

# Tropical Timber Market Report since 1990

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## Snapshot

The downturn of many markets around the globe began to have a visible impact on demand and prices of tropical timber products. Malaysian and Indonesian plywood and sawnwood prices have continued to fall. Japan's imports of logs and lumber have dropped sharply during the first half of 2008, and buyers have not continued purchasing Southsea logs due to high prices and weak demand. Meanwhile, prices for iroko logs and sapele sawnwood fell in the UK.

China's export trends for the first eight months of 2008 showed a fall in the value and volume of most wood products as a result of the struggling US economy. In response to low demand from European consumers, West African production fell and workers were being laid off and facilities closed. Brazil posted lower export results for September 2008 for wood products except pulp and paper. In contrast, and mostly due to their non-US and European export destinations, Peru's wood products exports grew 12% in the first eight months of the year. For similar reasons, Guyana's sawnwood exports have shown positive trends in the first nine months of 2008.

Other countries accelerated measures to prevent further illegal logging in their countries. Brazil revised the volume allowed for some logging permits under new Forest Concession Plans. Brazil's IBAMA inspections also revealed illegal exports of Brazil nut timber from the Rio Grande do Sul region. Mexico promoted the use of certification and green purchasing as a strategy to stop illegal logging. The EU published details of its proposed legislation on illegal logging.

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## Report from Central/West Africa

### Buyers hesitate amid global economic downturn

The market situation in West Africa remained sluggish during October 2008. China and India were buying at very cautious levels as buyers were gauging how quickly the economic downturn in Europe might affect global timber manufacturing. Banking problems in the US and UK have hit real estate sales and building developments probably much harder in these countries than elsewhere as borrowing and lending has become more difficult in these markets.

Prices for logs and lumber were unchanged from earlier in the month, although it is probable some sales have been made at a discount when sellers needed to clear stock or were trying to maintain cash flow.

Production in West Africa was low due to workforce reduction in the sector and closure of facilities. Heavy rains in most countries were also curtailing logging and transport of logs to the mills and ports. Business with Europe was very slow. Importers were keen to reduce stocks, as their own sales were lower. Historically, the European winter has brought lower consumption even without the current global economic problems. Forecasts for the economic situation in the UK and Continental Europe show low or no growth for the next 12 to 24 months. It does not seem possible that there will be any prompt upturn in the consumption of timber and timber products in the short or medium-term.

### 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	162	162	135
Padouk	259	259	229
Sapele	251	251	191
Sipo/Utile	305	305	228
Tali	152	152	114

### West Africa Sawwood 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

### GIFEX highlights value-added products from the region

The 12<sup>th</sup> Ghana International Furniture and Wood Industry Exhibition (GIFEX 2008) was held from 17-26 October 2008 at the Ghana International Trade Fair Center in Accra, Ghana, under the theme '100 Years of Forestry and 50 Years of Industrialization in Ghana – Networking Partnerships for Sustainable Development'. GIFEX 2008, which was organized by the Forestry Commission (FC) under the auspices of the Ministry of Lands, Forestry and Mines and in collaboration with the Association of Ghana Industries (AGI), highlighted the roles played by the FC and AGI in promoting the industrialization of natural resources, which has enabled Ghana's economy to grow.

At the opening ceremonies, President J. A. Kufour's speech emphasized that the government had improved forest governance in the country and hoped this would ultimately support the industry to source and process only legal timber for domestic and export markets. He also said that Ghana was undertaking a special initiative on timber plantation development, which would cover an area of over 140,000 hectares.

Mr. Alhassan Attah, Executive Director of the Timber Industry Development Division (TIDD), stated that the reactivation of the GIFEX event after a ten year period had the potential to make Ghana a hub for high value-added wood products in the sub-region. Attah explained that the intention of the FC was to make GIFEX a biennial affair in Ghana. He noted that this year's exhibition was broad and included new participants from sectors such as information technology, banking, shipping and insurance, architecture and design.

The Chairman of the GIFEX 2008 Council, Professor Nii Ashie Kotey, said the FC saw GIFEX as a potential vehicle for promoting value-added processing, which could position Ghana as a hub for furniture and joinery in the ECOWAS sub-region. He also said that Ghana had recently entered into a voluntary partnership agreement

(VPA) with the EU, under which measures were developed on the use of lesser used species and bamboo and rattan. The Director of Business Development Services of AGI, Mr. Seth Twum-Akwaboah, said GIFEX was a good opportunity for members of AGI to sell their products and promote their brand to a wider market.

The exhibition was divided into two zones. The first zone showcased Ghanaian-made furnishing, imported furnishing, service industries, IT and communication industries and wood crafts. The second zone featured themes ranging from climate change to opportunities for investment in the forestry sector. The TIDD of the FC also showcased a stand on bamboo to promote the breakthroughs Ghana has made in its search for alternative wood sources for the furniture industry.

### FC gets tough on defaulting companies

As reported in the *Daily Graphic*, the FC has suspended and revoked the licenses and permits for harvesting and exporting timber products by all timber companies indebted to the FC as at 30 September 2008. The statement issued by the FC authorizes officials of the Commission to stop all harvesting and exporting activities of such companies currently operating in the forests and at the ports, to ensure they do not add to their existing debts. The FC also warned that all existing debts as of the above date would be subject to a minimum interest charge set by the Bank of Ghana and in accordance with regulation 25 (1) of the Timber Management Resource Regulations of 1998 (L.I. 1649). Companies failing to make full payments of their debts, including the related interest charge on or before 15 October 2008 will be published in the media under the title 'Timber Companies not in Good Standing' and appropriate actions will be taken.

### 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	60-90↑	95-112↑
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>	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up	855	-
Afrormosia	490	560
Asanfina	200	255
Ceiba	330	390
Dahoma	400	470
Edinam (mixed redwood)	425	485
Emeri	585	670
African mahogany (Ivorenensis)	510	600↑
Makore	550	-
Niangon	660↑	750↑
Odum	540	600
Sapele	260	285
Wawa 1C & Select		

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

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

Rotary Veneer, FOB Core Grade 2mm & up		€ per m <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	1.00↑
Avodire	1.12	0.80
Chenchen	0.97	0.55↑
Mahogany	1.40	0.79
Makore	1.70↑	0.90
Odum	1.66	1.00

### Ghana Plywood Prices

Plywood, FOB B/BB, Thickness	€ per m <sup>3</sup>			
	Redwoods		Light Woods	
	WBP	MR	WBP	MR
4mm	560	475	500	380↑
6mm	340	325	335	285
9mm	380	300	290	270
12mm	300	300	280	250↓
15mm	310	280	300	270↑
18mm	300	280	285	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.

### 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

### Sabah pushes for expansion of value-added wood products

State Minister for Resource Development and Information Technology, Datuk Dr. Yee Moh Chai, encouraged workers to enter the commodities and plantation sectors, due to the state's increasing focus on value-added wood products to develop the national economy. He noted that many workers would be needed to assist with the production of value-added activities in the 689 sawmills operating in Sabah. Yee noted that at present the contribution of value-added exports from Sabah was negligible, but that these products could obtain higher prices and benefits in the markets than primary processed products. Changing the focus of production to value-adding activities would enable Sabah to make a greater

contribution to the national economy in the form of export revenue and employment.

Sabah accounts for 16% of Malaysia's total exports, with the main wood exports from the state being plywood, sawnwood and timber. Malaysia's wood products exports netted RM22.76 billion in 2007, with furniture and plywood being the main exports, accounting for RM6.72 billion and RM6.27 billion, respectively. The main markets for Malaysia's wood products were the US, Europe, Japan and China.

#### Malaysian state invests in PNG timber

The Malaysian state of Kedah has bought a 70% share in MAS Incorporated, a Malaysian-owned timber business operating in Papua New Guinea. The deal was negotiated by Kedah state government's subsidiary, Kedah Corporation Berhad (KedahCorp). MAS Incorporated, which has been operating in PNG for the last 15 years, holds the right to log 200,000 hectares of forest in PNG.

#### Malaysia Log Prices

Sarawak log, FOB	US\$ per m <sup>3</sup>
Meranti SQ up	290-310↓
Small	276-298
Super small	274-270
Keruing SQ up	270-279↓
Small	242-274
Super small	234-238
Kapur SQ up	248-266↓
Selangan Batu SQ up	268-290↓
Pen. Malaysia logs, domestic (SQ) US\$ per m <sup>3</sup>	
DR Meranti	356-396↓
Balau	300-340
Merbau	408-432↓
Rubberwood	262-281
Keruing	289-303

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	430-453↓
Seraya Scantlings (75x125 KD)	683-730↓
Sepetir Boards	337-348↓
Sesendok 25,50mm	442-471↓
Kembang Semangkok	424-444↓
Malaysian Sawnwood, domestic	
Balau (25&50mm,100mm+)	350-370↓
Merbau	548-571↓
Kempas 50mmx(75,100 & 125mm)	300-315↓
Rubberwood 25x75x660mm up	291-325↓
50-75mm Sq.	319-343↓
>75mm Sq.	331-362↓

#### Malaysia Plywood Prices

Malaysia ply MR BB/CC, FOB	US\$ per m <sup>3</sup>
2.7mm	478-505↓
3mm	458-483↓
9mm & up	421-444↓
Meranti ply BB/CC, domestic	
3mm	456-466↓
12-18mm	401-409

#### Other Malaysia Panel Prices

Malaysia, Other Panels, FOB	US\$ per m <sup>3</sup>
Particleboard	Export 12mm & up 248-265↓
	Domestic 12mm & up 240-254↓
MDF	Export 15-19mm 309-332↓
	Domestic 12-18mm 290-310↓

#### Malaysia Added Value Product Prices

Malaysia, Mouldings, FOB	US\$ per m <sup>3</sup>
Selagan Batu Decking	668-686↓
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	708-729↓
Grade B	628-650↓

#### 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	633-643
Standard	602-619

### Report from Indonesia

#### Furniture transactions dominate Trade Expo

*Antara News* reported that the 23<sup>rd</sup> Indonesia Trade Expo was dominated by furniture transactions, with one exhibitor earning about USD1 million on the first day alone. Buyers of furniture were predominantly Spanish, Greek, Italian and British, and represented 64% of all deals during the first two days of the Expo, 21 and 22 October 2008. The Expo organizers hoped to obtain USD220 million in transactions, a 10% increase from the previous Expo. Over 4,600 buyers from over 63 countries, including the US, Brazil, UAE, Australia, Japan, Nigeria and Malaysia, were expected to attend the third day of the event.

#### Wood-based bioenergy highlighted at Asia Pacific Forum

A number of high-level officials highlighted the benefits of using wood-based bioenergy at the Asia Pacific Forum in Jakarta, Indonesia, according to *Antara News*. Forestry Minister MS Kaban expressed hope that the Forum would yield positive recommendations or formulas for the development of wood-based bioenergy in response to the need for renewable energy sources in many countries. He noted that wood-waste used as bioenergy could also help offset carbon emissions and hoped that wood-waste bioenergy prices could eventually compete with the price of fossil fuels.

ITTO Executive Director, Emmanuel Ze Meka, said that the development of wood-waste as an alternative energy source would help create new jobs and industries to produce bio-energy within the forest sector. Timber industries in rural areas were expected to particularly benefit from the development of bio-energy, helping to improve the economy in local villages, build the local workforce and create new energy sources.

### Indonesia Log Prices (domestic)

Indonesia logs, domestic prices	US\$ per m <sup>3</sup>
Plywood logs	
Face Logs	235-275
Core logs	196-223
Sawlogs (Meranti)	232-270
Falcata logs	196-212
Rubberwood	218-242
Pine	210-233
Mahoni (plantation mahogany)	585-627↓

### Indonesia Sawwood Prices

Indonesia, construction material, domestic	US\$ per m <sup>3</sup>
Kampar (Ex-mill) AD 3x12-15x400cm	246-253↓
KD	323-340↓
AD 3x20x400cm	340-353↓
KD	364-374↓
Keruing (Ex-mill) AD 3x12-15x400cm	284-293↓
AD 2x20x400cm	272-282↓
AD 3x30x400cm	277-286↓

### Indonesia Plywood Prices

Indonesia ply MR BB/CC, FOB	US\$ per m <sup>3</sup>
2.7mm	470-498↓
3mm	413-470↓
6mm	391-415↓

MR Plywood (Jakarta), domestic	US\$ per m <sup>3</sup>
9mm	323-337↓
12mm	300-320↓
15mm	297-326↓

### Other Indonesia Panel Prices

Indonesia, Other Panels, FOB	US\$ per m <sup>3</sup>
<i>Particleboard</i> Export 9-18mm	242-252
Domestic 9mm	206-223
12-15mm	201-213
18mm	199-203
<i>MDF</i> Export 12-18mm	308-321↓
Domestic 12-18mm	256-276

### Indonesia Added Value Product Prices

Indonesia, Mouldings, FOB	US\$ per m <sup>3</sup>
Laminated Boards Falcata wood	380-400
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	665-690
Grade B	597-639

## Report from Myanmar

### Myanmar Log Prices (natural forests)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)	
Veneer Quality	Sep	Oct
2nd Quality	5,458 (6 tons)	5,468 (6 tons)
3rd Quality	4,587 (9 tons)	4,442 (14 tons)
4th Quality	3,428 (44 tons)	3,494 (41 tons)
Sawing Quality	Sep	Oct
Grade 1 (SG-1)	2,574 (191 tons)	2,456 (152 tons)
Grade 2 (SG-2)	1,950 (531 tons)	1,800 (478 tons)
Grade 3 (SG-3)	1,671 (31 tons)	-
Grade 4 (SG-4)	1,817 (487 tons)	1,621 (330 tons)
Grade 5 (SG-5)	1,651 (661 tons)	1,644 (469 tons)
Grade 6 (SG-6)	1,273 (365 tons)	1,233 (331 tons)
Grade 7 (ER-1)	1,108 (190 tons)	1,069 (220 tons)
Grade 8 (ER-2)	-	-

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)	431 (210 tons)
Gurjan (keruing-exp)	238 (70 tons)
Tamalan	--
Taungthayot	--

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

## Report from Brazil

### US dollar continues to impact Brazilian furniture industry

The *Jornal do Comércio* noted that the strong value of the US dollar against the Brazilian real continued to impact the Brazilian furniture sector. According to the Association of Furniture Companies of Rio Grande do Sul (MOVERGS), some furniture manufacturers expected to recover losses due to the rising dollar. However, due to the global economic downturn and waning demand for Brazilian wood products in the US, furniture companies were exercising caution when undertaking business negotiations to avoid future loss. Rising production costs were expected to make it difficult for the sector to recover losses. As production costs rose, suppliers have been demanding higher prices in response to the rising costs of materials, although foreign customers have been asking for discounts on furniture purchases. The market in Rio Grande do Sul was hoping to recover through the engagement of new customers in non-traditional export destinations. Nevertheless, Rio Grande do Sul has had an overall advantage in the current economic crisis, since about 86% of its production has been sold in the domestic market.

### Market weakens for Pará's native timber species

The Secretariat of the Environment (SEMA) of the State of Pará has estimated that the market of native timber species in the state has fallen, reported *O Eco/Amazônia*. In 2007, Pará produced a total volume of 9 million m<sup>3</sup>, of which 7 million m<sup>3</sup> were authorized and considered legal by the Brazilian Institute of Environment and Renewable Natural Resource (IBAMA). In 2008, logging permits issued by SEMA were issued at 3.2 million m<sup>3</sup> to concentrate on the production volume of legally-operating companies. Illegal companies continued logging between 1.5 and 2 million m<sup>3</sup>, valued at about BRL2 billion. This year, SEMA has seized about 140,000 m<sup>3</sup> of illegal logs.

There will be more legal (authorized) logging in 2009 as a result of Brazil's Forest Concession Plan (PAOF). By the end of 2009, the goal of the Brazilian Forest Service (SFB) is to approve 4 million hectares of natural forest for concessions, representing 2% of total registered public forests. The objective of the PAOF is to reduce illegal logging and offer opportunities for sustainable timber production through the allocation of forest concessions and the promotion of community forest management. The PAOF was initiated after the Minister of Environment signed an agreement on legal timber with timber producers in the state of Pará.

In 2009, forest concessions plans will be developed as part of the PAOF. The state of Pará recently presented its PAOF, which indicated that 1.3 million ha of state forest would be available for forest concessions in 2009. The

neighboring state of Amapá's PAOF will make available 2.3 million ha for forest concessions from its state forest area.

### Brazil's exports slip further in September 2008

Brazil's wood products exports (except pulp and paper) dropped nearly 31% from USD393.3 million in September 2007 to USD273 million in September 2008. The charts below show the volume and value of Brazil's exports for September 2008 compared to the same month a year earlier:

**Brazil's exports by value, September 2007 and 2008 (USD million)**

	Sep 2007	Sep 2008	% change
Solid wood*	393.3	273.0	(30.6)
Tropical plywood	16.8	11.3	(32.7)
Pine plywood	46.2	36.2	(21.6)
Tropical sawnwood	62.4	34.6	(44.6)
Pine sawnwood	19.8	16.3	(17.7)
Wood furniture	114.2	69.5	(39.1)

\*Figures for solid wood exclude pulp and paper exports

**Brazil's exports by volume, September 2007 and 2008 (000 m<sup>3</sup>)**

	Sep 2007	Sep 2008	% change
Tropical plywood	29.9	17.7	(40.8)
Pine plywood	139.8	105.3	(24.7)
Tropical sawnwood	141.7	62.3	(56)
Pine sawnwood	98.1	74.2	(24.4)

### Inspection operations reveal illegal exports of Brazil nut timber

Results from IBAMA's Operation Guardian of Amazonia revealed that Rio Grande do Sul has become a major distribution center of illegally logged Brazil nut timber, reported *Zero Hora/EcoDebate*. Brazil nut timber has been subject to logging bans since 1994 and a favorite species of manufacturers of products used in civil construction due to its length, softness and durability.

IBAMA's investigations focused on consumers of wood products instead of loggers. The recent inspections provided valuable information on illegal timber by checking receipts, hearing violators' testimonies and scrutinizing the Document of Forest Origin (DOF). In Rio Grande do Sul, the operation seized 3,300 m<sup>3</sup> of timber, 70% of which was Brazil nut timber. Most of the timber was sent to Buenos Aires and then onwards to Europe. The timber was shipped by truck from Northern Brazil to the southernmost state in an attempt to thwart inspection.

The violators believed driving long distances to transport timber would decrease the likelihood that inspectors at the destination site would have information and knowledge of the Amazonian species. IBAMA admitted that it was often not easy to identify the origin of timber and in many cases it was necessary to send a sample to a lab to identify the species. In many cases, the violators falsified the DOF, writing down a timber name authorized for logging. After crossing the Brazilian boarder, timber went to a wholesale

distributor in Buenos Aires or Montevideo and was shipped with new documentation onward to Europe.

### Brazil Log Prices (domestic)

Brazilian logs, mill yard, domestic	US\$ per m <sup>3</sup>
Ipê	136↓
Jatoba	97↓
Guariuba	65↓
Mescla (white virola)	71↓

### Brazil Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per m <sup>3</sup>
Jatoba Green (dressed)	826↓
Cambara KD	472↑
Asian Market (green)	Guariuba 266
	Angelim pedra 594
	Mandioqueira 235
Pine (AD)	200

Brazil sawnwood, domestic (Green)	US\$ per m <sup>3</sup>
Northern Mills (ex-mill)	Ipê 639↓
	Jatoba 490↓
Southern Mills (ex-mill)	Eucalyptus (AD) 185↓
	Pine (KD) 1st grade 244↓

### Brazil Veneer Prices

Veneer, FOB (Belem/Paranagua Ports)	US\$ per m <sup>3</sup>
White Virola Face 2.5mm	297↑
Pine Veneer (C/D)	210

Rotary cut Veneer, domestic (ex-mill Northern Mill)	US\$ per m <sup>3</sup>
White Virola	Face 243↓ Core 203↓

### Brazil Plywood Prices

Plywood, FOB	US\$ per m <sup>3</sup>
White Virola (US Market)	
5.2mm OV2 (MR)	469↑
15mm BB/CC (MR)	405↑
White Virola (Caribbean market)	
4mm BB/CC (MR)	512↑
12mm BB/CC (MR)	411↑

Pine Plywood EU market, FOB	US\$ per m <sup>3</sup>
9mm C/CC (WBP)	300↓
15mm C/CC (WBP)	267↓
18mm C/CC (WBP)	265↓

Plywood, domestic (ex-mill Southern mill)	US\$ per m <sup>3</sup>
Grade MR (B/BB)	White Virola 4mm 974↓
	White Virola 15mm 606↓

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	539↓
Particleboard 15mm	340↓

### 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	495↓
Decking Boards	Cambara 609
	Ipê 1680↓

## Report from Peru

### Peru's 2008 wood products exports grow 12%

According to the Export Association of Peru (ADEX), Peru's wood products exports from January to August 2008 grew 12% to USD158 million in 2008 from USD141 million during the same period in 2007. However, exports in August 2008 were USD3.12 million less than in August 2007. The volume of exports to the US and Mexican markets in August 2008 fell in contrast to a rise in exports to the Chinese market.

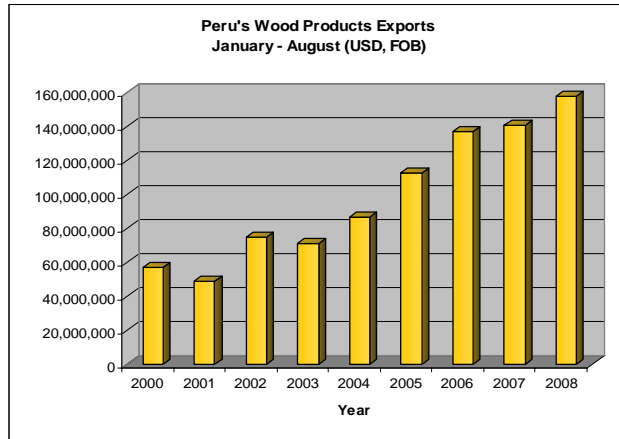


Chart 1: Peru's Wood Products Exports, January to August 2008 (USD, FOB)

The sectors showing significant growth from January to August 2008 were: building products (107%); veneer and plywood (37%); and semi-manufactured products (27%). Furniture and parts showed a 20% fall in export value during the same period. Sawnwood exports showed the largest jump during the period, representing 46% of sector exports. Exports from January to August 2008 were USD73.34 million, compared to USD72.61 million for the same period in 2007. The main markets for sawnwood were Mexico, US and China.

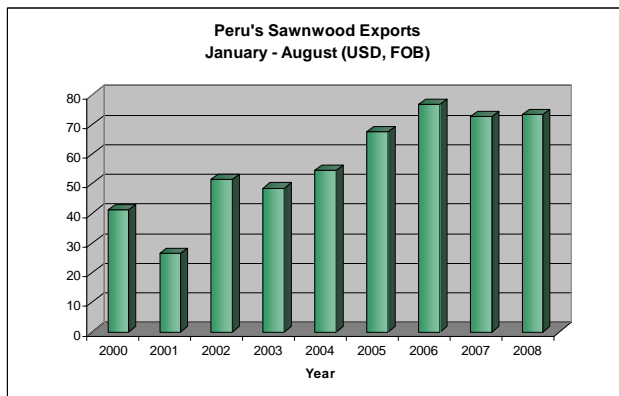


Chart 2: Peru's Sawnwood Exports, January to August 2008 (USD, FOB)

Semi-manufactured products represented 29% of wood sector exports. Exports in January to August 2008 were valued at 46.5 million, while exports for the same period in 2007 were valued at USD36.6 million, a 27.3% rise. Exports of semi-manufactured products in August 2008 rose by USD1.18 million from August 2007 levels. The gains were largely due to the progressive growth in

exports such as decking, for which China had been the main market, accounting for 71% of exports.



Chart 3: Peru's Semi-manufactured Products, January to August 2008 (USD, FOB)

Veneer and plywood exports for the January to August 2008 period were USD20 million, a 37% jump from the same period in 2007. Exports from the sub-sector showed Mexico as the main market for Peru's exports (90%), followed by Venezuela.

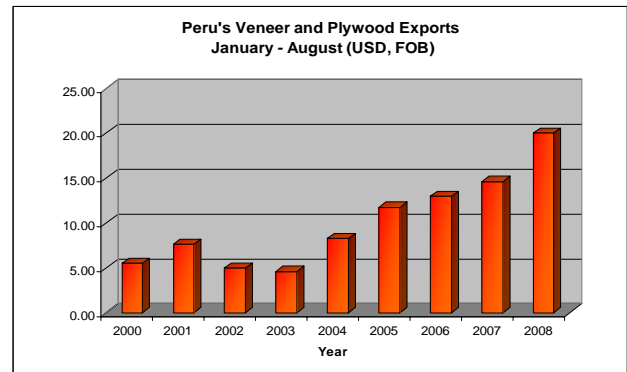


Chart 4: Peru's Veneer and Plywood Exports, January to August (USD, FOB)

Furniture exports netted USD9.3 million during the period, a 20.25% fall from the same period in 2007. The main market for these products was the US (59%) followed by Italy (22%).

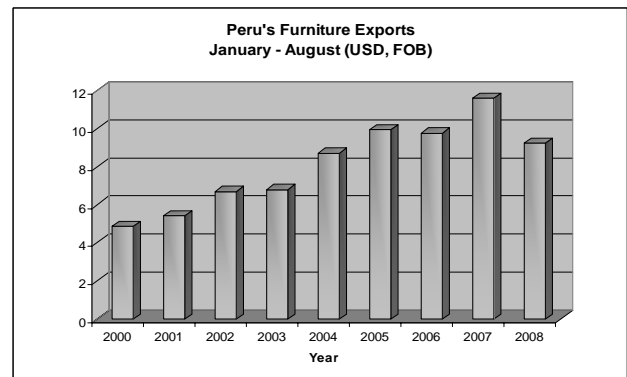
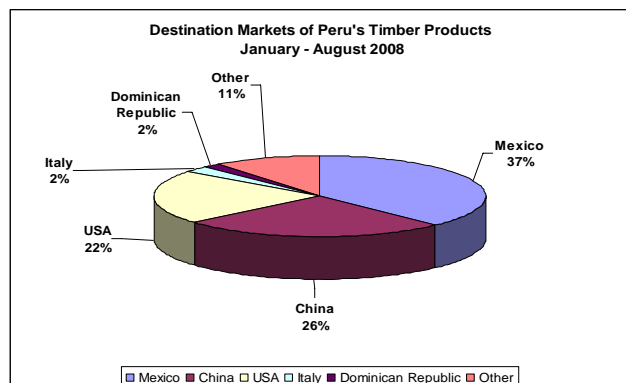


Chart 5: Peru's Furniture Exports, January to August (USD, FOB)

From January to August 2008, Peru's exports were concentrated in three markets, which represented 85% of total wood products exports. Mexico represented 37.8% of

exports in the sector, with exports growing nearly 42% from the previous period, followed by China with nearly 26%. The US was the third destination market, receiving about 22% of exports.



#### 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	322-370↓
Grade 2, Mexican market	284-312↓
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	320-347↓
Grade 2, Mexican market	285-300↓
Grade 3, Mexican market	161-176↓
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	241-256↓

Peru sawnwood, domestic	US\$ per m <sup>3</sup>
Mahogany	1242-1275↓
Virola	76-90↓
Spanish Cedar	428-446↓
Marupa (simarouba)	124-132↓

#### 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	360-382↓
Virola, 2 faces sanded, B/C, 5.2x4x8mm	417-428↓
Cedar fissilis, 2 faces sanded 4x8x5.5mm	749-760↓
Lupuna, treated, 2 faces sanded, 5.2x4x8mm	364-380↓
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	1451-1508
Cumaru KD, S4S Swedish market	674-722
Asian market	1046-1080↑
Cumaru decking, AD, S4S E4S, US market	988-1109↑
Pumaquiro KD # 1, C&B, Mexican market	492-534
Quinilla KD, S4S 2x10x62cm, Asian market	592-628
2x13x75cm, Asian market	712-736

### Report from Bolivia

#### Bolivia 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

### Mexico steps up use of certification to combat illegal logging

Illegal harvesting of timber has been a significant problem in Mexico's forest sector. In 2005, fifteen critical forest zones accounted for 60% of illegal cut areas at the national level, according to data from the Federal Office of Environmental Protection (PROFEPA). As a result, Mexico has focused on growing their certified forest area to prevent illegal harvesting. Mexico has been using certification as a tool against illegal logging and to contribute to the sustainability of multiple natural resources. The implementation of new certification techniques will be supported and supervised by various institutions created by the government.

### Mexican government promotes green purchasing

In 2007, Mexico issued a decree revising the Law of Acquisitions, Rentals and Services of the Public Sector, which indicated that wood, furniture and other office equipment were required to be from sustainably managed sources. The Mexican government is promoting green purchasing to facilitate the implementation of forest certification and chain of custody in the country. It also is currently setting an example by using furniture from certified wood sources, thereby contributing to environmental sustainability. Elements of Mexico's national system of certification and chain of custody include: preventative technical audits undertaken by CONAFOR; environmental audits managed by PROFEPA; and certification of sound forest management practices monitored by the Forest Stewardship Council.

## Report from Guyana

### Guyana sawnwood trends show solid performance

The Guyana Forestry Commission has given close attention to the sawnwood market, since it now accounts for 47% of the country's forest sector's total earnings from January to September 2008. It is the single most exported product in this period. Overall, there have been increases in both the volume and value of sawnwood exports for 2008 as compared to the corresponding period in 2007.

The general price level of sawnwood has had an impact on the resulting trend, with an overall increase seen in the period for this product category. The overall increases in both export volume and value have been attributed to growing demand for Guyana's sawnwood, especially in the Caribbean and Asia Pacific region. Below is a summary of the comparative performance over the first nine months of 2008.

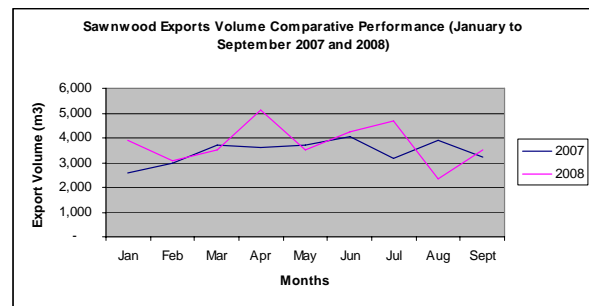


Chart 1: Guyana's Sawnwood Exports by Volume, 2007 and 2008

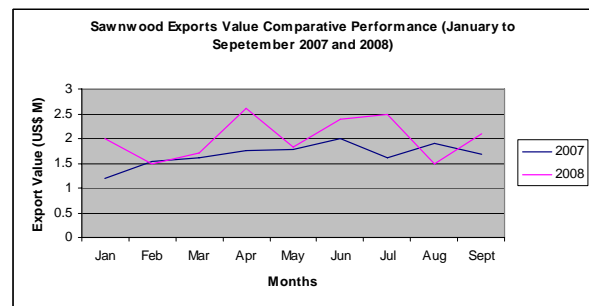


Chart 2: Sawnwood Exports by Value, 2007 and 2008

Log exports did not perform favorably, with significant declines seen in both log export volume and value. This decline is mainly driven by a fall in production of logs by almost 23% compared to last year. The uptake of existing demand for Guyana's sawnwood exports continues to account for the growing shift in exports from logs to sawnwood.

By all indications, this trend will continue into 2009, as Guyana's log export policy will increase the export commission on selected species of logs exported from Guyana.

### Guyana launches new Forest Products Development and Marketing Council

A new Forest Products Development and Marketing Council (FPDMC) of Guyana was launched on 14th October 2008 with forest industry development included in its mandate. This new body replaced the Forest Products Marketing Council (FPMC) and seeks to address key supply side challenges faced by the forest sector while addressing important market promotion activities. Under the FPMC, a significant amount of work was done in market promotion both in the Caribbean region and beyond. However, as a result of feedback from stakeholders, this mandate has been expanded to cover improvements in the quality of forest products produced, further efficiency in production, and contributing to forest products development in Guyana. The new Council will continue to build on the work done by the FPMC and will add a focus on addressing supply side issues including expansion of the species utilization base to include lesser used wood species.

The new Council will also include greater participation and involvement of forest industry stakeholders including forest producers manufacturers, small to medium sized producers and indigenous forestry operators. Expanded

industry involvement has been identified as one of the essential areas that the new Council should address and will include these stakeholder groups on the Board of Directors of the new Council. Over the past two years, the FPMC has facilitated market promotion work in the Caribbean through a project supported by the Caribbean Export Promotion Council and has done similar work in the US and UK with support from USAID. Other initiatives that have been undertaken include work on legal verification and addressing efficiency in processing operations in Guyana's forest products sector, which have been widely supported by donors such as WWF and the Canadian Government.

At the launching of the FPDMC in October 2008, the Minister with responsibility for forestry for Guyana, Hon. Robert Persaud, encouraged the sector to engage in added value forestry production and pointed to the need to address important issues of capacity building in forest products manufacturing. He indicated that while in the short-term the Government would continue to financially support the work of the new Council, the Council is expected to be a fully independent body financed and operated by the private sector in the medium to long-term.

#### Guyana Log Prices

Logs, FOB Georgetown	SQ - \$ Avg unit value per m <sup>3</sup>		
	Std	Fair	Small
Greenheart	165	155-160	135-150
Purpleheart	215-265↑	200-250↑	185-190↑
Mora	150↑	140↑	100-130↓

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

#### Guyana Sawwood Prices

Sawwood, FOB Georgetown		\$ Avg unit val. per m <sup>3</sup>	
EU and US markets		Undressed	Dressed
Greenheart	Prime	-	572
	Select/Standard	475-780↓	550-848↓
Purpleheart	Prime	-	-
	Select/Standard	550-780↓	678↓
Mora	Select	424-551↓	594-742

#### 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	427↓

### Report from Japan

#### Japanese log and lumber imports drop in 2008

*Japan Lumber Journal* indicated that imported logs dropped about 45% by volume and imported lumber fell nearly 30% during the first half of 2008 in comparison to the previous period in 2007. *JLJ* noted that this was caused by a slump in demand for products used for construction, particularly in the Japanese housing market. The chart below shows Japan's logs and lumber imports from various markets:

Logs	2005	2006	2007	2008	Jan	Feb	Mar	Apr	May	June
Lumber	3,451	3,293	2,972	218	127	242	200	207	257	
US	3310	3427	2709	255	191	220	188	271	262	
	4,698	4,966	4,039	111	143	188	233	209	175	
Russia	1082	1058	1020	40	46	58	81	69	64	
	1,415	1,354	1,059	58	54	33	62	47	19	
Southsea	564	523	450	32	26	25	29	30	26	
	922	839	813	97	63	45	76	62	54	
NZ	174	179	168	16	3	23	14	12	13	
	12	10	11	0	0	0	0	0	0	
Africa	0	0	0	0	0	0	0	0	0	
	36	35	42	4	3	6	8	5	4	
Europe	2934	3085	2691	133	95	131	166	173	168	
	22	32	22	0	0	0	0	0	0	
Other	231	211	198	15	12	9	15	12	13	

Chart 1: Japan's Imports of Logs and Lumber, 2005-2008 (000 m<sup>3</sup>)

Southsea logs have been declining in production and Japan has not purchased logs at the high prices demanded, in contrast to countries such as China and India which have been actively buying. Production of lauan plywood has slowed and demand from Japan has dropped in the last few months. During the first half of the year, the volume of logs arriving in Japan was 54% lower than the same period in 2007.

Shipments of Southsea logs to Tokyo Bay Port have virtually stopped in September 2008, and lumber manufacturers are obtaining lumber from other ports. Higher prices have kept new shipments of plywood on hold, so increases in plywood imports seem unlikely in the near future. *Japan Lumber Reports* have noted that hardwood prices have peaked since the start of the year.

#### Log and Sawwood Prices in Japan

Logs for Ply Manufacture, CIF	Yen per Koku
Meranti (Hill, Sarawak)	(Koku=0.278 m <sup>3</sup> )
Medium Mixed	8,400
Standard Mixed	8,500
Small Log (SM60%, SSM40%)	7,400
Taun, Calophyllum, others (PNG)	7,600
Mixed light hardwood, G3/4 grade (PNG)	-
Keruing MQ & up (Sarawak)	12,000
Kapur MQ & up (Sarawak)	10,700

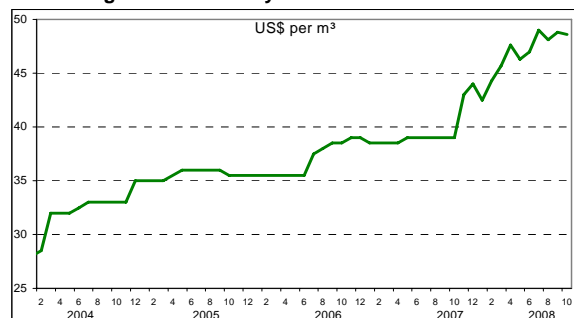
Logs for Sawmilling, CIF	Yen per Koku
Melapi (Sarawak) High Select	11,500
Agathis (Sarawak) High Select	-

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)	Sep	Oct
		(¥ per sheet)	
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	1040 ↑	1040
12mm for foundation (F 4star, special)	910 X 1820	1060 ↑	1060
12mm concrete-form ply (JAS)	900 X 1800	1050 ↑	1050
12m coated concrete-form ply (JAS)	900 X 1800	1130 ↑	1130
11.5mm flooring board	945 X 1840	1500 ↑	1600 ↑
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

#### China hikes export tariff rebates on some commodities

Recently, the Ministry of Finance and State Administration of Taxation jointly issued a notice on export tax rebate rates for some commodities. The notice states that from 1 November 2008, China will increase export tax rebate rates on commodities involving intensive labor, high levels of technology and high value-added production. The new rates apply to a total of 3,486 products, accounting for 26% of goods subject to customs tariffs. The export tax rebate rate for some furniture will increase between 11%-13%, up from 9%.

#### China's wood products exports plunge amid US slowdown

China's wood products trade has fallen dramatically due to the US economic slowdown and its decreasing demand for China's wood products. In the first eight months of 2008, China's plywood exports fell 14% to 5.25 million m<sup>3</sup> from the same period in 2007. The proportion of China's wooden furniture exports to the US was larger, but dropped 3% by value to USD1.922 billion over the first eight months of 2008. According to statistics from China's customs agency, plywood exports in August 2008 continued to decline. Plywood exports to the US and Japan slipped 29% and 15%, respectively, in the same period. China's MDF exports have been decreasing since the beginning of 2008 and dropped 15% in August alone. MDF exports from Guangdong Province, which had been showing gains in previous years, fell 48% in August 2008 from August 2007 levels. Wood processing enterprises are also experiencing financial declines as a result of falling outputs of wood products.

#### Timber imports from Russia through Manzhouli Port shrink 30%

According to statistics from Manzhouli Customs, timber imports from Russia through Manzhouli Port dropped 30% by volume to 6 million m<sup>3</sup> over the first three quarters of 2008. Timber imports were valued at USD900 million. Prices for Russian logs and sawnwood have been high, with average monthly prices both for logs and sawnwood exceeding 20% from the previous year's levels. The main reason for the decreasing imports were high prices for imported logs, as a result of Russia's newly imposed tariffs on logs in late 2007. Additionally, since the global economy has been slowing, China's wood products exports have begun to decline, especially for furniture and plywood exports. At the domestic level, demand for wood

products has also weakened due to the slump in China's real estate industry.

#### 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.	4500-5000▲
Keruing 60cm+ diam.	1900-2350
Beech 6m,30cm veneer Qual.	3300-3600
Sawnwood	
Teak sawn grade A	7400-8500
US Maple 2" KD	8800-12600▲
US Cherry 2"	14700-15000▼
US Walnut 2"	17000-18000
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)	8200-8500
KD (2", grade A)	7500-7600

#### Shandong De Zhou Timber market

Logs	Yuan per m <sup>3</sup>
Larch	1400
White Pine	1460
Korean Pine	1650
6m, 30cm diam.	1750

#### Hebei Shijiazhuang Wholesale Market

Logs	Yuan per m <sup>3</sup>
Korean Pine 4m, 38cm+ diam	1850
Mongolian Scots Pine	1380
4m, 30cm diam.	
6m, 30cm+ diam.	1480
Sawnwood	
Mongolian Scots Pine	1550
4m, 5-6cm thick	
4m, 10cm thick	1600

#### 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)

### European economic confidence severely dented by banking crisis

Widely reported measures by the UK government to bail-out failing banks have quelled the worst fears of European investors and depositors of an imminent and disastrous economic collapse. Steps have been taken to inject a massive amount of state money into leading retail banks and significantly reduce interest rates by several central banks, including the euro area's European Central Bank. Nevertheless, economic confidence in Europe has taken a severe beating over recent weeks, as evidenced by weakening currencies and forecasts that Europe may be facing its worst recession since the early 1990s.

In the UK, the scale of the bank rescue plan has been particularly dramatic, the government having pledged GBP400 billion to guarantee that no UK bank fails. However the very need for such drastic measures seems only to have underlined how bad things have become. By putting its full weight behind the banks, the government has signaled its determination to avoid a worst-case outcome. But confidence has been shaken to the core, while concerns are now being raised over the severe fiscal risks associated with such a large input of public money. The government is now deeply in debt, leaving no room for increased public sector spending to tide the economy over the bad times and holding out the prospect of tax increases which will further dampen private sector spending.

UK confidence was ebbing even before the real scale of the banking sector crises became clear in early October 2007. Business surveys of purchasing managers for both manufacturing and the services sector touched record lows in September. Construction is wilting as homebuilders put projects on hold and lay off workers. As much of the UK's recent growth had been driven by the City, and based on a financial model whose defects have now been brutally exposed, expectations are that the nation's economy will be particularly hard hit. The UK economy now seems certain to have entered a recession during the second half of 2008. This has led to a rapid fall in the value of sterling against other currencies.

Economic conditions in other European countries are less dire, but still the outlook is not good. Due to relatively tight regulation of the banking sector and relatively strong retail banking networks, France has had to bail out just one bank, Dexia, a small Franco-Belgian lender. This was intended merely as a precautionary, confidence-boosting measure. Nor have the French been on a huge credit binge. The household savings rate remains high. Nevertheless third-quarter GDP figures are likely to show that the French economy is already in recession and the IMF forecasts growth of just 0.2% in 2009.

Germany's bank rescue package is backed by a state guarantee of EUR400 billion with the aim of ensuring that no 'system-relevant' bank will fail and no depositor will lose money. Nevertheless, indications are that Germany will not avoid a slowdown. The IMF expects no growth at

all next year. Germany has sounder public finances, less indebted enterprises and more competitive wages than others. Yet it is more dependent on exports, so will be hit harder by a global slowdown.

Italy's banks have not been so exposed to the global crises as those in other parts of Europe partly because, as the nation's Finance Minister recently admitted to parliament, they are 'less advanced and sophisticated'. The government is still forecasting GDP growth of 0.5% in 2009 but this is now a minority view. The employers' federation, Confindustria, expects the economy to shrink by 0.2% this year and 0.5% next.

Spain's banks lack liquidity but none has needed rescuing thanks to the Bank of Spain's tight regulation and the prudence of Spanish bankers. But Spain is worse off than many others on the broader economic front. The banking crises has further undermined confidence already reeling from the effects of a burst housing bubble. The IMF now expects the economy to shrink by 0.2% next year and unemployment is rising.

### Tropical hardwood sawnwood markets take a hit

Judging by the comments of European agents and importers, the effects of the banking crises on demand for sawn hardwood have been immediate and fairly dramatic. One major supplier to the UK notes that 'our sales of sawn hardwood were doing reasonably well until the first week of October 2008 when the panic over the stability of the banks came to a head. Demand picked up a little the week following the announcement of the bank bail-outs, but it has gone quiet again now'.

Overall consumption of hardwood sawn lumber in the UK has taken a hit from the rapid decline in new residential construction. This has particularly affected demand in the mass production joinery and window manufacturing sector. This in turn has fed through into particularly weak demand for commodity tropical hardwood species including sapele and meranti.

FOB prices for sapele quoted to UK importers have remained soft in recent weeks. However agents suggest that these prices may have hit a floor as margins amongst African exporters are already extremely tight and production levels have been sharply curtailed. Much reduced forward purchasing of sapele during 2008 also means that UK grounded stocks are now low and there are gaps in some areas. In the credit crunch, the pressure to buy little and often has intensified.

Meanwhile weakening of sterling against the dollar has meant that sterling prices for meranti have been rising and are now less competitive against sapele. Demand for iroko in the UK has held up reasonably well, however the market for framire/idigbo is described by one agent as 'dire'.

To some extent the decline in UK demand from new residential construction has been offset this year by continuing consumption in the renovation sector. With

house prices falling and credit tightening, less people are moving house but they have been spending money on improvements. The concern now is that increased nervousness over the banking crises will undermine even this source of demand while tightening public finances will reduce demand from public sector projects. For example, due to budget cuts in the wake of the credit crunch, the Olympic Delivery Authority for the London 2012 Olympics has already been forced to cut the number of housing units in the Athletes Olympic Village from 3,500 to 2,800.

Demand in the Benelux countries also remains very subdued. One agent in the region suggested that importers are still carrying very high stocks of standard items. For example, sales of tropical hardwood decking fell well short of expectations this year and stocks remain very high at a time of year when they should be low. This will inevitably feed through into much reduced orders for the spring 2009 season. Given the current stock position and the obvious desire in the current market situation to avoid holding excess stock, this agent was told by one of his leading buyers not to expect any new orders for at least three months.

Reports are coming through of slow sales of hardwood to the Italian furniture and flooring sectors. Many Italian furniture and flooring factories are now only operating three or four days per week and several have closed permanently. This reflects both declining domestic consumption and intense competition in export markets as manufacturers from all regions are now chasing declining orders. Hardwood orders from Spanish and Portuguese manufacturers have also been declining, with the signs of particular stress in the Spanish door industry.

#### **European plywood importers fail to step up purchasing**

The credit crunch and economic slowdown has meant that European plywood importers are very reluctant to commit to purchasing in any volume while stock holdings are seen more and more as a liability. However there may be a few opportunities to find buyers before the year is out. According to a plywood trader quoted in the UK's *TTJ* 'the biggest factor in the UK and European markets at the moment is fear....Stock reduction is running ahead of demand reduction and, as we run into autumn and winter, we will see some shortages. The trade has still got some buying to do before the New Year'.

European imports of Chinese plywood have been declining due to recent consolidation of the Chinese plywood sector, combined with rising costs of raw material, labor and energy, and the downturn in European consumption. The same *TTJ* article notes that despite recent consolidation in the Chinese plywood manufacturing sector, UK buyers continue to receive huge numbers of offers of plywood from mills in China. This suggests that there is still excess supply in the pipeline, a fact also reflected in a slight softening in prices for poplar/bintangor plywood from China. In addition to slow consumption, reluctance amongst many European

importers to buy Chinese plywood reflects continuing concerns over variable quality of product.

Meanwhile, there are signs that the price differential between Malaysian and Indonesian tropical hardwood plywood on offer to EU importers is narrowing. A relatively high price for Indonesian plywood in recent times has meant that Malaysia has been the main beneficiary of partial shift away from Chinese plywood in the EU market. However, according to the German trade journal *EUWID*, prices for 4X8ft BB/CC grade Indonesian plywood for shipment in October/November 2008 stand at Indo96 +32% to +34%, a decline from Indo96 +37% at the end of August. Meanwhile, over the same period Malaysian prices have risen from Indo96 +19% to +20% to Indo96 +24% to 25%. The price gap for European importers is expected to narrow further next year when EU import duties on Indonesian plywood are due to be lowered from 7% to 3.5%, equivalent to the duty currently imposed on Malaysian plywood.

#### **EU releases its proposed illegal logging legislation**

On 17 October the European Commission finally published its long anticipated proposal to introduce new legislation designed to minimize the risk of illegal wood entering the EU market. As noted in the previous *ITTO Tropical Timber Market Report* (TTMR 13:19), the proposal is that individual operators engaged in the trade and production of wood products in the EU would be required to implement a 'due diligence' management system to reduce the risk of any illegal wood entering their supply chains.

A significant change from earlier drafts of the proposal is that it would apply only to operators who place timber and timber products 'for the first time on the Community market'. There has been some confusion amongst European trade organizations of precisely which operators would be captured by this definition (some interpreting it to include European forest owners). However, an EC official made clear the intent of this definition at the International Timber Trade Federation meeting hosted by the EC-funded Timber Trade Action Plan in Geneva on 27 October. The EC official noted that the measure was directed specifically at EU-based importers and primary processors (e.g. sawmills, plywood mills, panel products mills, pulp mills).

The scope of the products covered by the proposed legislation is extremely wide, covering all products included in the existing FLEGT Action Plan (logs, sawn, plywood, and veneers) together with:

- Pulp and paper of Chapters 47 and 48 of the Combined Nomenclature, with the exception of bamboo-based and recovered (waste and scrap) products;
- Wooden furniture of CN code 9403 30, 9403 40, 9403 50 00, 9403 60 and 9403 90 30;
- Prefabricated buildings of CN code 9406 00 20;
- Fuel wood, in logs, in billets, in twigs, in faggots or in similar forms; wood in chips or particles; sawdust and wood waste and scrap, whether or

not agglomerated in logs, briquettes, pellets or similar forms of CN code 4401;

- Builders' joinery and carpentry of wood, including cellular wood panels, assembled flooring panels, shingles and shakes, wood (including strips and friezes for parquet flooring, not assembled) continuously shaped (tongued, grooved, rebated, chamfered, V-jointed, beaded, moulded, rounded or the like) along any of its edges, ends or faces, whether or not planed, sanded or end-jointed of CN code 4418;
- Particle board, oriented strand board (OSB) and similar board of wood whether or not agglomerated with resins or other organic binding substances of CN code 4410;
- Fiberboard of wood or other ligneous materials, whether or not bonded with resins or other organic substances of CN code 4411;
- Densified wood, in blocks, plates, strips or profile shapes of CN code 4413 00 00;
- Wooden frames for paintings, photographs, mirrors or similar objects of CN code 4414 00;
- Packing cases, boxes, crates, drums and similar packings, of wood; cable-drums of wood; pallets, box pallets and other load boards, of wood; pallet collars of wood; coffins of CN code 4415;
- Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves of CN code 4416 00 00.

Green groups have already been critical of the proposals on the grounds that they do not go far enough in defining procedures for legality verification and in setting out specific penalties for operators that might be found to be trading in illegal wood.

On the other hand, the EC has been conscious of the need to avoid imposing excessive new bureaucratic requirements on the trade in timber from areas where there is little risk of illegal logging. After all, even the most pessimistic assessments suggest that only perhaps 20% of existing EU wood imports derive from illegal sources while the level of domestic supply from illegal sources is likely to be significantly lower. So it makes absolutely no sense to subsume the existing 80% of legal wood supply in new systems and procedures – particularly as this would only increase the costs of legal operation, providing an additional perverse incentive to operate illegally and undermining competitiveness of wood against other less environmentally beneficial materials.

Hence the new legislative proposal is carefully targeted focusing specifically on the risk assessment systems of companies operating at that point in the trading chain where there is most leverage to take proactive measures. No new requirements would be imposed on those suppliers where there is high confidence that there is low risk of illegal logging. The proposal also has the strong benefit of building on and integrating with existing systems of due diligence that have been developed by trade associations and NGOs in several countries.

The proposal must now be considered by both the European Parliament and European Council of Ministers. The earliest conceivable date on which it could come into force is April 2009. The proposal includes a provision for the 'due diligence' requirements to be phased in over a period of 2 years, so individual operators would have to demonstrate compliance from April 2011 onwards. However, there are still many obstacles to full implementation and it is possible that a European Parliament vote on the issue cannot be scheduled until well after the June 2009 parliamentary elections.

A full copy of the proposal is available at:  
<http://www.illegal-logging.info/uploads/flegt timberproposal oct08.pdf>

#### The Netherlands Sawwood Prices

	USD per m <sup>3</sup>
FOB (Rotterdam)	
Sapele KD	946↓
Iroko KD	1006↓
Sipo KD	1102↓
DRM Bukit KD	1112
DRM Seraya KD	1112
DRM Meranti KD Seraya MTCC cert.	1141↓
Merbau KD	1194
Sapupira (non FSC) KD	883
Sapupira (FSC) KD	1398
Anti-slip decking AD C&F Rotterdam	
Selangan batu	1314

#### 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	300-330↓

#### UK Sawwood Prices

	Pounds per m <sup>3</sup>
FOB plus Commission	
Framire FAS 25mm	400-420↓
Sipo FAS 25mm	630-640
Sapele FAS 25mm	500-530↓
Iroko FAS 25mm	580-600
Wawa No.1 C&S 25mm	255-265
CIF plus Commission	
Tulipwood FAS 25mm	280-300↑
Meranti Tembaga Sel/Btr (KD 2"boards)	530-540↑
Balau/Bangkirai Decking	780-790↑
White Oak	560-580↑

#### 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	565-585↑
China (hardwood face, eucalyptus core) 18mm	420-430↓
China (hard face, poplar core) 18mm	390-410↑

## Other ITTO Announcements

### **Call for proposals under the ITTO initiative on innovative timber tracking systems**

Private sector forest companies operating in ITTO producer and developing consumer member countries are invited to participate in the ITTO initiative on innovative timber tracking systems aimed principally at promoting trade in tropical timber and timber products from sustainably managed and legally harvested sources. Under this initiative, selected companies will be provided with ITTO financial assistance to develop innovative timber tracking systems using commercially available hardware and software (conventional paper-based systems are excluded) and contribute to the dissemination of information on volumes of tropical timber and timber products tracked under these innovative systems through a website to be developed for this purpose.

This ITTO initiative is being implemented under Strategic Policy Activity 13: Promote trade in tropical timber and tropical timber products from sustainably managed and legally harvested sources [PP-A/43-194] approved and funded under the ITTO Biennial Work Programme 2007-2008 and the ITTO Programme Support on Tropical Forest Law Enforcement and Trade (TFLET) by the International Tropical Timber Council (ITTC) at its Forty-third Session held in Yokohama, Japan from 5 to 10 November 2007.

Interested and eligible companies are invited to submit proposals for their participation in this ITTO initiative to the ITTO Secretariat for its consideration. Each proposal will be assessed in terms of its relevance, feasibility and practicality for implementation. Each proposal should not exceed five pages in length and should include the following: purpose and goals; methodology; intended outputs and impacts; key activities to be carried out; duration; budget by activity and source, including counterpart funding if it exceeds USD44,247; and work plan. Proposals should be sent to Mr. Amha bin Buang at the ITTO (email: eimi@itto.or.jp; fax: +81 (45) 223-1110).

### **ITTO seeks proposals for civil society-private sector partnerships**

Civil society organizations and small and medium private sector forest companies operating in ITTO producer and developing consumer member countries are hereby invited to submit proposals on ITTO civil society-private sector partnerships for sustainable forest management, certification and verification of legality with a view to enhancing the capacity of these small and medium size enterprises to produce and trade legally and sustainably produced tropical timber and promoting progress towards sustainable forest management, certification and verifiable legality.

These ITTO civil society-private sector partnerships are being implemented under Strategic Policy Activity 12: Consider further work on civil society/private sector partnerships for sustainable forest management and certification [PP-A/43-193] approved and funded under the ITTO Biennial Work Programme 2007-2008 and the

ITTO Programme Support on Tropical Forest Law Enforcement and Trade (TFLET) by the ITTC at its Forty-third Session held in Yokohama, Japan from 5 to 10 November 2007. ITTO funding is currently available to support two proposals and to contribute a maximum amount of USD88,495.00 for each partnership.

Interested and eligible civil society organizations and small and medium private sector forest companies are invited to submit partnership proposals to the ITTO Secretariat for its consideration. Each proposal will be prepared and submitted in accordance with the 'procedures and guidelines check list' that will also be used by the ITTO Secretariat in assessing and selecting the partnership proposal. The check list is available on ITTO's website, [www.itto.or.jp](http://www.itto.or.jp). Proposals should be sent to Mr. Amha bin Buang at the ITTO (email: eimi@itto.or.jp; fax: +81 (45) 223-1110).

### **Request for nominations for communities seeking to engage in environmental services activities**

The ITTO is currently inviting countries to nominate communities to be considered for the International Tropical Timber Organization's (ITTO) work programme activity on environmental services. This activity is an approved part of ITTO's Biennial Work Programme for 2008-2009 and seeks to improve community livelihoods through the development of environmental services schemes. After receiving preliminary feedback from participants at ITTO's series of regional investment forums held during 2006 and 2007, members of the International Tropical Timber Council decided that ITTO would work with communities in tropical countries to help them develop the necessary skills to create project proposals on environmental services for ITTO's consideration.

The theme of environmental services has been emerging only in recent years and includes such activities as watershed management, forest management and carbon offsetting. ITTO recognizes that many countries have not had the ability to delve further into the subject of environmental services due to human and financial resource constraints. In response to this perceived need, ITTO is currently undergoing a consultation process to seek countries' advice on potential communities that might be involved in ITTO's activity on environmental services.

ITTO producer countries have been asked to nominate five communities from each producer country to be considered for this important activity and have welcomed the nominations before 30 December 2008. The following information will need to be submitted for ITTO's consideration: the name, location and history of the local community; the reason why the community should be considered for ITTO capacity building activities and how it would benefit from environmental services schemes (including quantitative data, if possible); the current amount of tropical forests (in hectares) managed by or surrounding the local community; other environmental services schemes in or nearby the community; the community's current local legislation and land tenure arrangements; and the environmental services available in

the nominated community (e.g. forests; watersheds; alternative energy generation; carbon credit potential, etc). If you would like to recommend a community for nomination or are from a community that could benefit from an ITTO environmental services project and would like to be considered by your government, please forward the above information to the ITTO member country point of contact in which the community is located as soon as possible.

If a community is successful in being short-listed for consideration, ITTO will contact the relevant producer country to provide further particulars on the selection process and potential future training associated with this ITTO activity. For further information on this activity, please contact Dr. Lauren Flejzor in the Division of Economic Information and Market Intelligence (flejzor@itto.or.jp; fax: +81 45 223 1111).

### 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.*

Brazil's Foreign Minister Celso Amorim said that the upcoming summit of the Common Market of the South (Mercosur), will allow ministers of member states to prepare coordinated measures against the international financial crisis.

<http://english.people.com.cn/90001/90778/90858/90864/6520242.html>

The European Commission wants the EU to support international work to cut deforestation around the world by 50 percent by 2020 and ultimately eliminate forest destruction completely by 2030. To achieve this, environment commissioner Stavros Dimas has proposed in a communication that a percentage of the money raised from the sale of pollution permits under the EU emissions trading scheme, (ETS) be set aside to pay for forest preservation in developing countries, where the bulk of deforestation occurs.

<http://euobserver.com/19/26963>

For three decades, China has fueled its remarkable economic rise by becoming the world's workshop and unleashing a flood of low-priced exports. But faced with a possible global recession and weakening demand for Chinese exports, the question now is whether the ruling Communist Party can prevent the financial crisis from derailing the country's economic miracle.

<http://www.iht.com/articles/2008/10/22/business/yuan.php>

Governor Theodore Orji of Abia State, called for the deployment of professionals and para-military manpower to manage the forestry departments in the country. He made the call in Umuahia at the 32nd Annual Conference of Forestry Association of Nigeria (FAN).

[http://www.businessdayonline.com/index.php?option=com\\_content&view=article&id=776:orji-wants-professionals-to-manage-forest-reserves&catid=76:hot-topic&Itemid=202](http://www.businessdayonline.com/index.php?option=com_content&view=article&id=776:orji-wants-professionals-to-manage-forest-reserves&catid=76:hot-topic&Itemid=202)

In Cameroon, and definitely in Africa, those who harvest or process rattan and bamboo are local, mostly illiterate, villagers and equally illiterate middlemen and craftsmen who ply their rattan and bamboo trade, in various forms, in towns and cities.

<http://allafrica.com/stories/200810201622.html>

The presidents of the central banks of the main economies in Latin America met in Santiago, Chile, and disclosed a joint statement showing that their countries are 'in better condition to face the financial turbulences, thanks to their solid economic fundamentals'. The meeting included the presidents of the central banks of Brazil, Argentina, Chile, Colombia, Mexico and Peru.

<http://www.brazzilmag.com/content/view/10070/>

Senior agriculture and forestry officials from ASEAN (Association of Southeast Asian Nations) plus China, Japan and the Republic of Korea, gathered in Hanoi to discuss regional cooperation to deal with current crisis.

<http://english.people.com.cn/90001/90778/90858/90863/6520224.html>

While bamboo was once considered 'poor man's lumber', a material more suitable for mats and cheap musical instruments, it is growing in acceptance as a powerhouse construction material also boasting environmental benefits.

[http://www.shanghaidaily.com/sp/article/2008/200810/20081021/article\\_377554.htm](http://www.shanghaidaily.com/sp/article/2008/200810/20081021/article_377554.htm)

The worst financial crisis since the 1930s may be a chance to put price tags on nature in a radical economic rethink to protect everything from coral reefs to rainforests, environmental experts say. Farmers know the value of land from the amount of crops they can produce but large parts of the natural world - such as wetlands that purify water, oceans that produce fish or trees that soak up greenhouse gases - are usually viewed as 'free'.

<http://www.abs-cbnnews.com/world/10/21/08/crunch-may-put-price-tag-environment>

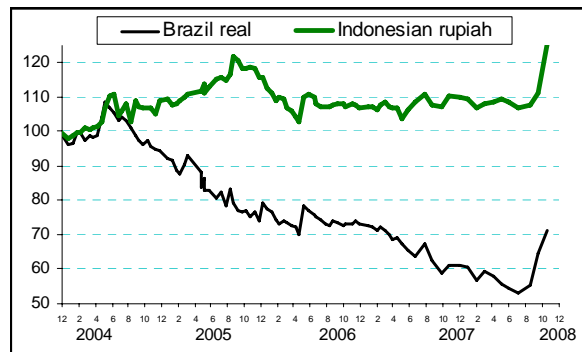
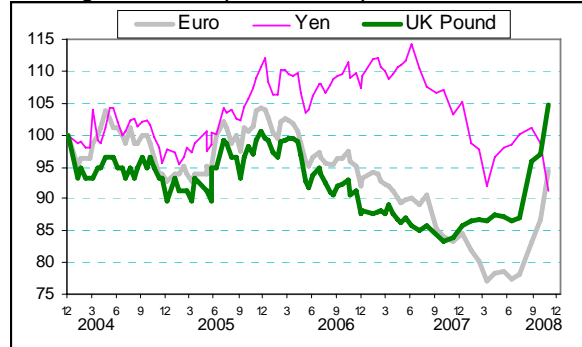


## Main US Dollar Exchange Rates

As of 31 October 2008

Brazil	Real	2.0951	↓
CFA countries	CFA Franc	507.580	↑
China	Yuan	6.8382	↑
EU	Euro	0.7738	↑
Indonesia	Rupiah	10,672.00	↑
Japan	Yen	98.43	↓
Malaysia	Ringgit	3.5323	↑
Peru	New Sol	3.0883	↑
UK	Pound	0.6072	↑

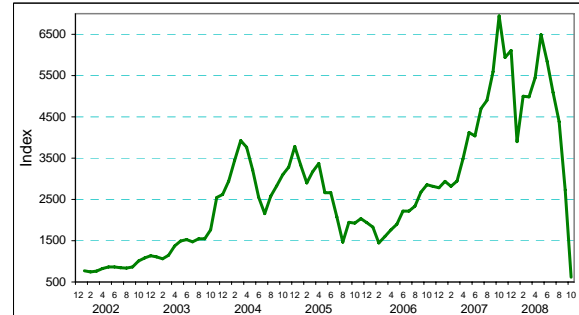
### Exchange rates index (Dec 2003=100)



## 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

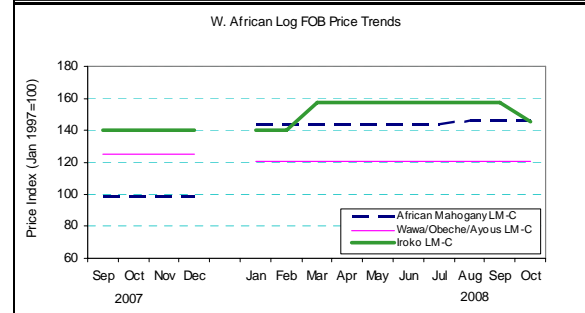
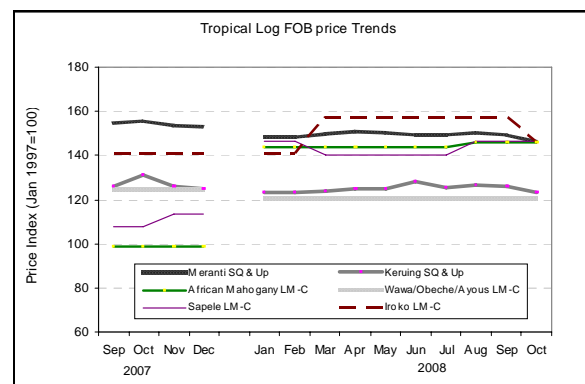
## Ocean Freight Index



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.

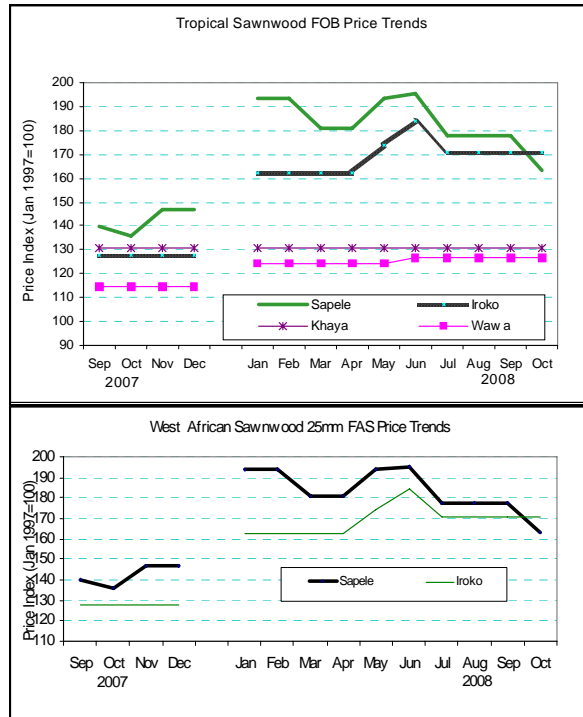
## Appendix. Tropical Timber Price Trends

### Tropical Log Price Trends



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

## Tropical Sawnwood Price Trends



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

## Tropical Plywood Price Trends

