

# Tropical Timber Market Report since 1990

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## Snapshot

At the start of 2009, outlook for the timber sector in many tropical timber producing regions was grim. Most producing countries were not receiving new orders for many wood product items due to the ongoing economic downturn, particularly in the UK and Europe, the US and Japan. Layoffs in the wood products sector were expected in Malaysia and Indonesia and many manufacturers and sawmillers in the country were considering scaling down businesses in the near future.

A few major announcements were made over the Christmas and New Year's holiday, including that the government of Gabon had banned the harvesting of four major timber species. Additionally, Russian Prime Minister Putin signed a resolution postponing the 80% export tax on roundwood logs until 2010 and imposed a 25% tax on certain pine species and birch. Indonesia's forestry ministry also announced a reversal of its ban on pulp and paper companies' use of wood from natural forests.

*Editor's note: Are you interested in becoming a Tropical Timber Market Report correspondent? The ITTO is now seeking consultants from particular countries to supply updated timber trade analyses and prices from particular countries/regions. See the full announcement at the end of this newsletter for more information.*

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## Report from Central/West Africa

### Gabon bans harvest of four major timber species

Very slow market conditions continue in West Africa. However, significantly, the government of Gabon indicated that from 1 January 2009, four major species of timber, afo, douka, moabi, and ozigo, are no longer permitted to be harvested. Producers will have three months in which to dispose of all stocks of these species. The impact of this measure on market prices and the volume of annual harvest in Gabon has yet to be assessed. Moabi is a major species for the market in France, although French importers are currently overstocked with moabi. Despite this, there may be a rush to secure the limited stocks that remain in the pipeline. Although individually the volumes of each of the four species are not that significant, the ban will mean a noticeable reduction in the harvest volumes per hectare. This is expected to impact the viability of some concession areas. At this stage, there is no information as to whether or not concession holders will be able to increase annual allowable concession areas or harvest volumes per hectare of other species to compensate for the lower output.

As to the markets, the current very cold weather in Europe is expected to exacerbate the already very low activity in the housing and construction industries. All the major importing countries are struggling with their respective financial sectors, and housing loans and development finance are very difficult to find. The UK is particularly badly affected because of the slump in the value of the UK pound against the euro and the US dollar, making imports priced in euros much more expensive. Currently, there are no price changes to report for logs or lumber, and it is not clear how the market will develop in the first quarter, although there are no forecasts from industry of any real upturn in the European market.

### 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	153
Ayous/Obéché/Wawa	206	206	168
Azobe & Ekki	168	168	122
Belli	161	161	-
Bibolo/Dibétou	168	168	114
Bubinga	533	457	381
Iroko	289	274	259
Okoume (60% CI, 40% CE, 20% CS) (China only)	132	-	-
Moabi	259	259	206
Movingui	191	191	137
Niove	129	129	-
Okan	152	152	122
Padouk	259	259	229
Sapele	236	236	180
Sipo/Utile	300	300	228
Tali	152	152	114

### West Africa Sawwood Prices

West Africa sawwood, FOB	€ per m <sup>3</sup>
Ayous FAS GMS	315
Fixed sizes	360
Okoumé FAS GMS	300
Sel. & Bet. GMS Italy	250
Sel. & Bet. fixed sizes	-
Sipo FAS GMS	570
FAS fixed sizes	-
FAS scantlings	585
Padouk FAS GMS	585
FAS scantlings	585
Strips	425
Sapele FAS Spanish sizes	500
FAS scantlings	500
Iroko FAS GMS	450
Scantlings	480
Strips	304
Khaya FAS GMS	396
FAS fixed	427
Moabi FAS GMS	565
Scantlings	565
Movingui FAS GMS	405

## Report from Ghana

### Ghana's third quarter export permits take slight fall

According to data provided by the Timber Industry Development Division (TIDD) of the Forestry Commission (FC), 2,196 export permits were vetted, processed, approved and issued to exporters during the third quarter of 2008 to cover shipment of various timber and wood products through the ports of Takoradi and Tema as well as for overland exports to neighboring countries.

Compared to the number of export permits issued in the second quarter of 2008, which totaled 2,319, third quarter results fell 5.30%. This decrease could be attributed to the slump in trade due to the summer holidays in the European Union and North America, which are Ghana's two main markets.

Lumber kiln-dried (KD) and air-dried (AD) consisted of 45.49% of contracts, registering the highest number of export permit applications for the period under review, resulting from higher demand for these products than for tertiary wood products such as furniture parts, moldings, floorings, dowels, broomsticks and profile boards.

Substantial decreases in the number of permits were issued in the third quarter for the export of blockboard, layons, floorings, dowels, moldings, boules, sliced veneer and rotary veneer. Nonetheless, there were significant increases in the number of permits issued during the same period for the export of teak billets/poles/logs. This increase may be attributed to heightened demand for this product by India and Hong Kong.

Three hundred and thirty eight export permits, with a total volume of 32,937m<sup>3</sup> and valued at EUR10.30 million, were issued to a number of timber companies for overland export of lumber, plywood and/or blockboard by road to Burkina Faso, Nigeria, Niger, Mali, Benin and Togo.

### Third quarter 2008 market prices and trends hold stable

There were no major changes in Ghana's export prices of wood products during the third quarter of 2008. Prices were generally stable for contracts closed with buyers in the major importing countries of Germany, Italy and France. Most exporters found it difficult to negotiate prices above the TIDD Minimum Guiding Selling Prices (GSP) in some cases. It was reported by most sellers that the limited improvement in prices was the result of the slowdown in the building industry in Western Europe, Ghana's main market for wood products.

Prices of African mahogany sawn timber for the US, which reached a high of USD1000/m<sup>3</sup> during the second quarter of 2008, fell significantly to an average price of USD930/m<sup>3</sup> during the quarter under review. Additionally, most buyers were reported to be purchasing at cheaper prices from Ghana's trade competitors in Côte d'Ivoire, Gabon and Cameroon.

Celtis rotary veneer in the US market commanded an average price of USD500/m<sup>3</sup>, which was USD9/m<sup>3</sup> more than the GSP of USD491/m<sup>3</sup> in the quarter under review.

During the third quarter of 2008, two rubberwood contracts were given to Best Glow Wood Limited to supply 2000 m<sup>3</sup> each of rubberwood lumber to Tan Eng Hout & Sons and Hsin Foogn Manufacturers Limited, Chinese buyers of wood products from Malaysia. These were the largest contracts signed by the company since July 2007 and secured an improved price for rubberwood of USD160/m<sup>3</sup>, up from the previous level of USD130/m<sup>3</sup>.

Smaller volumes of sliced veneer contracts were approved for John Bitar & Company Limited and Logs & Lumber Limited to supply this product to buyers in China, India, Russia and Singapore, which previously had not been a preferred destination for the product. It is anticipated that these markets would be further expanded to receive larger volumes in the future.

### 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>	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	855	-
Asanfina	490	560
Ceiba	200	260
Dahoma	330	390
Edinam (mixed redwood)	415	465↓
Emeri	425	475↓
African mahogany (Ivorenensis)	585	670
Makore	520	610↑
Niangon	560↑	640
Odum	660	750
Sapele	540	600
Wawa 1C & Select	260	285

Ghana sawnwood, domestic	US\$ per m <sup>3</sup>
Wawa 25x300x4.2m	255
Emeri 25x300x4.2m	345↓
Ceiba 25x300x4.2m	210↑
Dahoma 50x150x4.2m	318
Redwood 50x75x4.2m	280↑
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	1.20
Avodire	1.12	0.80
Chenchen	1.00	0.55
Mahogany	1.40	0.79
Makore	1.90	0.90
Odum	1.66	1.00

### Ghana Plywood Prices

Plywood, FOB	€ per m <sup>3</sup>			
B/BB, Thickness	Redwoods		Light Woods	
	WBP	MR	WBP	MR
4mm	560	475	500	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

### Malaysian timber prices suffer sharp declines

Prices of Malaysian wood products have declined sharply as the global economic slowdown began to deeply impact the industry. The price decline was the steepest since the Asian financial crisis in the late 1990s.

Timber merchants and wood products manufacturers alike were rushing to reduce inventory by offering bulk discounts to buyers. Some timber merchants lamented that many of them had not received any new orders from buyers beyond January 2009.

Both manufacturers and sawmills were facing the grim prospect of scaling down businesses in the near future. Between 30% to 50% of small and medium-sized businesses may be forced to shut down by end March 2009. There was a fear that up to 70% of workers in the timber industry may be laid off before end 2009.

### Limited demand for Malaysian timber debilitate furniture industry

The recession in the US, reflected in the latest job data revealing a total job loss of 2.6 million in 2008, has brought the Malaysian furniture industry nearly to a standstill. Manufacturers are now counting on existing demand from the Middle East to keep their factories in operation for the next six months.

Any expectation of fresh orders from European buyers for sawn timber has mostly evaporated. Many European buyers have opted to have their deposit forfeited than to take delivery of any stock of sawn timber.

A number of sawmills are expected to close down permanently after the Chinese New Year at the end of January 2009. An increasing number of warehouses in Malaysia are also experiencing slow moving stockpiles of plywood and other panel products, reported *The Star*.

### Malaysia and EU to sign VPA in early 2009

*Bernama* reported that Malaysia and the EU were expected to sign a Voluntary Partnership Agreement (VPA) within the first three to four months of 2009. The announcement by Vincent Piket, the EC ambassador to Malaysia, indicated that the EU was continuing negotiations on the EU's acceptance of Malaysia's certification system for timber. He noted that acceptance of the new system would mean that Malaysian timber would not require further certification in the EU market.

### Malaysia Log Prices

Sarawak log, FOB	US\$ per m <sup>3</sup>
Meranti SQ up	233-257↓
Small	212-243↓
Super small	200-225↓
Keruing SQ up	219-231↓
Small	188-219↓
Super small	162-193↓
Kapur SQ up	210-235↓
Selangau Batu SQ up	178-215↓
Pen. Malaysia logs, domestic (SQ) US\$ per m <sup>3</sup>	
DR Meranti	238-259↓
Balau	300-325↓
Merbau	334-369↓
Rubberwood	43-79↓
Keruing	218-234↓

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	287-318↓
Seraya Scantlings (75x125 KD)	468-485↓
Sepetir Boards	254-276↓
Sesendok 25,50mm	364-382↓
Kembang Semangkok	298-321↓
Malaysian Sawnwood, domestic	
Balau (25&50mm,100mm+)	346-366
Merbau	497-549↓
Kempas 50mmx(75,100 & 125mm)	269-309↓
Rubberwood 25x75x660mm up	197-247↓
50-75mm Sq.	240-272↓
>75mm Sq.	262-289↓

### Malaysia Plywood Prices

Malaysia ply MR BB/CC, FOB	US\$ per m <sup>3</sup>
2.7mm	425-487↓
3mm	398-428↓
9mm & up	343-415↓
Meranti ply BB/CC, domestic	
3mm	395-436↓
12-18mm	329-358↓

### Other Malaysia Panel Prices

Malaysia, Other Panels, FOB	US\$ per m <sup>3</sup>
<i>Particleboard</i> Export 12mm & up	232-255↓
Domestic 12mm & up	217-234↓
<i>MDF</i> Export 15-19mm	287-319↓
Domestic 12-18mm	276-294↓

### Malaysia Added Value Product Prices

Malaysia, Mouldings, FOB	US\$ per m <sup>3</sup>
Selagan Batu Decking	568-578↓
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	584-594↓
Grade B	535-544↓

### Malaysia Furniture and Parts Prices

Malaysia, Rubberwood, FOB	US\$ per piece
Semi-finished dining table	
solid laminated top 2.5'x4', extension leaf	59-75↓
As above, Oak Veneer	66-80↓
Windsor Chair	58-60↓
Colonial Chair	56-61↓
Queen Anne Chair (soft seat)	56-64↓
without arm	56-65↓
with arm	56-65↓
Chair Seat 27x430x500mm	44-49↓
Rubberwood Tabletop	US\$ per m <sup>3</sup>
22x760x1220mm sanded & edge profiled	
Top Grade	580-612↓
Standard	565-584↓

## Report from Indonesia

### Prices decline despite slide of rupiah

News that China is gradually increasing its export tax rebates for plywood sent jitters throughout the Indonesian plywood industry, which is already struggling to cope with the global economic downturn. Prices of Indonesian wood products continue to decline sharply even as the Indonesia rupiah depreciates against major traded currencies. Nevertheless, the lower exchange rate has not been able to encourage more buyers of Indonesia's plywood. According to *The Jakarta Globe*, the Indonesian government is stepping up its effort to assist the industry by creating a USD4.64 billion economic stimulus plan. Indonesia is counting on infrastructure projects that will help stimulate consumption within the local population.

However, layoffs within the Indonesian wood products industry are already taking place as several timber concessionaires and forest plantation owners begin curbing logging operations. With many development projects coming to a standstill in major cities across Indonesia, demand for logs is low due to a glut in sawn timber supply.

### Pulp and paper industry to use wood from natural forests

*Antara* reported on the Indonesian forestry ministry's reversal of an earlier decision to ban paper and pulp companies from harvesting wood from natural forests. The reversal was taken as the ministry was facing problems with a deficit in log supply from forest plantation projects for the pulp and paper industry, caused by some companies delaying the start of plantation projects and premature harvesting of plantations, causing greater uncertainty in wood supply. As a result, the ministry was forced to reconsider its policy of preventing pulp and paper companies from using wood from natural forests. The pulp and paper industry will now be able to use wood from natural forests, if supply from timber estates is not available.

### Indonesia Log Prices (domestic)

Indonesia logs, domestic prices	US\$ per m <sup>3</sup>
Plywood logs	
Face Logs	194-237↓
Core logs	173-206↓
Sawlogs (Meranti)	182-243↓
Falcata logs	149-182↓
Rubberwood	36-62↓
Pine	163-202↓
Mahoni (plantation mahogany)	561-589↓

### Indonesia Sawnwood Prices

Indonesia, construction material, domestic	US\$ per m <sup>3</sup>
Kampar (Ex-mill)	
AD 3x12-15x400cm	177-195↓
KD	200-234↓
AD 3x20x400cm	226-249↓
KD	230-255↓
Keruing (Ex-mill)	
AD 3x12-15x400cm	242-256↓
AD 2x20x400cm	228-244↓
AD 3x30x400cm	206-225↓

### Indonesia Plywood Prices

Indonesia ply MR BB/CC, FOB	US\$ per m <sup>3</sup>
2.7mm	419-476↓
3mm	375-416↓
6mm	332-398↓

MR Plywood (Jakarta), domestic	US\$ per m <sup>3</sup>
9mm	274-285↓
12mm	265-275↓
15mm	253-267↓

### Other Indonesia Panel Prices

Indonesia, Other Panels, FOB	US\$ per m <sup>3</sup>
<i>Particleboard</i> Export 9-18mm	224-235↓
Domestic 9mm	192-204↓
12-15mm	183-194↓
18mm	173-185↓
<i>MDF</i> Export 12-18mm	269-281↓
Domestic 12-18mm	248-259↓

### Indonesia Added Value Product Prices

Indonesia, Mouldings, FOB	US\$ per m <sup>3</sup>
Laminated Boards Falcata wood	324-336↓
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	523-559↓
Grade B	477-498↓

## Report from Myanmar

### Average tender prices for teak hold stable in December 2008

Teak prices for December 2008 were generally stable except for some of the higher grades, with MTE selling about 800 tons in the tender. This limited quantity helped tender average prices stay at previous levels. Buying and selling were slow, given the current low level of demand in the market. With poor economic outlook in developed countries, Myanmar producers did not expect a dramatic turnaround in the trade situation in the near future. Some exporters were also reported to be planning for higher sales to the domestic market.

### Myanmar Log Prices (natural forests)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)	
Veneer Quality	Nov	Dec
2nd Quality	4,288 (5 tons)	-
3rd Quality	3,661 (12 tons)	3,877 (5 tons)
4th Quality	3,222 (37 tons)	3,253 (22 tons)
<i>Sawing Quality</i>	<i>Nov</i>	<i>Dec</i>
Grade 1 (SG-1)	2,379 (95 tons)	2,509 (80 tons)
Grade 2 (SG-2)	1,981 (160 tons)	2,063 (82 tons)
Grade 3 (SG-3)	-	-
Grade 4 (SG-4)	1,860 (391 tons)	1,991 (312 tons)
Grade 5 (SG-5)	1,644 (245 tons)	1,596 (165 tons)
Grade 6 (SG-6)	1,267 (160 tons)	1,261 (54 tons)
Grade 7 (ER-1)	1,101 (98 tons)	1,065 (82 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	--
Taungthayet	--

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

**Pará to soon launch sustainable forest concession**

*O Liberal* reported that the state of Pará will soon accept the first bid for a sustainably managed forest concession. The Pará Forestry Institute (IDEFLOR) has indicated that the concession area will be about 150,000 hectares within a total area of 1.3 million hectares and will have a forest use plan prepared by the state, which will be released in February 2009. Studies on land use restrictions are currently being concluded in the concession area. These restrictions will assist land use planning to identify traditional community areas, biodiversity preservation and conservation areas and areas to be used for economic purposes.

Of the over 15 million hectares of state forests, IDEFLOR states that when management plans for state conservation areas of the Calha Norte region are completed in 2010, there will be a supply of over 8 million hectares of legal concessions in Pará. The new plans are anticipated to revamp the forest economy for the state and solve land conflicts.

According to IDEFLOR, 2008 was a key year for many reforestation activities such as the establishment of seed labs of native forest species in the Tailândia, Altamira and Marabá municipalities. These initiatives will stimulate seedling production and expand reforestation programmes. In addition, other actions will be taken to revitalize forest nurseries, establish West Pará University and the Santarem Technological Complex focusing on forest products technologies.

**Northern Mato Grosso municipalities lead in timber sales**

The municipality of Sinop has led in timber sales in the state of Mato Grosso for the last three years, representing 15.5% of the state's total trade, according to the State Secretary of Environment (SEMA). These statistics, reported in *Só Notícias*, take into account the participation of each municipality in the volume of sales for exports, at the domestic level and sales within the municipality itself. Within the state, Aripuanã is the second leading municipality, with 9% of sales, followed by Juina (7.6%), Colniza (6.7%), Juara (4.8%) and Alta Floresta (4.7%). The remaining 135 municipalities make up 51.6% of the remainder of sales.

SEMA also published a report on wood species commercialized under the GF3 Forestry Control Bill (Guia Florestal GF3). The report indicates the volume of commercialized species in cubic meters, the value and average price, including sawnwood, laminated veneer, sliced veneer, wood chips, block and logs of native tree species, among others. The top commercialized species is Cedrinho (12.4%), with Ipê ranking second (9.8%) and followed by Jatoba (8.4%), Itaúba (5.9%), Garapeira (5.2%), Cambara (4.7%), Amescla (3.8%), Angelim Pedra (3.5%) and Cumaru (3.1%).

**Pará's forest sector continues to experience declines**

*O Liberal* reported that in 2008, a large number of companies and employees of the Brazilian forest sector were negatively affected, with exports decreasing about 35% from the state. The state of Pará reported a 19.4% fall in exported volume compared with results for 2007. According to the Association of Timber Industries Exporters of Pará State (AIMEX), the state of the timber industry in 2009 will depend on how the new US government supports its key economic sectors. According to the latest survey released by the Department of Statistics and Socio-economic Studies (DIEESE), seven thousand jobs were lost in the forestry sector in Brazil in 2008. The main factors were the North American financial crisis, which began with the real estate sector, eventually impacting the entire financial sector and causing sharp falls on stock exchanges and reduction in access to credit. The crisis has also impacted major consumers of forest products, including the civil construction sector.

It is hoped that after the US financial situation stabilizes, Pará's business opportunities will improve. However, the forestry business will also have to overcome the slow process of approving forest management in natural forests by environmental agencies. The Industry Federation of the State of Pará (FIEPA) noted that the global financial crisis has caused the suspension of sale contracts with companies located in Pará, and those who have continued selling have had to revise product prices. Importers are also revising their approaches to adapt to the fluctuating market, with many creating new strategies in response to the current market situation.

**Exchange rate has little impact on Brazilian timber companies**

*Gazeta do Povo* reported that after almost two years of low profits triggered by the rise of the Brazilian real against the US dollar, recent reverses in the trend have done little to assist profits in the timber sector. Producers working in the international market have not made much profit in Brazilian real since demand and prices for Brazilian products have been falling. On the other hand, producers depending on the domestic market may also face the same problem and without attractive prices for products, the timber sector may continue on a path of stagnation.

In the state of Parana, until 2006, the US market accounted for 60% of Brazilian exports, which reached about USD1 billion per year. When US housing construction began to fall, timber shipments also dwindled. In response to this, the first action taken was to diversify export destinations. European countries, particularly England, Germany and Spain had been increasing their exports imports over the past few years, but are now asking for price reductions given the current state of the economy. According to the Brazilian Association of the Mechanically Processed Timber Industry (ABIMCI), the fluctuation of the Brazilian real against a number of currencies has badly affected the timber industry. Exporters are facing difficulties obtaining bank credits and prices for contracts have been very low. The interest rate has jumped from 6-8% per year to 14-18% per year due to the exchange rate

alone. Timber companies have also become more dependent on the domestic market. Domestic plywood consumption, fueled by civil construction, increased by 15% in 2008.

#### Brazil Log Prices (domestic)

Brazilian logs, mill yard, domestic	US\$ per m <sup>3</sup>
Ipê	113↓
Jatoba	80↓
Guariuba	54↓
Mescla (white virola)	59↓

#### Brazil Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per m <sup>3</sup>
Jatoba Green (dressed)	810↓
Cambara KD	472
Asian Market (green)	
Guariuba	266
Angelim pedra	611↑
Mandioqueira	235
Pine (AD)	201↑

Brazil sawnwood, domestic (Green)	US\$ per m <sup>3</sup>
Northern Mills (ex-mill)	
Ipê	536↓
Jatoba	412↓
Southern Mills (ex-mill)	
Eucalyptus (AD)	153↓
Pine (KD) 1st grade	201↓

#### Brazil Veneer Prices

Veneer, FOB (Belem/Paranagua Ports)	US\$ per m <sup>3</sup>
White Virola Face 2.5mm	298↑
Pine Veneer (C/D)	210

Rotary cut Veneer, domestic (ex-mill Northern Mill)	US\$ per m <sup>3</sup>
White Virola	Face 203↓ Core 169↓

#### 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)	275↓
15mm C/CC (WBP)	252↓
18mm C/CC (WBP)	250↓

Plywood, domestic (ex-mill Southern mill)	US\$ per m <sup>3</sup>
Grade MR (B/BB)	
White Virola 4mm	701↓
White Virola 15mm	512↓

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	446↓
Particleboard 15mm	282↓

#### 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	493↓
Decking Boards	
Cambara	609
Ipê	1630↓

## Report from Peru

### Peru to plant 2 million trees to combat climate change

Peru's National Soil and Water Conservation Program (Pronamachcs) is undertaking an initiative to plant 40 million trees in Peru to combat the effects of climate change, including through the capture of carbon dioxide. In Junin, it is expected that over 2 million trees of different species will be planted. The districts of Chupuro and San Juan de Iscos will also begin planting trees, with the view to planting over 32,000 seedlings as part of the national initiative.

### Germany provides EUR20 million to preserve Peru's forests

Peru's Environmental Minister, Antonio Brack Egg, announced Germany's contribution of EUR20 million to Peru, which will be utilized over the next year and a half to conserve primary forests. Brack was able to negotiate the deal, along with other agreements on technical capacity building and CO<sub>2</sub> certification, during his recent visit to Germany. In addition, Brack attended the recent UN Framework Convention on Climate Change Conference of the Parties in Poznan, where he stressed that Peru could achieve emissions reductions over the next 10 years at a cost of USD5 million per year. Brack noted that Peru would need international assistance to achieve the ambitious goal, but that half of the required finances had recently been provided by Germany. To obtain further assistance, he indicated that Peru was undertaking negotiations with The Netherlands, the UK and Finland.

### INRENA Chief calls for more certified wood products

The Chief of the National Institute of Natural Resources (INRENA), Mr. José Luis Camino, recently called on the government to increase the amount of Peru's certified wood products. He noted that certification would help educate the industry and strengthen forest management by concessionaires. He stressed the importance of Peru's forest products, saying that the total value of Peru's forest products grew from USD13 million in 1990 to USD322 million in 2007.

Camino said Peru's forests had been reduced to 18.7 million hectares for a variety of reasons, including deforestation, drug cultivation and trade and a growing population around forest areas. He also cautioned that a high percentage of wood products were used for fuel. In 2007 alone, more than 87% of wood products were used for the production of fuel. Over 7 million types of wood products extracted from the Peruvian Amazon have been turned into mostly wood and coal.

#### 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	939-967
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	321-368
Grade 2, Mexican market	283-309
Cumaru 4" thick, 6'-11' length KD	
Central American market	809-836
Asian market	778-797
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	934-951
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	317-342
Grade 2, Mexican market	280-296
Grade 3, Mexican market	159-173
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	238-249

Peru sawnwood, domestic	US\$ per m <sup>3</sup>
Mahogany	1239-1266
Virola	68-80↓
Spanish Cedar	411-427↓
Marupa (simarouba)	122-130

#### 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	357-380
Virola, 2 faces sanded, B/C, 5.2x4x8mm	412-421
Cedar fissilis, 2 faces sanded 4x8x5.5mm	745-755
Lupuna, treated, 2 faces sanded, 5.2x4x8mm	360-375
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>
Cabreva/estoraque KD12% S4S, Asian market	1443-1498↓
Cumaru KD, S4S Swedish market	690-745↓
Asian market	1021-1111↓
Cumaru decking, AD, S4S E4S, US market	968-1065↓
Pumaquiro KD # 1, C&B, Mexican market	479-525↓
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 Guyana

### Guyana's 2008 market trends show mixed results

In 2008, domestic prices for Guyana's forest products were mixed compared with 2007 levels. The greatest price increase was recorded for splitwood, rising 61% over 2007 prices, and was closely followed by similar hikes in plywood, which moved on average from USD366 in 2007 to USD538 in 2008. Prices for fuelwood rose 29% on average. Price declines were greatest for roundwood.

The average price level for exported products showed a more positive trend per cubic meter for logs, lumber and plywood. Though there were small improvements recorded for some products, others such as logs and undressed lumber showed significant improvements in prices. Robust gains in prices for roundwood per m<sup>3</sup> were recorded during the same period.

Log prices increased approximately 25% over the twelve month period, moving from USD123/ m<sup>3</sup> in January 2008 to USD154/ m<sup>3</sup> in December 2008. Other trends over the twelve month period included: undressed lumber prices, increasing 26%, from USD422 to USD531; dressed lumber and plywood prices, each rising approximately 9%, from USD581 to USD631 and USD384 to USD419, respectively; and roundwood, jumping 70% from USD206 to USD352.

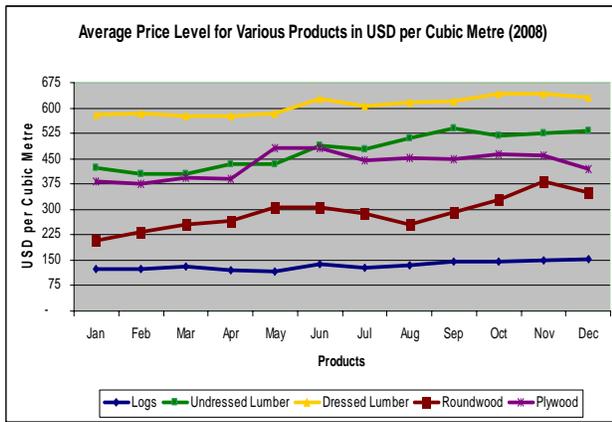
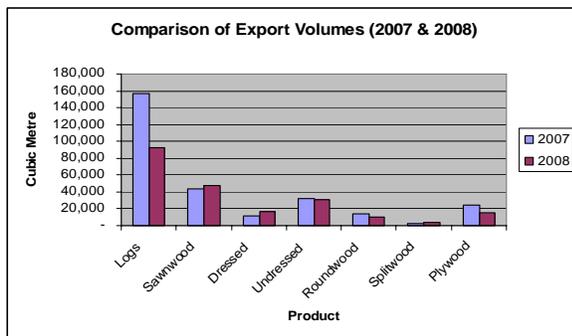


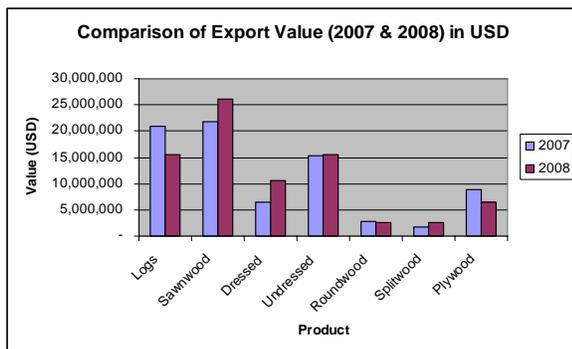
Chart 1: Guyana's average price level for various products in 2008, USD per cubic meter (Source: GFC)

Log export volumes in 2008 were 41% less than the accumulated total for 2007, the largest fall for any forest product. Sawwood export volumes also declined by more than 8.2% over 2007 figures, although this was less significant than the decrease in log exports because of the larger volume of dressed lumber exported. Plywood volumes were 35% lower than 2007 levels.



Graph 2: Guyana's wood product exports by volume and product in 2007 and 2008 (Source: GFC)

The total export value earned for Guyana's forest products was supported by higher average prices per cubic meter throughout the year. Values for plywood and logs fell by 26% and 25%, respectively. Other products that recorded gains in the same period were dressed lumber (62%) and sawnwood (19%).



Graph 3: Guyana's wood product exports by value and product in 2007 and 2008 (Source: GFC)

By region, the Asia/Pacific region was the most important export market for Guyana's wood products by value, although revenue from this region in 2008 was 11% lower than in 2007. The Latin American/Caribbean region continued to import a significant share of Guyana's products, with the value of exports to this region increasing 3% over 2007 levels. The value of exports to the North American market fell by 5%, while revenue from the European market was up 27%. However, the smaller contributors to Guyana's export revenues increased their market share in 2008. Countries in South America and Africa contributed a larger amount to revenues in 2008 than in 2007, with revenue from these regions increasing 26% and 83%, respectively.

#### Guyana Log Prices

Logs, FOB Georgetown	SQ - \$ Avg unit value per m <sup>3</sup>		
	Std	Fair	Small
Greenheart	130-185	120-155	120-145
Purpleheart	220-265 ↑	200-250	180-235 ↑
Mora	150-200 ↑	140-180 ↑	130-190 ↑

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

#### Guyana Sawnwood Prices

Sawnwood, FOB Georgetown		\$ Avg unit val. per m <sup>3</sup>	
EU and US markets		Undressed	Dressed
Greenheart	Prime	720 ↑	582 ↓
	Select/Standard	520-863 ↑	550-1166 ↑
Purpleheart	Prime	-	600 ↓
	Select/Standard	660-1008 ↑	600-743 ↓
Mora	Select	450 ↓	-

#### Guyana Plywood Prices

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

### Report from Japan

#### Dismal economic trends drive plywood market lower

*Japan Lumber Journal* drew attention to the continuing negative impacts on the Japanese timber market at end December 2008. Regarding plywood, it was noted that Indonesia's plywood supply to Japan would likely to decline further, as factories were shutting down and production was being scaled back. The same was noted for Malaysia, with *JLJ* signaling that Malaysian plywood factories would suspend their production once stocks of raw materials were used. Reports from the Tokyo Lumber Wholesalers' Association Lumber Price Market Investigation Committee indicated no movement in plywood imports, with many expecting that the plywood market would become worse in 2009. Participants at the meeting expected distributors to sell products at lower prices to move stocks. *Japan Lumber Reports* also noted that previous price increases were lost over a span of weeks due to the slow movement of the plywood market in October and November 2008.

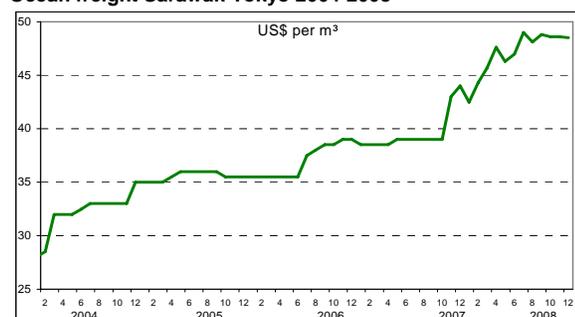
## Log and Sawwood Prices in Japan

Logs for Ply Manufacture, CIF		Yen per Koku
Meranti (Hill, Sarawak)		(Koku=0.278 m <sup>3</sup> )
Medium Mixed		8,200
Standard Mixed		8,300
Small Log (SM60%, SSM40%)		7,200
Taun, Calophyllum, others (PNG)		7,600
Mixed light hardwood, G3/4 grade (PNG)		-
Keruing MQ & up (Sarawak)		12,000
Kapur MQ & up (Sarawak)		10,500
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)	Nov	
		Dec	
		¥ per sheet	
2.4mm (thin plywood, F 4star, type 2)	920 X 1830	400	390 ↓
3.7mm (med. Thickness, F 4star, type1)	910 X 1820	570	540 ↓
5.2mm (med. Thickness, F 4star, type 1)	910 X 1820	680	650 ↓
11.5mm for sheathing (F 4star, type 2)	910 X 1820	1040	980 ↓
12mm for foundation (F 4star, special)	910 X 1820	1060	1000 ↓
12mm concrete-form ply (JAS)	900 X 1800	1030 ↓	930 ↓
12m coated concrete-form ply (JAS)	900 X 1800	1150 ↑	1060 ↓
11.5mm flooring board	945 X 1840	1650 ↑	1650
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

### Financial downturn brings losses for China's forest products trade

Due to the impact of the global financial crisis, the total import and export value of China's forest products trade fell in 2008, with prices of secondary processed wood products dropping by 20 to 25%. To date, almost 50% of plywood enterprises have stopped or partially stopped production, and about 20% of wood flooring enterprises are also in difficult positions financially. Export-oriented product enterprises have been hurt more severely than enterprises catering to the domestic market.

According to Mr. Zhang Jianlong, Vice Administrator of the State Forestry Administration, China's forestry sector has grown substantially since it adopted a series of reforms and expanded its forest policies. The total output of China's forestry trade reached 1.2 billion yuan in 2007, although the dismal global financial situation in late 2008 negatively impacted the Chinese forestry sector to varying degrees. According to statistics, for the first ten months of

2008, China's wood processing industries suffered a total approximate loss of 34 billion yuan, of which: logs, sawnwood and chips lost 6.5 billion yuan; the wood-based panel industry lost between 8 and 10 billion yuan; and furniture and other wood products lost between 18 and 20 billion yuan. Forest cultivation, the forest tourism industry and the non-wood forest products industry have also been negatively affected to varying degrees.

In light of the recent financial crisis and the aftermath of the natural hazards such as the heavy snows and earthquakes in 2008, Mr. Cao Quingrao, a spokesman for the SFA, said that SFA would take a number of measures in response to these events. First, SFA is expected to encourage domestic demand and promote employment, including by investing 10.64 billion yuan in forestry, which includes 7.71 billion yuan in direct investment and 2.92 billion yuan in tax benefits. Second, the SFA said it would assist with the alleviation of some of the problems faced by forest enterprises in China. Third, it will work to stabilize wood products export rebate policies, with recent measures being taken to subsidize enterprises by 410 million yuan. Finally, it will work to encourage and support enterprises to increase their capacity to cope with the financial crisis.

### Growth of wood products drop in Guangdong Province

Guangdong Province is an important production center for China's wood products, although it has recently suffered setbacks due to the global financial crisis because of its orientation toward the export markets. Statistics show that during the first 10 months of 2008, imports and exports of major wood products such as furniture and wood-based panels experienced negative growth compared to the same period in 2007.

In terms of imports, China imported a total of 25.46 million m<sup>3</sup> of logs, down 19.6% from 2007, of which imports from Russia fell 5.43 million m<sup>3</sup> (25%). The import of logs to Guangdong Province fell 14% during the same period. In terms of exports, statistics show that during the first 10 months of 2008, exports of plywood from Guangdong Province to the US, the most significant importing country to the province, fell 30% from the same period of 2007. The export of wood furniture fell 5.8% and MDF fell 45% during the same period. Due to the financial crisis, enterprises producing and exporting wood products continued to be in a difficult position.

### Leizhou Peninsula suffers from substantial shut downs

Zhangjiang City, located in Leizhou Peninsula of Guangdong Province, has been an important center for establishing eucalypt plantations. Since 2001, the wood processing industry has developed rapidly. The number of wood processing enterprises in the area was 143 in 2008, up from about 30 in 2003. Most of the enterprises are export-oriented, of small scale and labor intensive, with employees in these enterprises amounting to nearly 20,000. Since the second half of 2008, due to the global financial crisis, most wood processing enterprises in China were in a difficult position. Until the present time, about 130 enterprises have shut, while others have temporarily

stopped production. For instance, the Cui Hong Company, the largest wood processing enterprise in Zhangjiang City, has suffered a 50 million yuan loss, since its exports have fallen 20% and with the average unit price of plywood decreasing by about USD30 per m<sup>3</sup>.

#### Trade in China's wooden doors and windows dipped in 2008

According to statistics from China's General Customs Administration, international trade in wooden doors and windows from China dropped during the first 10 months of 2008. China exported a total of 34,000 tons of wooden windows, valued at USD112 million during the period, down 11% by volume and 3% by value from the same period in 2007. During the same period, China imported 1 thousand tons of windows, valued at USD924,000, down 19% by volume and 12.5% by value.

Additionally, China exported a total of 258,500 tons of wooden doors, which were valued at USD458 million during the period, down 9% by volume and 1% by value during the same period. China imported 377 tons of doors valued at USD2 million, down 29% by volume and 59% by value when compared with values from 2007.

#### Guangzhou City Imported Timber Market

Logs	Yuan per m <sup>3</sup>
Radiata 6m, 30cm diam.	1300
Lauan	1900-2300↓
Kapur	1900-2350↓
Merbau 6m, 60cm diam.	4400-5300↑
Keruing 60cm+ diam.	1900-2350
Beech 6m,30cm veneer Qual.	3300-3600
<b>Sawnwood</b>	
Teak sawn grade A	8500-9500
US Maple 2" KD	8800-12300↓
US Cherry 2"	14700-15000
US Walnut 2"	17000-17400↑
SE Asian Sawn 4m+, KD	3800-4000↑
<b>Plywood*note, dimensions have changed</b>	
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	9500-10000
US Red Oak, 50mm	9800-10500
Sapele 50mm FAS (Congo)	
KD (2", FAS)	7800-8000↓
KD (2", grade A)	7500-7600

#### Shandong De Zhou Timber market

Logs	Yuan per m <sup>3</sup>
Larch 6m, 24-28cm diam.	1230↓
White Pine 6m, 24-28cm diam.	1250↓
Korean Pine 4m, 30cm diam.	1500↓
6m, 30cm diam.	1600↓

#### Hebei Shijiazhuang Wholesale Market

Logs	Yuan per m <sup>3</sup>
Korean Pine 4m, 38cm+ diam	2000
Mongolian Scots Pine 4m, 30cm diam.	1380↓
6m, 30cm+ diam.	1450↑
<b>Sawnwood</b>	
Mongolian Scots Pine 4m, 5-6cm thick	1520↓
4m, 10cm thick	1520↓

#### Zhejiang Jiashan Kaihua International Timber Market

Logs	Yuan per m <sup>3</sup>
Okoume 80cm+	2900-3500
Sapele 80cm+	6000-6500
Wenge 80cm+	1300-1400
<b>Plywood</b>	
US Black Walnut 4x8x3 mm	6000-8000
Beech 4x8x3 mm	6000-8000
Teak 4x8x3 mm	6000-8000
Poplar (4x8x3-5 mm)	3000-4000

For more information on China's forestry see: [www.forestry.ac.cn](http://www.forestry.ac.cn)

#### Report from Europe, the UK and Russia

##### Short term EU market prospects very poor

Short term prospects for the European hardwood sector appear very poor. Hardwood consumption has been hit by serious economic disruption resulting from the bursting of the property bubble and associated credit crunch. This has created a vicious downward spiral as lack of credit to businesses and individuals is now causing severe cash flow problems and reducing economic activity further, contributing to rising levels of unemployment, higher debt default rates, and further falls in consumer spending. Media reports highlighting these problems are helping to reinforce and deepen negative sentiment. It should be said, however, that the world keeps turning; there is economic activity; and wood is being consumed. Although the market is extremely competitive, those with the right stock at the right price are finding buyers.

But there is no disputing that these are extremely tough times for hardwood traders in the EU. According to many importers – whether of logs, lumber or plywood – these are the worst trading conditions they have ever experienced. Many suggest that there was particularly abrupt deterioration in market conditions with the banking crises that emerged in early October.

At present it is too early to say with any degree of certainty how much demand has been lost since the onset of the economic crisis or will be lost and for how long. Some large European importers report that they have bought hardly anything for forward shipment for six months. Generally cash flow is extremely tight and efforts are still being made to reduce inventory. This in turn is feeding through into even lower prices for landed stock. At some point stocks will reach a level where it becomes essential for buyers to move into the forward market, but most reports suggest that stage has yet to be reached.

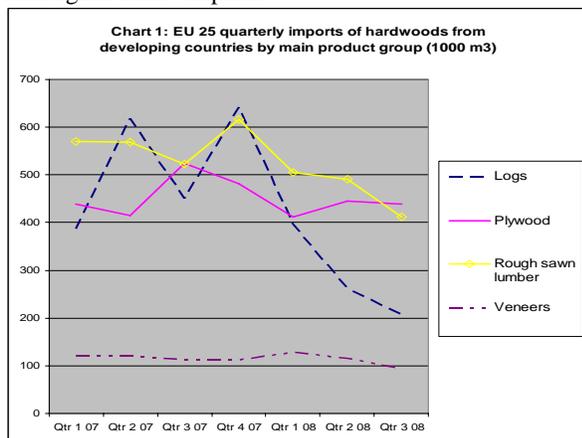
Giving accurate price indications in such market conditions – where the major focus is on reducing existing grounded stock levels and there is very little forward buying – is extremely difficult. Forward prices are generally being quoted across a wide range. All that can be said with any degree of accuracy is that there are cheap offers around on many standard items. These are coming from those shippers most desperate for cash flow and that have been slower to react to changing market conditions by reining in production levels.

### Statistics show deep declines in EU imports of hardwood products

Unfortunately the reports of an abrupt downturn in EU demand during the last quarter of 2008 cannot yet be tested with reference to trade statistics. The most recently available comprehensive EU import statistics are only available until the end of the third quarter of 2008. These show that while the hardwood trade in some European countries was holding up reasonably well to the end of September 2008, trading conditions in others has been in steep decline all year.

The following charts show the volume of hardwood primary and secondary wood products (logs, rough sawn timber, veneer and plywood) imported from developing countries by the EU-25 group of countries (i.e. all EU countries excepting new members Romania and Bulgaria). The data is for quarterly imports beginning in the first quarter of 2007 and ending in the third quarter of 2008.

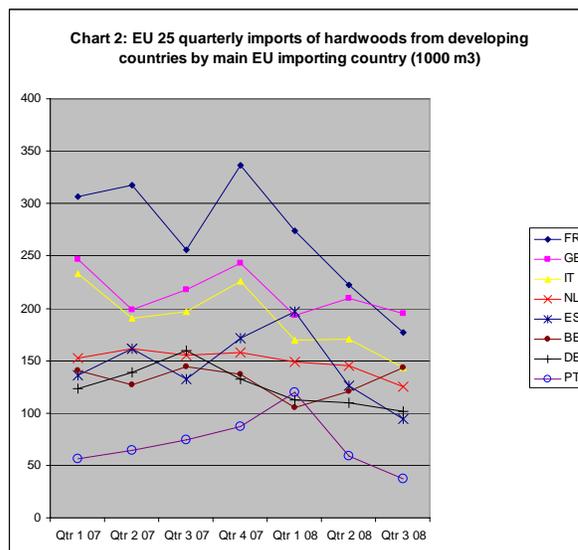
Chart 1, which breaks the data down by product group, highlights that EU imports of hardwood logs from developing countries declined dramatically from the start of 2008 onwards, while imports of hardwood sawn lumber, veneer and plywood were also sliding downwards, although at a slower pace.



Source: Forest Industries Ltd. analysis of EUROSTAT data supplied by BTS Ltd.

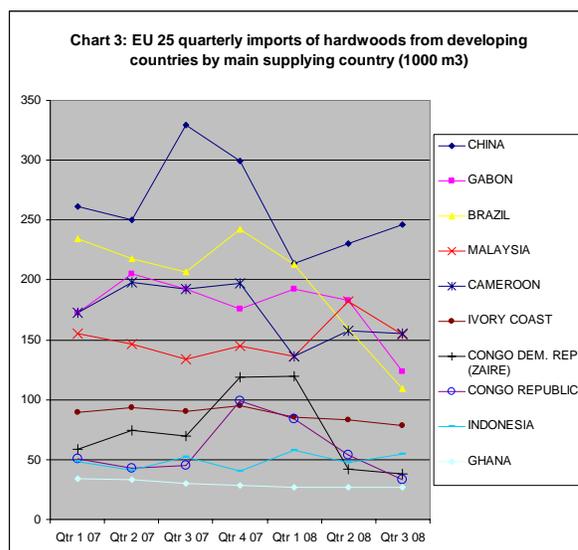
Chart 2 shows that the biggest decline in EU imports of hardwood products from developing countries in the first nine months of 2008 was recorded by France which has seen a significant fall in the volume of log imports, particularly from Africa. It also shows that Italian imports have been on a downward trend at least since the start of 2007, a sign of longer term economic problems in that country. Meanwhile imports into Spain and Portugal were rising strongly throughout 2007, but fell dramatically from the start of 2008 onwards with the bursting of Spain's housing bubble. Anecdotal reports indicate this trend continued and intensified in the fourth quarter of 2008. Spanish wood importers suggest that overall hardwood sales in 2008 may be down as much as 30% to 40% compared to the previous year. The German and Dutch markets were characterized by a steady slide in imports from around the third quarter of 2007 onwards. Interestingly, both the UK and Belgian hardwood markets

were performing reasonably well until the end of September 2008, but anecdotal reports indicate an abrupt change of sentiment from October onwards.



Source: Forest Industries Ltd. analysis of EUROSTAT data supplied by BTS Ltd.

Chart 3, which shows data by major supplying country, indicates that EU hardwood imports from Brazil have declined very dramatically, with third quarter imports in 2008 being only around 50% of imports in 2007. Imports of hardwood from China – which mainly consist of plywood destined for the UK – have been extremely volatile, which is not particularly unusual in the commodity plywood sector. EU hardwood imports from China in 2008 have been lower than in 2007, but on a quarterly basis were tending to recover during the first 9 months of the year. This reflects particularly low levels of EU plywood imports from China in the first quarter of 2008 owing to uncertainty over possible introduction of anti-dumping duties on Chinese manufacturers.



Source: Forest Industries Ltd. analysis of EUROSTAT data supplied by BTS Ltd.

The fortunes of African countries supplying the EU have varied widely over the last 12 months. Imports from Gabon – much of which are destined for France – fell rapidly in 2008. EU imports from the Democratic Republic of Congo rose strongly at the end of 2008 and into the first quarter of 2009, but then fell dramatically thereafter. Imports from Cameroon, Côte d'Ivoire and Ghana have generally remained more stable, showing only a steady decline during the first three quarters of 2008.

Meanwhile EU hardwood imports from Malaysia actually strengthened during 2008 and imports from Indonesia, although still a shadow of their former size, also showed some recovery. Both countries were benefiting from mounting plywood supply problems amongst their major competitors in China.

#### **Putin signs resolution on Russian timber export duties**

Prime Minister Vladimir Putin signed Resolution 982 on 24 December 2008, which set export fees at 25% from 1 January 2009 to 1 January 2010 on certain pine species and birch with a diameter not less than 15 cm. The export fees for oak, beech and ash are reported to be EUR100 for per m<sup>3</sup>. The 80% export fees on major roundwood types is effectively postponed as a result of the resolution (see also *TTMR* 13:22).

#### **German demand for African wood products worsen**

In a recent report on German demand for African hardwood, the trade journal *EUWID* notes that demand worsened significantly in the closing weeks of 2008. Some African exporters were cutting prices to German buyers in an effort to obtain supply contracts but without much success. *EUWID* noted that 'indications of actual prices are rather vague as many importers simply have not placed any new orders in Africa'. As a result, *EUWID* reported that price quotes for standard lumber items are ranging very widely. For example, FOB prices for FAS air dried sapele lumber in random lengths are quoted in the range EUR400/m<sup>3</sup> to EUR500/m<sup>3</sup> (down from EUR500-600/m<sup>3</sup> at the end of September 2008). Equivalent prices for sipo are quoted at EUR500/m<sup>3</sup> to EUR650/m<sup>3</sup> (down from EUR650-EUR700 at the end of September 2008). *EUWID* note that prices quoted for logs by African shippers to German importers seem to be more stable but low levels of actual purchasing make any meaningful assessment of real market prices difficult.

#### **No sign of light in UK plywood market**

'Desperation to clear stock heightens competition' - the headline of the UK *Timber Trade Journal's* most recent report on the UK plywood market gives an idea of the scale of the challenges currently facing the sector. Writing in mid December, *TTJ* noted that 'in many cases customers' cheque books were locked away several weeks ago and have not reappeared. It has become almost impossible for plywood importers to quote a price that would encourage a purchaser to buy ahead of the Christmas period'. At that time, UK importers were off-loading stock as fast as possible, putting strong downward pressure on landed stock prices. *TTJ* reported that offers of Chinese plywood 'at very low levels', supported in part by the Chinese government's decision to raise tax rebates on

plywood and other panels from 5% to 9% in an effort to support export sales, had yet to have any impact on UK purchasing decisions. Some of the UK's largest importers of Chinese plywood are believed already to be sitting on several month's stock and some of those that have placed forward orders have been requesting delays to shipment and even attempting to renegotiate contracts. *TTJ* notes that prices for Malaysian plywood on offer to UK buyers have also weakened on the back of the generally negative market sentiment.

#### **European construction holds out for prospect of long-term growth**

Given that the European construction sector is estimated to account directly for around 70% of all European consumption of wood products, future activity in this sector to a large extent holds the key to future market demand. A comprehensive forecast of future trends was one outcome of the EUROCONSTRUCT Conference which brought together 180 experts in early December. This suggests that, despite the short-term gloom, there are reasons to be optimistic about medium and long-term prospects.

According to EUROCONSTRUCT, the construction market in Europe is worth nearly 1,650 billion (thousand million) euros, a figure which exceeds the entire GDP of Italy. While much of the news surrounding European construction in recent times has focused on the rapid deterioration of residential construction in several western European markets – notably in Spain, the UK and Ireland – EUROCONSTRUCT highlight that this is only part of the story.

EUROCONSTRUCT emphasize the huge variations in construction sector activity that exist throughout Europe. For example, Eastern European markets (Poland, Czech Republic, Slovakia, Hungary) differ greatly from the market of the Western countries. In the West, residential covers nearly 50% of the market, while in the countries of the East, civil engineering and non-residential construction are more important. The average budget spent per capita in construction in Western Europe is still three or four times more than the spending made in the Eastern countries. Nevertheless, according to the EUROCONSTRUCT forecasts, Eastern Europe will be the focus for construction sector growth in the short to medium-term.

EUROCONSTRUCT note that no European country will be spared by the economic crisis, even in the construction field. Construction output is falling or remains at best positive in Western Europe for the 2008-2009 period. Ireland and Spain are, in this respect, the countries most affected by the crisis. These two countries excepted, participants at the conference predicted growth of 0.2% for 2010 and nearly 1.5% in 2011.

In Eastern Europe, EUROCONSTRUCT forecast that construction will continue to grow in 2009 but less markedly than in previous years. Despite the global economic crises, Poland is still going through a good period thanks to work starting on large infrastructure

projects. What's more, from 2010, growth is expected to be more sustained for all the Eastern countries.

EUROCONSTRUCT's general analysis of the sector for 2009 shows that, until recently, it was above all residential that was experiencing difficult times. Although non-residential escaped this negative trend for a while, it appears that it is now caught in the storm. This trend will also affect the civil engineering segment, which will see a reduction in growth though most often without going into the red. Again however, forecasts in this field are less alarming for Eastern Europe.

The figures for renovation throughout Europe are expected to follow a downward trend in 2009 but on a smaller scale than the other segments of the sector. This is good news for hardwood given that renovation projects often use a relatively higher proportion of real hardwood products compared to softwoods and other materials than new build projects.

EUROCONSTRUCT are also optimistic about longer term prospects, forecasting recovery in the sector from 2010 onwards. The rate of recovery will however vary widely by construction segment. The first to get its head above water should be civil engineering, closely followed by renovation. On the other hand, no improvement in new construction is expected until at least 2011.

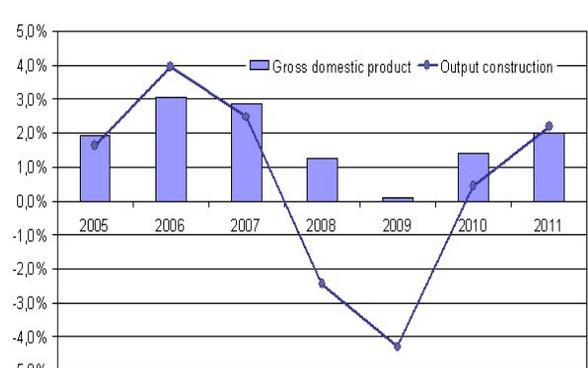


Chart 4: Euroconstruct forecast of European gross domestic production and construction output (Source: 66<sup>th</sup> Euroconstruct, December 2008)

EUROCONSTRUCT also note that the economic crisis is not the only challenge currently faced by the European construction industry. Other key factors affecting the sector will be a forecast rise in demand for single family homes and a general ageing in the European population. And overshadowing all this is the strong and intensifying political focus on combating global warming which is expected to have huge repercussions on all the construction segments.

Speakers at the Conference were unanimous in the view that sustainable construction is an opportunity waiting to be seized. The issue of global warming highlights the need for infrastructure developments that can better withstand climate fluctuations, for superior energy performance, and for wider use of materials that sequester carbon. EUROCONSTRUCT point out that in order to meet EU targets for reduced greenhouse gas emissions over the next

half century, a large proportion of Europe's existing housing stock will have to be either renovated or replaced to ensure they meet much higher insulation levels.

The medium and long-term opportunities implied by the EUROCONSTRUCT forecasts for increased consumption of wood, which is the most energy efficient building material available, are obvious.

More information about the economic situation and course of European construction can be obtained from two reports ('Summary Report' and the 'Country Report') published by EUROCONSTRUCT. These can be ordered them from the organizer of the EUROCONSTRUCT conference (info@aquieq.be).

#### The Netherlands Sawntwood Prices

	USD per m <sup>3</sup>
FOB (Rotterdam)	
Sapele KD	900↓
Iroko KD	975↓
Sipo KD	1042↓
DRM Bukit KD	918↓
DRM Seraya KD	918↓
DRM Meranti KD Seraya MTCC cert.	953↓
Merbau KD	1130↓
Sapupira (non FSC) KD	883
Sapupira (FSC) KD	1398
Anti-slip decking AD C&F Rotterdam	
Selangan batu	1342↓

#### 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	330-380
Iroko 80cm+ LM-C	300-330

#### UK Sawntwood Prices

	Pounds per m <sup>3</sup>
FOB plus Commission	
Framire FAS 25mm	420-450↓
Sipo FAS 25mm	650-690↓
Sapele FAS 25mm	520-560↓
Iroko FAS 25mm	600-630↓
Wawa No.1 C&S 25mm	285-295
CIF plus Commission	
Tulipwood FAS 25mm	320-340
Meranti Tembaga Sel/Btr (KD 2"boards)	570-580↓
Balau/Bangkirai Decking	850-900
White Oak	610-630

#### UK Plywood and MDF Prices

	US\$ per m <sup>3</sup>
Plywood Panels 8x4", CIF	
Brazilian WBP BB/CC 6mm	530-545↓
Malaysian WBP BB/B 6mm	525-565↓
China (hardwood face, eucalyptus core) 18mm	370-390↓
China (hard face, poplar core) 18mm	340-360↓

## Other ITTO Announcements

### MIS Tropical Timber Market Report seeking correspondents

The ITTO is currently seeking consultants to serve as confidential Market Information Service correspondents for the ITTO Tropical Timber Market Report. The consultancy would require a 700-2200 word biweekly report on topical news from tropical timber countries and tropical timber prices on the major and some lesser used species. We are particularly seeking those working closely with the trade in the following countries: Papua New Guinea; India; Egypt; Dubai; Saudi Arabia; Republic of Congo; Gabon; and the U.S. and Canada.

The correspondents' reports would include news, activities and other developments in the wood processing and trade sectors; changes in the flow of forest logs, changes in production capacity, shipment of products, consumption and consumer trends; and any factors that may affect the market for wood products and the flow of imports and exports. The report would also contain up-to-date prices for an agreed range of manufactured wood products such as: moldings, doors, furniture parts and furniture on a domestic and FOB/CIF basis, where appropriate.

Interested and eligible candidates are invited to submit their CVs for the ITTO Secretariat's consideration. Candidates must not be affiliated with their government at the time of application. Remuneration for the submissions will vary, depending on the type of submission from each country correspondent. Candidates should send their CVs with a cover letter to the attention of the ITTO Market Information Service Coordinator via [mis@itto.or.jp](mailto:mis@itto.or.jp).

## 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.*

Economists that cover Mexico are moving up their forecasts for interest rate cuts on speculation a government plan to freeze gasoline prices and reduce other energy costs will slow inflation.

[http://www.bloomberg.com/apps/news?pid=20601086&sid=anRw5KwCsK58&refer=latin\\_america](http://www.bloomberg.com/apps/news?pid=20601086&sid=anRw5KwCsK58&refer=latin_america)

European leaders agreed to binding measures to curb global warming but pushed back deadlines and granted significant concessions to smokestack industries that said they were struggling in a hard economic climate. At the close of a two-day summit meeting, the leaders also endorsed a EUR200 billion, or USD267 billion economic stimulus package of mostly national measures, which are devised to avert the worst effects of recession.

<http://www.iht.com/articles/2008/12/12/business/union.php>

Financial damage caused by climate-related natural disasters made 2008 one of the most devastating years on record as costs associated with weather-related catastrophes put at about USD200 billion in 2008. This

amount is double the losses incurred in 2007. Munich Re, the world's biggest re-insurer and the United Nations Environment Programme (UNEP) Finance Initiative partner which gave the breakdown said insured losses of USD45 billion were 50% more than in the previous year. Hurricane Ike cost insurers USD15 billion in the United States.

<http://www.tribune.com.ng/08012009/thr/prop2.html>

Half the world's population could face climate-induced food crisis by 2100, a new report by US scientists warns. Rapid warming is likely to reduce crop yields in the tropics and subtropics, according to Prof. David Battisti of the University of Washington. The most extreme summers of the last century will become the norm, he calculates, using 23 climate models..

<http://news.bbc.co.uk/2/hi/science/nature/7817684.stm>

Historically classified 'unhealthy wastelands' or 'useless swamps' by development-eager authorities and businesses, the mangrove forests actually are one of the most fascinating resources in tropical Africa. The trees manage to live on the edge between flooding rivers, tidal waves intruding with salt water and the drylands, where they create new land and environs rich in fish, birds, wood and other resources. Finally, their value is being discovered.

<http://www.afrol.com/features/18469>

A lack of technology needed to explore and monitor vast regions of tropical rain forest has been a critical bottleneck for Earth scientists, conservationists, and forest managers. As a result, we have limited understanding of the composition and function of these forests and how they are responding to clearing, invasive plants, climate change, and other threats.

[http://www.eurekalert.org/pub\\_releases/2009-01/ci-nrf010609.php](http://www.eurekalert.org/pub_releases/2009-01/ci-nrf010609.php)

South African house prices rose 3.8% in 2008, the slowest pace in 12 years, as interest rates at a five-year high hurt consumers, said Absa Group Ltd., the country's biggest mortgage lender.

<http://www.bloomberg.com/apps/news?pid=20601116&sid=a3XfmY6w9oqA&refer=africa>

This year, China plans to plant 82.2 million mu (Chinese measure unit equal to about 0.0667 hectares) of trees to realize a total output value of 1.4 trillion yuan in the forestry sector. This will pave the way of realizing the target of 20% of forest coverage rate due in 2010.

<http://english.peopledaily.com.cn/90001/90776/90882/6571243.html>

Three regional economic blocs have made a giant step towards the long-conceived goal of an African Economic Community, approving the expeditious establishment of an enlarged Free Trade Area (FTA) encompassing 26 Member States in three sub-regions. Meeting at a Tripartite Summit in late 2008 in Uganda, leaders of Member States of the Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA) and the East African

Community (EAC) agreed on what many have described as an important milestone towards continental integration as envisaged by the African Union (AU).

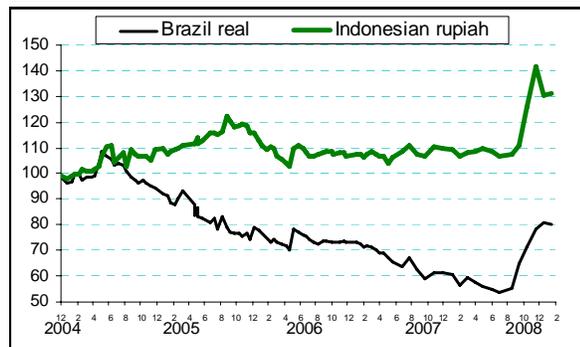
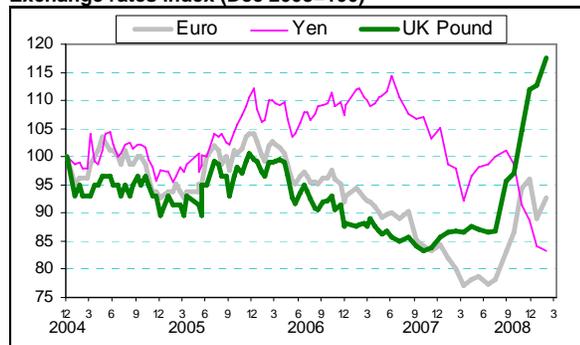
<http://allafrica.com/stories/200901080483.html>

### Main US Dollar Exchange Rates

As of 15 January 2009

Brazil	Real	2.3552	↓
CFA countries	CFA Franc	498.658	↑
China	Yuan	6.8365	↓
EU	Euro	0.7602	↑
Indonesia	Rupiah	11,123.00	↓
Japan	Yen	89.84	↓
Malaysia	Ringgit	3.5945	↑
Peru	New Sol	3.1506	↑
UK	Pound	0.6819	↑

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



### Abbreviations and Equivalences

LM	Loyale Merchant, a grade of log parcel
QS	Qualite Supérieure
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

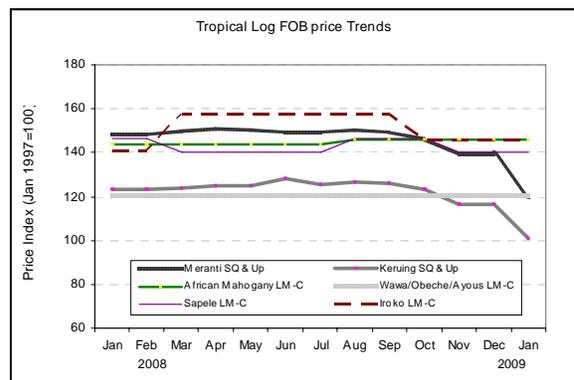
### Ocean Freight Index



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.

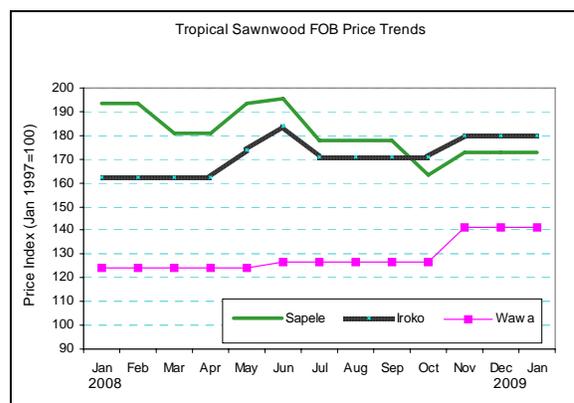
### Appendix. Tropical Timber Price Trends

#### Tropical Log Price Trends



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

