers.

Poplar popular in Asian markets

Poplar is an important species in the Appalachian region and current market conditions are solid for all grades. In comparison to many other hardwoods, poplar remains a very economical choice and current prices are still acceptable even to the price-conscious Asian buyers.

Balanced supply-demand for walnut

Log and lumber inventories of walnut are currently adequate as production for most items is keeping pace with orders. Supply and demand for the upper quality grades are in balance and prices are stable. This is different for the common grades where the demand from hardwood flooring manufacturers is exceeding the supply.

US housing starts hit second highest level

New housing starts reached 2.065 million units in 2005, up almost 6% from 2004 and the first time to hit 2 million units since 1978. US new housing starts have exceeded the 1.5 million units level for eight straight years since 1998. Detached units, in particular, rose 6.4% to over 1.71 million units, a new record. The ratio of detached units over total housing starts continued to increase, reaching 83% in 2005. The increase of detached units continues to stimulate the demand for lumber and structural panel considerably, now probably the largest in record.

US Imported Sawnwood Prices

Average FOB prices		$ per m^3	
		Oct	Nov
Balsa*	(Ecuador)	403	461
Mahogany**	(Peru)	1,620	1,743
	(Bolivia)	1,281	1,374
Mahogany*	(Peru)	1,735	1,764
Virola**	(Brazil)	290	294
Virola*	(Brazil)	365	378
Red Meranti	(Malaysia)	769	736
	(Indonesia)	695	686
Teak**	(Taiwan)	1,752	1,807
Keruing**	(Malaysia)	466	449
Keruing*	(Malaysia)	566	568

*Dimension lumber; **Rough lumber

Internet News

The Chinese central government is working on a long-term plan to increase the use of alternative fuels to reduce the dependence on oil.
http://news.xinhuanet.com/english/2006-02/13/content_4171364.htm

The creation of free zones in Qatar as a 100% foreign investment venture will commence soon.
http://www.gulf-daily-news.com/Story.asp?Article=135260&Sn=BUSI&IssueID=28330

The enlarging interest-rate gap between China and the USA helps keep the *yuan* stable, and serves against world pressures for China's currency to further appreciate.
http://news.xinhuanet.com/english/2006-02/13/content_4171491.htm

The fastest-growing city on earth, Dubai is spending mind-boggling sums on construction and is about to swallow up P&O in its bid to be a global maritime power. Given the scale of its ambition, could it become the most important place on the planet?
http://www.guardian.co.uk/g2/story/0,,1708287,00.html

The huge profits reported by oil and gas companies would turn into losses if the social costs of their greenhouse gas emissions were taken into account.
http://news.bbc.co.uk/2/hi/science/nature/4699354.stm

Latest government statistics have revealed that China's real estate sector has accumulated over 167 million m^2 of unused land resources across the country, an alarming sign of house oversupply.
http://china.org.cn/english/BAT/157299.htm

Ministers from the world's richest countries meet in Moscow seek cooperation amidst heightened fear that energy prices could harm strong global economic growth.
http://money.cnn.com/2006/02/11/news/international/g8_summit.reut/index.htm?cnn=yes

The Vietnamese Ministry of Agriculture and Rural Development's Forestry Department, recently approved five natural resource-management projects proposed by the Trust Fund for Forests.
http://vietnamnews.vnagency.com.vn/showarticle.php?num=03ECO090206

Uganda's National Forest Association has embarked on a national commercial tree planting campaign to enhance farmers' incomes and conserve the environment.
http://www.newvision.co.ug/D/8/220/481505

Nearly 50% of the Indonesia's 126 plywood factories are lying idle due to marketing problem and difficulty in obtaining raw material.
http://asia.news.yahoo.com/060210/4/2fmcv.html

People connected with Canada's forest industry worry that an accusation regarding David Emerson's involvement in the softwood lumber dispute could do longer-term damage to the country.
http://cnews.canoe.ca/CNEWS/Canada/2006/02/12/1439016-cp.html

FAO provided $203,000 to the Ministry of Forestry of Myanmar as part of a regional technical cooperation project.
http://www.myanmar.com/myanmartimes/MyanmarTimes16-302/n008.htm

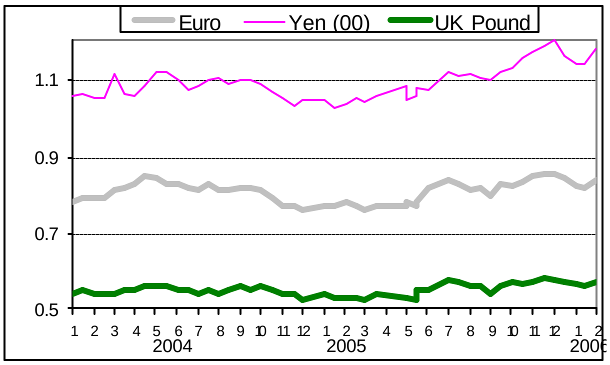
Science team finds 'lost world' in Indonesia's Papua.
http://news.bbc.co.uk/1/hi/sci/tech/4688000.stm

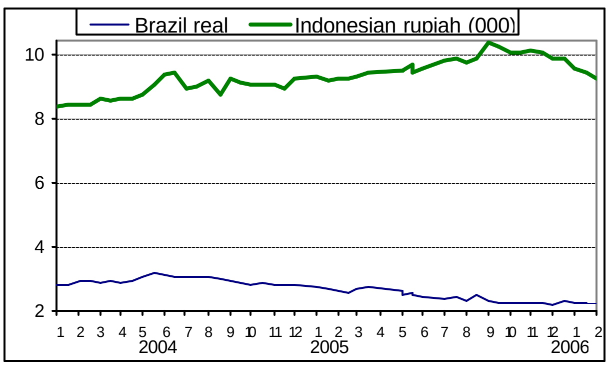
Home Depot is in talks to acquire a large stake in Orient Home, one of China's largest DIY chains. An agreement would mark the US group's entry into the $50 billion Chinese home improvement market.
http://www.forbes.com/markets/feeds/afx/2006/02/12/afx2519580.html

Main US Dollar Exchange Rates

As of 8th February 2006

Brazil	Real	2.194	⬆
CFA countries	CFA Franc	548.90	⬇
China	Yuan	8.055	⬆
EU	Euro	0.837	⬇
Indonesia	Rupiah	9,265.00	⬆
Japan	Yen	118.62	⬇
Malaysia	Ringgit	3.734	⬆
Peru	New Sol	3.284	⬆
UK	Pound	0.574	⬇





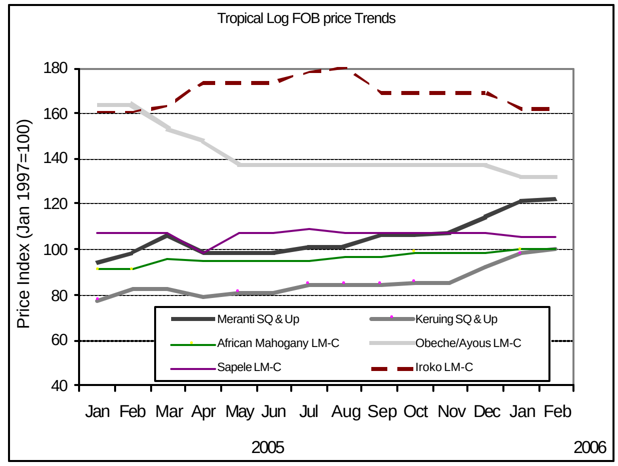
Abbreviations and Equivalences

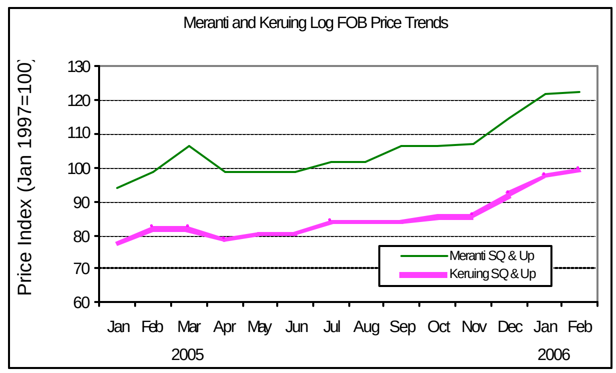
LM	Loyale Merchant, a grade of log parcel
QS	Qualite Superieure
CI, CE, CS	Choix Industriel, Economique or Supplimentaire
FOB	Free-on-Board
CIF; CNF	Cost, insurance and freight; Cost and freight
KD; AD	Kiln Dry; Air Dry
Boule	A log sawn through and through, the boards from one log are bundled together.
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
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

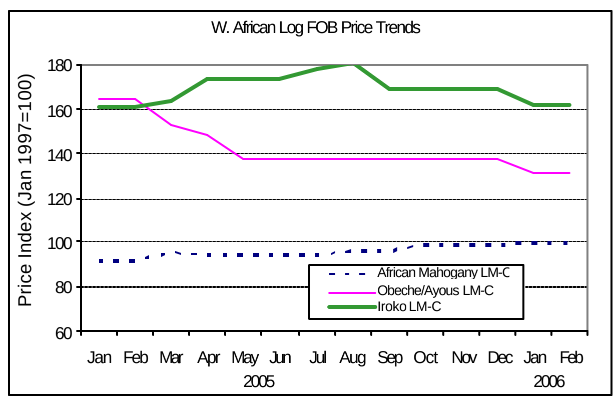
Appendix. Tropical Timber Price Trends

Tropical Log Price Trends

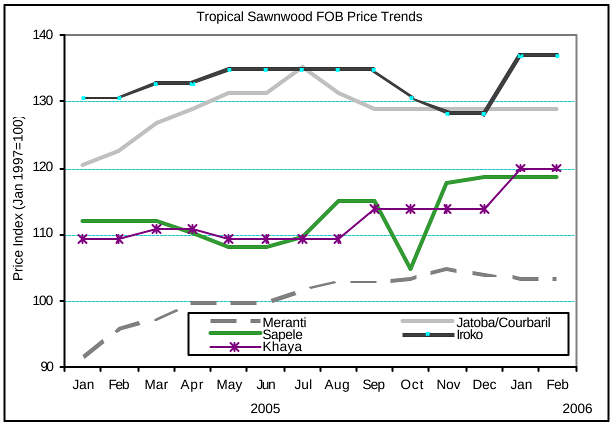
Note: Y-axis: Price index (Jan 1997=100)

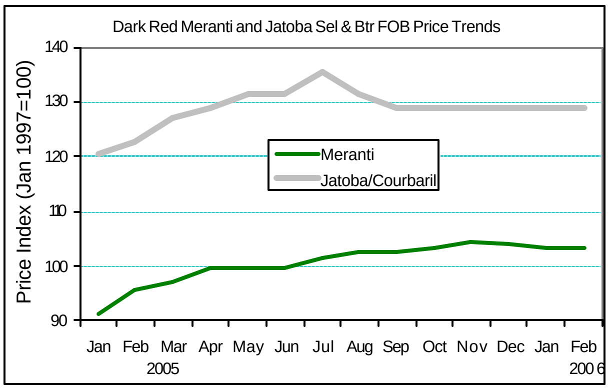


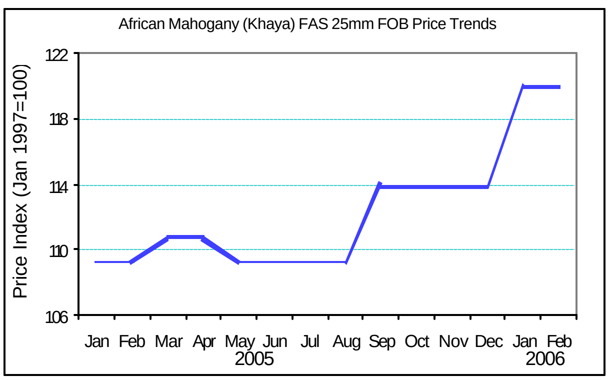


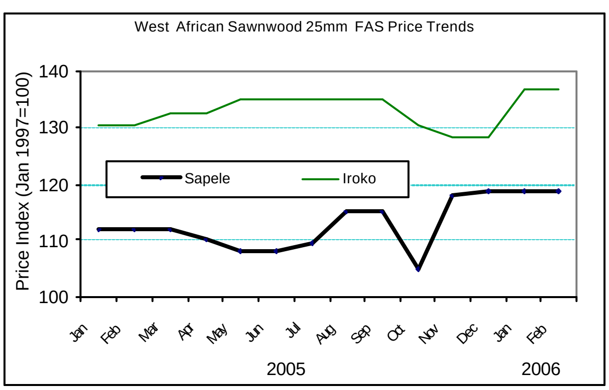


Tropical Sawnwood Price Trends

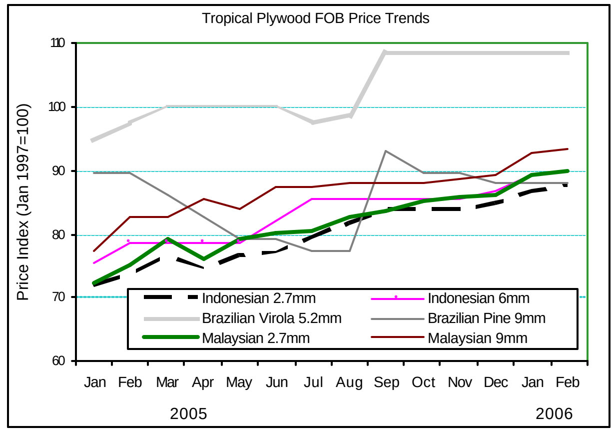


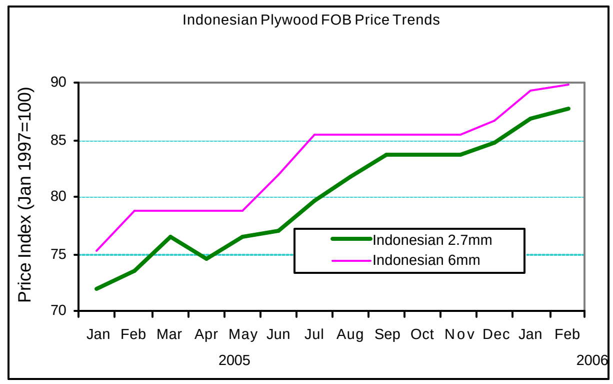


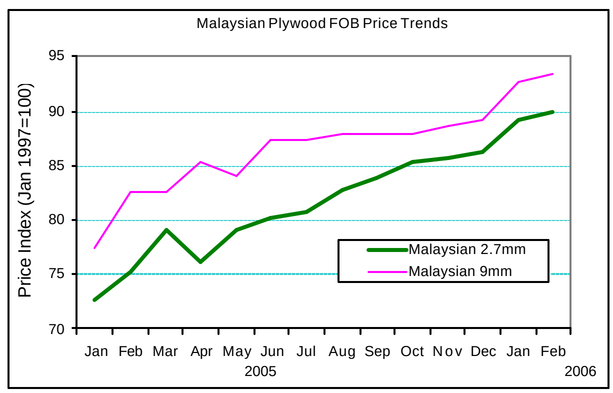


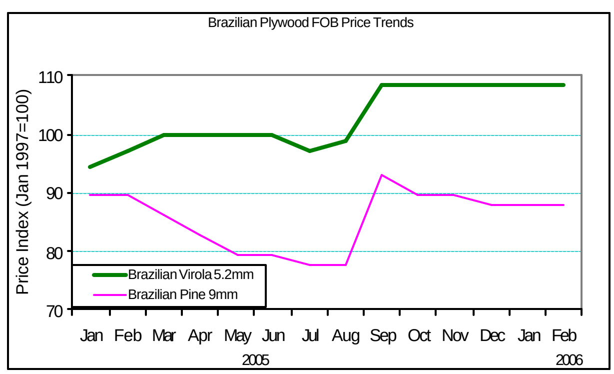


Tropical Plywood Price Trends









International Tropical Timber Organization (ITTO)
Market Information Service (MIS)

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