



Rain and currencies impact tropical timber prices during first half of 2007

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DURING the first half of 2007, prices for West African tropical timber were unsteady due to weakening demand from China. Southeast Asian logs were in limited supply due to heavy rains. The effects of a weakening us dollar also impacted tropical timber prices, particularly in Latin America, with effects continuing into mid-summer.

African prices fall

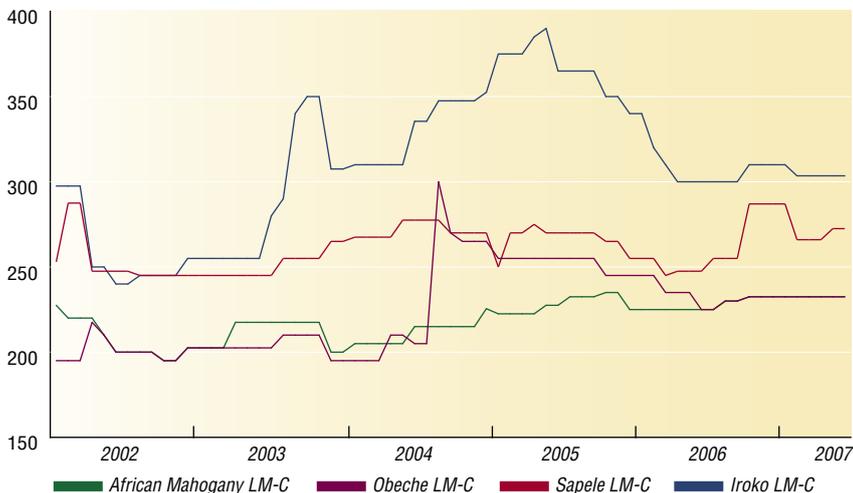
Although African prices were steady in the second quarter of 2007 (see *TFU 17/2*), a glut in log stocks in West Africa caused prices to fall thereafter. Weakening demand from Chinese buyers heightened the overstocking of logs at West African ports. However, prices were not severely impacted in April and May, due to strong demand from India, Europe and the Middle East. Prices for some species, such as sapele, were rising through the end of June (*Figure 1*), although prices for okoume were hit by overstocking. Producers were also fearful that the European holiday period would have a negative impact on prices at the start of the second half of the year.

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Ghana's Timber Industry Development Division (TIDD) reported a record increase in trade volume for the first half of 2007. The results showed a 22% increase in volume and a 9.5% hike in value from 2006. Plywood exports (including overland exports), lumber (KD) and lumber (AD) contributed 24%, 21.2% and 15.5%, respectively, of the total volume of timber exports (265,910 m³) for the half year period, with the main plywood importer from Ghana being Nigeria. Ghana started exporting okoume sawnwood for the first time in 2007.

Africa Logs

Figure 1: Log export prices, 2002–2007 (US\$/m³ FOB)



Note: LM-C = Loyal Merchant, grade C (log grade)

Southeast Asia prices remain high

Malaysia began to search for new wood products markets in Latin America in 2007. Indonesia also sought new markets, setting a goal to double its trade with Qatar by pushing key exports such as furniture, plywood, blockboard and paper. Prices for Malaysian timber reached all time highs, due to price increases for building materials. Prices for all thicknesses and grades of Southeast Asian plywood rose steadily through the third quarter of 2007 (*Figure 2*). Several Southeast Asian furniture manufacturers that had invested in product development and innovation also began to see returns on their investment in the form of strategic business partnerships with major multinational companies in the first half of 2007.

In Myanmar, prices began to be fixed by the state-controlled Myanma Timber Enterprise in June, using a six month weighted average for new log contracts. There was some initial unease about the new prices, as the averages used were said to reflect spot rather than actual prices. While demand for teak logs continued to be high in the spring and early summer months, some price fluctuations occurred due to limited supplies of higher quality logs as the six month average price system came into use beginning in July 2007.

Brazil feeling impact of weakening dollar

Media reports in Brazil in early 2007 projected that wood product exports would increase by the end of the year. Such claims seem to be contradicted by results reported in June and July, which revealed that wood product exports (with the exception of pulp and paper) were falling. The only exception to this drop was furniture exports, which increased 7.7% in the month of June, compared to June 2006. Furniture imports, however, were also increasing rapidly, rising by 45% in the first four months of 2007 compared to the previous year.

In Peru, wood sector exports rose marginally in value by 5.5% during the first half of 2007, compared to the same period in 2006. Semi-manufactured products and furniture parts increased in value by 18.8% and 17.1%, respectively, while sawnwood exports rose 13.5% to account for more than half of total wood products export value. On the other hand, building components exports declined by 6.9% in value, manufactured products by 2.7% and veneer sheets by 92%. Reconstituted panel (-82%) and fuelwood/charcoal (-90.8%) exports also fell sharply as these products (like veneer) were directed to domestic rather than international markets. While the us, Mexico and China remained the top three destinations for Peru's wood product exports in the first half of 2007, EU markets continued to grow in importance, with their market share rising by 17.4% during the first quarter of 2007 alone.

Bolivia's wood products also gained market share in Europe, with exports increasing by 8% to the UK and by 3% to the Netherlands during the first quarter of 2007. Wood exports reached US\$55 million during the first quarter, up 24% from the same period in 2006. The US and China remained the biggest importers of Bolivian wood exports. During January–July 2007, exports from Bolivia's Santa Cruz and La Paz regions grew by 30% and 19%, respectively. The two regions accounted for 80% of the total value of Bolivia's timber exports.

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China market remains strong

Imports remained high in China, although domestic timber consumption declined during the first half of 2007 as exports continued to boom and domestic harvests declined. Weather conditions made the harvesting, transport and stocking of logs difficult in China. As a result, traders seemed desperate to buy logs, even at higher prices. In the first half of the year, log imports through Zhangjiangang Port alone rose 40.8% in batch, 43.3% in volume, and 58.6% in value from the same period in 2006. Other ports, such as Heihe, also had record imports of logs and had yet to feel the impact of higher Russian tariffs.

Imports of logs, paper pulp, waste paper, wood chips and furniture rose dramatically, although plywood, fiberboard and particleboard imports declined markedly. Suifenhe City, recently named 'The Capital of China's Wood Industry', revealed that timber imports in the first half of 2007 were 3.95 million m³ and US\$ 420 million, up 13% in volume and 27% in value from 2006.

The total value of Chinese exports of wooden furniture, paper and paper products and plywood topped US\$14.6

billion in the first half of 2007. Lianyung Port exported 50% of the nation's wood based panels, with exports reaching 2.1 million m³ during the first half of 2007. Exports of fiberboard, resin and resin products also increased but raw material exports such as sawnwood, wood chips and charcoal showed a declining trend.

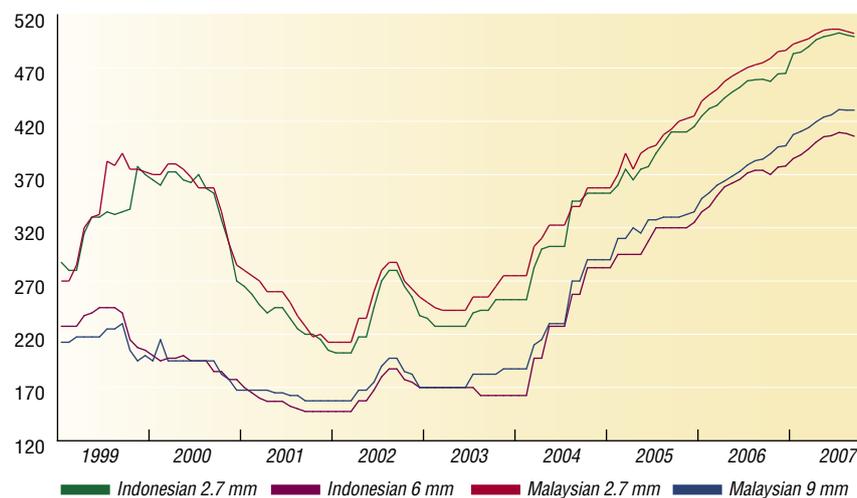
Quingdao Customs reported that plywood exports through Shangdong Port rose 41% in volume and 78% in value during the first half of the year from the same period in 2006. The main export targets were the US, EU and ASEAN countries, which accounted for 69% of plywood exports through the port. The plywood industry received a boost from east, south and north China's high yielding plantations, especially in Hebei, Shangdong and Jiangsu provinces where Italian poplar was introduced and cultivated. Although China's wood based panel industry has been growing in recent years, further expansion of the industry is being constrained by the country's raw material shortages. Local experts have recommended that wood-based panel companies establish more forest plantations and use more substitute products (e.g. bamboo) and recycled waste wood.

Japan ply imports fall

Japan continued the trend towards increasing its reliance on domestic wood supplies. As a result, plywood imports continued to be unstable and resumed their downward trend after briefly recovering in April and May. Softwood plywood production is now over triple that of hardwood production which has fallen along with tropical log imports. Poor weather conditions and high prices for logs from Southeast Asia and the Pacific continued to drive down demand from Japan. Tropical log imports are likely to drop below 1 million m³ in 2007, their lowest level in over 50 years.

Plywood rising

Figure 2: Plywood export prices, 2002–2007 (US\$/m³ FOB)



ITTO study highlights complexities of shipping timber



Loaded: Bulk log carrier on the high seas. *Photo: Delmas*

A new ITTO study has been released that investigates the international shipping of tropical timber products. The purpose of the study was to review the processes and problems relating to the international transportation of tropical timber products and identify potential gaps in the trade chain where illegalities could occur.

The study discusses the linkage of maritime shipping to land-based processes that may weaken the legal international trade of tropical timber products. It explores substantive issues of trade data discrepancies, documentation processes and procedures for shipping timber products, legal guidelines and provisions governing the transportation of timber products and the gaps in ensuring the legal trade of tropical timber. The study presents examples of weaknesses in the tropical timber trade chain and proposes a number of realistic approaches for closing gaps that allow for illegal practises.

The main suggestions to curb illegal trade in tropical timber include strengthening human and technical resources mainly in tropical timber producing countries (particularly related to capacity building for foresters and customs authorities)

and improving measurement standardization via the use of a standardized measurement system for logs, sawnwood, veneer and plywood. The study also suggests that traders and authorities should use gross volumes rather than merchantable volumes with reductions when calculating and reporting timber and timber product volumes, since such reductions can result in differences of up to 20%. The study proposes that an attestation of legal origin of the shipped product be drawn up by an independent third party and accompany internationally traded timber and timber products. Finally, the study recommends that a multi-stakeholder conference on the international transportation of tropical timber be held, in line with previous Trade Advisory and Civil Society Advisory Groups' suggestions, to fully address the concerns of land- and sea-based shipping services and other stakeholders.

The report, Study on the International Transportation of Tropical Timber Products, is available from the ITTO Secretariat (flejzor@itto.or.jp).

Tropical timber on INFOCOMM

ITTO and the United Nations Conference on Trade and Development (UNCTAD) have been working in partnership to improve the dissemination of statistics, studies and information on tropical timber and tropical forests. Cooperation in this context has resulted in the expansion of UNCTAD's Market Information in the Commodities Area (INFOCOMM) portal to include tropical timber, as well as the dissemination of selected ITTO publications through the web-based INFOCOMM facility.

The INFOCOMM portal provides up-to-date information on factors influencing commodity

chains. The portal is organized under 10 headings (characteristics, crop, quality standards, uses, trade, marketing chain, companies, technology, prices and economic policies). It includes smart links to authoritative stakeholders interested in the commodities area. Facts and figures are displayed in a user-friendly manner for facilitating access to analysis vital to the formulation of pertinent policies for commodity production, marketing, processing and financing.

The e-platform is being developed in English, French and Spanish. Products currently available (twenty-five commodity profiles) include citrus

fruits, cashew nuts, bananas, wheat, tropical and temperate timber, cocoa, cotton, iron ore/steel, natural gas, olive oil, jute, karité, nickel, palladium, platinum, crude oil, pepper, rice, sugar, tobacco, tea, and zinc.

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