

# Tropical Timber Market Report since 1990

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## Snapshot

Timbers traders continued to struggle at the beginning of 2009, with prices falling for many of the major species in tropical producer and consumer countries. There was an overstock of some species in Indonesia, and traders were cutting prices where stocks were high. Moreover, exports fell for many producer countries in the last two months of 2008, particularly in Ghana, Brazil and Bolivia. China's furniture exports also slowed in fourth quarter 2008.

In other policy news, the Democratic Republic of Congo cancelled nearly 60% of timber contracts in the country's forests, Peru signed a FTA with the US and Guyana passed a new Forestry Bill. The US International Trade Commission also made its final determination on a Section 337 investigation of 38 companies, finding them in violation of a patent on laminate flooring panels.

*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.*

## Headlines

Prices fluctuate as low trade hits producers	2
DRC cancels nearly 60% of timber contracts	2
Ghana's contracts drop in third quarter 2008	2
Malaysia's timber business expects declines after Chinese New Year	4
Domestic prices of Indonesia's wood products plunge	4
Brazil's November/December 2008 exports fall	6
Peru signs FTA with US	7
Early 2009 brings strong results for Guyana	8
Guyana's Forestry Bill passed with unanimous support	9
Japan's projected to import less lumber in 2009	10
Economic indicators show deteriorating trend in EU	12

## Contents

Central/West Africa	2
Ghana	2
Malaysia	4
Indonesia	4
Myanmar	5
Brazil	5
Peru	7
Bolivia	8
Guyana	8
Japan	10
China	11
Europe, the UK and Russia	12
ITTO Announcements	15
Internet News	15
Currencies and Abbreviations	16
Ocean Freight Index	16
Appendix: Tropical Timber Price Trends	16

## Report from Central/West Africa

### Prices fluctuate as low trade hits producers

The downturn in trade has now started to impact West African prices, with some significant price decreases occurring even for the more popular species. Gabon's harvesting ban on four timber species (douka/makore, moabi, ozigo and afo) has not had any notable effect due to the large overstock of moabi and douka/makore in major markets and low demand from the construction industry. Prices were up about EUR30 m<sup>3</sup> for both logs and lumber, with the expectation buyers will want to take advantage of log stocks being disposed by producers until the end of March. The forestry department in Gabon is on strike, with the expected cause being over certain elements of the pay package for staff. In the region many forest operators and sawmills are closed, and some closures continue to be made.

It is a buyer's market and companies in operation are facing very tough negotiations on price. India and China are still buying and Vietnam is also still very active and steadily increasing import volumes. Log production in Congo Brazzaville is low. Trade with South Africa has slowed after a very long period of regular, high volume intake of West African sawnwood species. Buyers in possession of contracts are asking exporters to hold shipments for unspecified later dates.

Exporters and traders report that pricing has become very difficult and finding a base price level has not been easy to determine. Sapele sawn stocks are now much depleted and prices for remaining stock depend very largely on what the buyer will offer, new production is low and prices tend to be firm for buyers' specifications. Sipo has firmed up again because of limited production.

Price negotiations for okoume logs are affected by the low plywood consumption in European markets. In particular, the slow down in imports and the reduced prices of plywood from China reflect back to plywood manufacturing in other countries, squeezing margins and resulting in lower offer prices for the raw materials.

### DRC cancels nearly 60% of timber contracts

After a review of 156 logging deals in the Democratic Republic of Congo (DRC), the government has cancelled nearly 60% of timber contracts in the country's rainforests, reported the *BBC*. The investigations, backed by the World Bank, were conducted with the view to exposing corruption and enforcing environmental standards. The investigations concluded that only 65 of the existing deals were viable. The government notified the relevant companies of the cancelled contracts and indicated new contracts would be issued for 90,000 square kilometers of forest area.

## West Africa Log Prices

West Africa logs, FOB Asian market	LM	€ per m <sup>3</sup>	
		B	BC/C
Acajou/ Khaya/N'Gollon	205↓	191	153
Ayous/Obéché/Wawa	195↓	192↓	150↓
Azobe & Ekki	168	168	122
Belli	161	161	-
Bibolo/Dibétou	160↓	160↓	-
Bubinga	533	457	381
Iroko	257↓	260↓	220↓
Okoume (60% CI, 40% CE, 20% CS) (China only)	132	-	-
Moabi	289↑	289↑	206
Movingui	191	191	137
Niove	129	129	-
Okan	152	152	122
Padouk	259	250↓	215↓
Sapele	225↓	220↓	175↓
Sipo/Utile	300	300	228
Tali	152	152	114

## West Africa Sawnwood Prices

West Africa sawnwood, FOB		€ per m <sup>3</sup>
Ayous	FAS GMS	300↓
	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	440↓
	Scantlings	475↓
	Strips	360↑
Khaya	FAS GMS	380↓
	FAS fixed	420↓
Moabi	FAS GMS	540↓
	Scantlings	560↓
Movingui	FAS GMS	300-320↓

## Report from Ghana

### Export contracts drop in third quarter 2008

A total export contract volume of 169,481 m<sup>3</sup> was processed and approved during the third quarter of 2008, according to Ghana's Timber Industry Development Division (TIDD). This represents a decrease of 13.6% compared to the figure for the second quarter of 2008. In a similar development, furniture parts processed and approved during the quarter under review were 15,379 pieces, an increase of 28.7% compared to the figure for the second quarter of the same year.

With the exception of lumber and logs/billets/poles, which increased 2.5% and 16.7% by volume to register 54,326 m<sup>3</sup> and 47,274 m<sup>3</sup>, respectively, almost all exportable products decreased by volume during the third quarter 2008.

While plywood contracts decreased 32.6%, amounting to 45,083 m<sup>3</sup>, sliced veneer, rotary veneer, moldings/processed lumber and finger jointed lumber decreased by 36.3%, 20.9%, 37.7% and 57.7%, respectively, to register volumes of 8,690 m<sup>3</sup>, 5,189 m<sup>3</sup>, 4,180 m<sup>3</sup> and 2,340 m<sup>3</sup>.

Lumber regained its position as the leading exported product, contributing 32% of the total volume achieved during the quarter under review.

John Bitar Company Ltd (JCM), A. G. Timbers Ltd. and Rimmens Company Ltd. secured three free permits, issued in Takoradi, for the shipment of 312 pieces of wood carvings and various wooden musical instruments. Compared with the previous quarter, only one (1) free permit was issued for the shipment of wood carvings to Italy.

One special permit was issued in Takoradi to Machined Wood Company Ltd. for the shipment of sapele laminated strips to the UK. This shipment involved a total volume of 11,367 m<sup>3</sup> and a total value of EUR13,072. These laminated strips were made from sapele sawn timber, which were imported from Gabon. However, no special permit was issued during the second quarter of 2008.

In another development, 53 export permits were issued in Takoradi to several companies for the shipment of teak billets, poles and logs to India and Hong Kong, while 157 export permits were issued in Tema for the shipment of teak billets, poles and logs to India and Vietnam. These shipments involved a total volume of 29,011 m<sup>3</sup> and a corresponding total value of EUR5.88 million. From these shipments, an amount of EUR587,679 was the export levy on unprocessed timber, as stipulated under the Trees and Timber (Amendment) Act, 1994 (Act 493).

Other export permits issued in Takoradi during the quarter were 12 export permits for the shipment of gmelina billets and poles to India. These involved a total volume of 2,298 m<sup>3</sup> and a corresponding total value of EUR215,867. Two export permits to Best Glow Wood Ltd. were issued for the shipment of rubberwood lumber to Malaysia, for a total volume of 125 m<sup>3</sup> with a corresponding value of EUR14,618. Eight export permits were also issued to John Bitar Company Ltd. (JCM) for the export of blockboard and plywood by road to Nigeria, in the amount of 185 m<sup>3</sup> (EUR59,559).

Five (5) export permits were issued in Tema to Messrs. Danteng Wood Processing Company Ltd. and Geavag Company Ltd. for the shipment of rosewood (*Pterocarpus erinaceus*) lumber to China, India and Thailand. These shipments involved a total volume of 166 m<sup>3</sup> and valued at EUR44,699.

#### 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.)	80-100▲	110-135▲
Sapele Grade A	135-150▲	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		
Afrormosia	855	-
Asanfina	490	560
Ceiba	200	260
Dahoma	330	390
Edinam (mixed redwood)	415	465
Emeri	425	475
African mahogany (Ivorensis)	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		250▲
Chenchen, Ogea & Essa		295
Ofram		312▲

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	1.00	0.55
Mahogany	1.40	0.79
Makore	1.75▼	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	8.20▲	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

### Decline in timber business expected after Chinese New Year

Malaysian prices continued to decline as the global economic slowdown continued. *BTimes* indicated that the price decline was further aggravated by the worst slump in US lumber prices in almost 18 years and shares of Malaysian timber companies were equally negatively affected. However, the full impact of the drop in prices was paused due to the closure of businesses during the annual Chinese Lunar New Year celebrations. Nevertheless, the decline in prices is expected to persist after the New Year festivities.

### Low growth of GDP anticipated in 2009

Analysts expected Malaysia's GDP growth to be between 1.1% and 2.2% in 2009 as the national economy contracts, reported *Bernama News*. Unemployment is expected to hit 4.7% and market conditions continue to be bleak. The Malaysian Ringitt fell for the third week in the wake of speculations that the central bank will cut interest rates to stimulate economic growth and aid local exporters.

### DRC cancelled contracts could provide Malaysia with opportunity

*The Independent* reported on traders' hopes that Malaysian sawnwood suppliers can fill the void created by the cancelled contracts in the Democratic Republic of Congo (see West/Central Africa section). However, the EU, one of the major destinations for timber from the DRC may prove to be elusive for Malaysian timber suppliers as EU shares fell to a six-year low, according to *The Guardian*. Economic data indicated the UK economy went into recession at the end of 2008 and contracted 1.5% in the fourth quarter of 2008.

### Government decides to reduce export of natural rubber

*BTimes* reported on Malaysia's decision to reduce the export of natural rubber by 5% to 57,050 tons in year 2009. As a result of this measure, more rubber plantations can be replanted or converted into alternative commercial projects. This would mean that more rubberwood would be available as raw material, thus reducing pressure on rubberwood prices.

### Malaysia Log Prices

Sarawak log, FOB	US\$ per m <sup>3</sup>
Meranti SQ up	231-255↓
Small	211-242↓
Super small	199-224↓
Keruing SQ up	218-230↓
Small	187-218↓
Super small	161-192↓
Kapur SQ up	208-233↓
Selangang Batu SQ up	178-215
Pen. Malaysia logs, domestic (SQ) US\$ per m <sup>3</sup>	
DR Meranti	234-253↓
Balau	302-327↑
Merbau	332-367↓
Rubberwood	41-77↓
Keruing	217-233↓

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	284-315↓
Seraya Scantlings (75x125 KD)	465-480↓
Sepetir Boards	252-274↓
Sesendok 25,50mm	361-379↓
Kembang Semangkok	296-319↓
Malaysian Sawnwood, domestic	US\$ per m <sup>3</sup>
Balau (25&50mm,100mm+)	341-361↓
Merbau	492-544↓
Kempas 50mmx(75,100 & 125mm)	266-306↓
Rubberwood 25x75x660mm up	195-245↓
50-75mm Sq.	237-269↓
>75mm Sq.	259-286↓

### Malaysia Plywood Prices

Malaysia ply MR BB/CC, FOB	US\$ per m <sup>3</sup>
2.7mm	423-485↓
3mm	396-426↓
9mm & up	341-413↓
Meranti ply BB/CC, domestic	US\$ per m <sup>3</sup>
3mm	392-433↓
12-18mm	326-355↓

### Other Malaysia Panel Prices

Malaysia, Other Panels, FOB	US\$ per m <sup>3</sup>
<i>Particleboard</i> Export 12mm & up	231-254↓
Domestic 12mm & up	216-233↓
<i>MDF</i> Export 15-19mm	286-318↓
Domestic 12-18mm	275-293↓

### Malaysia Added Value Product Prices

Malaysia, Mouldings, FOB	US\$ per m <sup>3</sup>
Selagan Batu Decking	563-573↓
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	579-592↓
Grade B	530-539↓

### Malaysia Furniture and Parts Prices

Malaysia, Rubberwood, FOB	US\$ per piece
Semi-finished dining table	
solid laminated top 2.5'x4', extension leaf	58-74↓
As above, Oak Veneer	65-79↓
Windsor Chair	57-59↓
Colonial Chair	55-60↓
Queen Anne Chair (soft seat) without arm	55-63↓
with arm	55-64↓
Chair Seat 27x430x500mm	43-48↓
Rubberwood Tabletop	US\$ per m <sup>3</sup>
22x760x1220mm sanded & edge profiled	
Top Grade	570-602↓
Standard	565-574↓

## Report from Indonesia

### Domestic prices of Indonesian wood products plunge

The current economic climate in Indonesia is pushing domestic prices of Indonesian wood products near the verge of collapse. With the country grappling with unemployment, there is a fear that more natural forests will be cleared for agricultural purposes as the country struggles to contain rising poverty. Some Indonesian plywood manufacturers have been unable to fulfill their order books beyond April 2009. Orders from the U.S. have stalled while Japanese buyers are making some of the smallest orders ever witnessed by Indonesian plywood manufacturers in 20 years. Buyers from the Middle East are seeking discounts for purchases to complete ongoing projects. Some manufacturers are considering the possibility of cutting production by reducing the number of working days between three to four days per week in order to stay afloat.

## Forestry Minister optimistic about plans to eradicate illegal logging

Indonesian Forestry Minister M.S. Kaban's recently stated his optimism on Indonesia's five programmes to eradicate illegal logging and trading in state forests, revitalize forestry, conserve and rehabilitate forest resources, employ people living inside and around forest areas, and consolidate forests, reported *Antara News*. He added that Indonesia faced a two-pronged problem with deforestation, due to the high and irreversible rates of deforestation experienced by Indonesia from 1997 until 2000 and the current state of degraded forests, estimated at 59 million hectares.

### Indonesia Log Prices (domestic)

Indonesia logs, domestic prices	US\$ per m <sup>3</sup>
Plywood logs	
Face Logs	192-235↓
Core logs	172-205↓
Sawlogs (Meranti)	180-241↓
Falcata logs	148-181↓
Rubberwood	35-61↓
Pine	161-200↓
Mahoni (plantation mahogany)	551-579↓

### Indonesia Sawwood Prices

Indonesia, construction material, domestic	US\$ per m <sup>3</sup>
Kampar (Ex-mill) AD 3x12-15x400cm	176-194↓
KD	198-232↓
AD 3x20x400cm	224-247↓
KD	228-253↓
Keruing (Ex-mill) AD 3x12-15x400cm	240-254↓
AD 2x20x400cm	224-242↓
AD 3x30x400cm	204-223↓

### Indonesia Plywood Prices

Indonesia ply MR BB/CC, FOB	US\$ per m <sup>3</sup>
2.7mm	416-473↓
3mm	372-413↓
6mm	329-395↓

MR Plywood (Jakarta), domestic	US\$ per m <sup>3</sup>
9mm	270-281↓
12mm	261-271↓
15mm	249-263↓

### Other Indonesia Panel Prices

Indonesia, Other Panels, FOB	US\$ per m <sup>3</sup>
<i>Particleboard</i> Export 9-18mm	222-233↓
Domestic 9mm	191-203↓
12-15mm	182-193↓
18mm	172-184↓
<i>MDF</i> Export 12-18mm	266-278↓
Domestic 12-18mm	245-256↓

### Indonesia Added Value Product Prices

Indonesia, Mouldings, FOB	US\$ per m <sup>3</sup>
Laminated Boards Falcata wood	320-332↓
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	518-554↓
Grade B	472-493↓

## Report from Myanmar

### Bleak outlook for Myanmar timber

Bids from major buyers have propped up prices of teak at last week's tender, although average monthly prices steadied. The quantity of teak was also adequate for the amount of bids made. Most analysts say the market is moving very slowly and outlook is a bit bleak for 2009. The upcoming week's business will be less active due to the Chinese New Year Lunar holiday.

## Myanmar Log Prices (natural forests)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)	
<i>Veneer Quality</i>	Dec	Jan
2nd Quality	-	-
3rd Quality	3,877 (5 tons)	3,623 (4 tons)
4th Quality	3,253 (22 tons)	3,197 (20 tons)
<i>Sawing Quality</i>	Dec	Jan
Grade 1 (SG-1)	2,509 (80 tons)	2,513 (77 tons)
Grade 2 (SG-2)	2,063 (82 tons)	2,148 (82 tons)
Grade 3 (SG-3)	-	-
Grade 4 (SG-4)	1,991 (312 tons)	1,995 (439 tons)
Grade 5 (SG-5)	1,596 (165 tons)	1,558 (176 tons)
Grade 6 (SG-6)	1,261 (54 tons)	1,274 (82 tons)
Grade 7 (ER-1)	1,065 (82 tons)	1,017 (51 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.

## Report from Brazil

### Brazilian Amazon timber sector contributes 3.5% to GDP

*Agência Amazônia* reported on how the timber industry in the Amazon was the largest industrial employer. Although the Amazon timber industry was the largest industrial employer and collected the highest amount of taxes, it was said to be responsible for a deforested area of 11,986 km<sup>2</sup> in 2007. Nevertheless, the sustained performance of the sector made Brazil one of the world's top producers of tropical timber.

In 2004, the timber sector generated 124,000 direct and 108,000 indirect jobs, with over 147,000 jobs located outside the region. Timber activities also provided a gross income of USD2.3 billion, involving 3,132 companies distributed in 82 timber clusters. The export value of products from the industry also jumped between 1998 and 2004, from USD381 million to USD943 million, according to the results of the Sustainable Action Plan (PAS).

The parts of the production chain directly dependent on timber accounted for 3.5% of Brazil's GDP and 6% of exports in 2006. In the same year, the industry collected more than BRL4.2 billion in taxes and generated 6 million direct and indirect jobs in the country. The activity is spurred by complementary activities in other industrial sectors of the economy: the steel industry; the pulp and paper industry and the civil construction industry.

### Timber sales, price and stock of timber drops in Northern Mato Grosso

The municipality of Sinop has seen slowing business for timber companies in 2009. Demand has been low since mid-December and the majority of companies have also held a low volume of timber stocks. The timber industry is the economic base for the many cities in the Northern region of the country. In Sinop alone, there are over 150 timber-related companies.

According to the Union of Timber Industries of Northern Mato Grosso (SINDUSMAD), many companies are short of timber for sale due to delays associated with the State's approval of forest management plans for selective logging. Another factor is that few companies are able to harvest in the rainy season. However, since sales are currently low, no shortages of timber in the market are anticipated.

SINDUSMAD noted a drop in timber prices between 10 and 15% during the last quarter of 2008, depending on the species. However, sales are expected to grow from February 2009 and the current state of the market seems suitable for exports. Currently, with a more favorable exchange rate, exports of timber products are expected to grow, although accurate forecasts have not been made. Another positive expectation relates to the validity of forest management plans, for a period of five years, instead of being reviewed annually.

### Brazil's November and December 2008 exports fall from October levels

Brazil's wood products exports (except pulp and paper) in the month of November 2008 slipped from November 2007 levels, decreasing in value by 45.7%. The largest year-on-year fall in exports by value was in pine sawnwood products. The charts below show the volume and value of Brazil's exports for November 2008 compared to the same month a year earlier:

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

	Nov 2007	Nov 2008	% change
Solid wood*	296.6	161.1	(45.7)
Tropical plywood	16.4	7.9	(51.8)
Pine sawnwood	21.4	9.5	(55.6)
Tropical sawnwood	64.7	29.2	(54.9)
Pine plywood	42.7	21.3	(50.1)
Wood furniture	7.8	6.5	(16.7)

\*Figures for solid wood exclude pulp and paper exports

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

	Nov 2007	Nov 2008	% change
Tropical plywood	28.7	12.3	(57.1)
Pine sawnwood	106.8	44.6	(58.2)
Tropical sawnwood	138.3	55.3	(60)
Pine plywood	124.1	70.1	(43.5)

In December 2008, solidwood exports dropped 33.2% compared to the previous year's levels. The value of all other wood exports, with the exception of wood furniture, fell by value during the month of December 2008. The charts below show the volume and value of Brazil's exports for December 2008 compared to the same month a year earlier:

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

	Dec 2007	Dec 2008	% change
Solid wood*	283.6	189.5	(33.2)
Tropical plywood	19.7	9.2	(53.3)
Pine sawnwood	19.1	15.9	(16.8)
Tropical sawnwood	57.2	27.5	(51.9)
Pine plywood	54.5	30.7	(43.7)
Wood furniture	7.6	8.2	7.9

\*Figures for solid wood exclude pulp and paper exports

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

	Dec 2007	Dec 2008	% change
Tropical plywood	33.6	15.1	(55.1)
Pine sawnwood	92.1	80.2	(12.9)
Tropical sawnwood	119.4	56.2	(52.9)
Pine plywood	158.9	107.1	(32.2)

### US furniture imports from Brazil tumble 35%

*Gazeta de Bento Gonçalves* reported on the recent drop in US furniture imports from Brazil. Despite a drop of 30%, the US, which imports 16% of Brazil's furniture, is still the largest importer. The US is followed by Argentina, France and the UK as the main markets for Brazilian furniture. France imported 12% more furniture from January to November 2008 compared to the same period in 2007. In contrast, the UK imported 7% less in 2008. A notable trend was a growth in Africa's imports of Brazilian furniture, which grew 64% in 2008. Angola is one of the largest importers of Brazilian furniture, matching the UK's import share of 7%. At the intra-regional level, Argentina accounted for 13% of total exports, raising imports by 46% from January to November 2008.

The furniture industry of Rio Grande do Sul announced domestic sales of 29% during the first 11 months of 2008 and a growth of 1.9% in exports. The state remains behind Santa Catarina as the largest exporting state in Brazil, with Santa Catarina accounting for 32% of exports in 2008. Sao Paulo saw a 28.5% growth in its exports compared to 2007 levels.

### Export situation worsens in Pará

The global financial crisis is affecting exports from the Brazilian Amazon state of Pará, reported *Folha da Mata Online (No 71)*. Exports of manufactured and industrialized wood products from Pará dropped 19% by value and 35% by volume from January to November 2008 compared to the same period in 2007. The largest drops in exports were recorded in painting and photo frames, particleboard, plywood and veneer. According to

the Timber Exporting Companies Association of Pará (AIMEX), the forest sector was beginning to feel the effects of the crisis, which were exacerbated by factors such as a reduction in raw material supply and the falling value of the US dollar in the second half of 2008. Since August 2008, the situation has become worse. Despite the appreciation of the US dollar against the Brazilian real, demand for wood products from Pará by importing countries has dropped, including in US and EU countries, the main importers of Brazilian wood products.

#### Brazil Log Prices (domestic)

	US\$ per m <sup>3</sup>
Brazilian logs, mill yard, domestic	
Ipê	112↓
Jatoba	80
Guariuba	53↓
Mescla (white virola)	58↓

#### Brazil Sawnwood Prices

	US\$ per m <sup>3</sup>
Sawnwood, Belem/Paranagua Ports, FOB	
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	532↓
Jatoba	409↓
Southern Mills (ex-mill)	
Eucalyptus (AD)	152↓
Pine (KD) 1st grade	199↓

#### Brazil Veneer Prices

	US\$ per m <sup>3</sup>
Veneer, FOB (Belem/Paranagua Ports)	
White Virola Face 2.5mm	298
Pine Veneer (C/D)	210
Rotary cut Veneer, domestic	US\$ per m <sup>3</sup>
(ex-mill Northern Mill)	Face Core
White Virola	200↓ 168↓

#### Brazil Plywood Prices

	US\$ per m <sup>3</sup>
Plywood, FOB	
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 695↓
White Virola 15mm	507↓

Domestic prices include taxes and may be subject to discounts.

#### Other Brazil Panel Prices

	US\$ per m <sup>3</sup>
Belem/Paranagua Ports, FOB	
Blockboard Pine 18mm 5 ply (B/C)	315
Domestic Prices, Ex-mill Southern Region	
Blockboard White Virola faced 15mm	442↓
Particleboard 15mm	279↓

#### Brazil Added Value Products

	US\$ per m <sup>3</sup>
FOB Belem/Paranagua Ports	
Edge Glued Pine Panel	
Korean market (1st Grade)	640
US Market	493
Decking Boards	
Cambara	609
Ipê	1630

## Report from Peru

### Peru – US sign FTA

On 16 January 2009, Peru signed a Free Trade Agreement (FTA) with the US, reported various news sources. The agreement, which will take effect from 1 February 2009, opened possibilities for Peru's intellectual property arrangements, said Peru's Minister of Tourism and Foreign Commerce, Mercedes Araoz. Some also expected the agreement to reflect improved environmental standards. However, the *BBC* reported that the agreement had been criticized for putting the Amazon rainforest at risk and had not strengthened labor rights.

### Sales of Peruvian wood products fall in China

Mauro Rios Torres, a forest expert in Peru, warned that China's wood intermediaries were being increasingly indecisive about buying more wood from Peru. There was significant overstocking in the Asian market, since wood products from China's markets were being redirected for internal consumption instead of being sold to key exporters, the US and EU. He said Chinese buyers were not purchasing hardwoods or flooring from Pucallpa and Puerto Maldonado producers, with as many as twenty producers in these areas losing sales to China. Producers from the regions were mainly shipping small volumes of products to the Chinese market. Since last September, wood prices had fallen, with China reducing its demand by more than 50% for wood flooring. The US had stopped importing sawnwood made from mahogany and Spanish cedar, as well as other furniture and manufactured products. The effects were particularly being felt in Lima and Pucallpa.

### Peru Sawnwood Prices

	US\$ per m <sup>3</sup>
Peru Sawnwood, FOB Callao Port	
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.

	US\$ per m <sup>3</sup>
Peru Sawnwood, FOB Callao Port (cont.)	
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

	US\$ per m <sup>3</sup>
Peru Sawnwood, FOB Iquitos	
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

	US\$ per m <sup>3</sup>
Peru sawnwood, domestic	
Mahogany	1145-1210↓
Virola	68-80
Spanish Cedar	386-411↓
Marupa (simarouba)	94-115↓

### Peru Veneer Prices

Veneer FOB	US\$ per m <sup>3</sup>
Lupuna 3/Btr 2.5mm	215-219↓
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	322-356↓
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	355-368↓
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.	368-388↓

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	1390-1445↓
Cumaru KD, S4S Swedish market	680-728↓
Asian market	980-1085↓
Cumaru decking, AD, S4S E4S, US market	910-969↓
Pumaquiro KD # 1, C&B, Mexican market	455-496↓
Quinilla KD, S4S 2x10x62cm, Asian market	556-602↓
2x13x75cm, Asian market	712-736

## Report from Bolivia

### Forest products exports from Santa Cruz and La Paz drop

Exports from Santa Cruz showed an approximate 15% drop in exports from January to December 2008, compared to the same period in 2007, falling in value from USD63 million to USD53.4 million. Similar trends were seen in La Paz, where forest products exports contracted nearly 10% in value, from USD51.6 million to USD46.4 million, bucking a positive trend since 2002. The reasons for the falling trends were political uncertainty in the country, lack of adequate fuel distribution, the devaluation of the dollar, and the financial crisis, particularly affecting the US and parts of Europe.

Exports of wooden manufactured products were valued at USD66.1 million in 2008, consisting mainly of three-ply panels, doors, fiberboard, furniture and parts and chestnut without shells. The remaining USD33.8 million of Bolivian wood exports from the two regions were from semi-processed products, including sawnwood, wooden sticks, and poles. Exports of wooden products accounted for 85% of total Bolivian exports, while non-wood products made up about 15% of exports.

Caviuna, alemdrillo, oak, ipe and curupau were in the highest demand in foreign markets, generating USD11.3, USD9.3, USD7.8 and USD7 million, respectively. As with the previous year, 61 species were represented in the wood exports of Bolivia. The US, even in the financial crisis, remained the main buyer of Bolivian wood products worth USD29.8 million. China imported USD9.4 million, Argentina USD6.9 million and the UK and France USD6 million each. A total of 53 countries purchased products from Bolivia, three less than 2007.

### Bolivia Sawnwood Prices

Sawnwood 1-3"x3x5"x7-19', FOB Arica Port	\$ Avg un. val. per m <sup>3</sup>
Mahogany (US market)	1400-1800↑
Spanish Cedar (US market)	800-990↑
Oak (US and EU market)	400-760↑

### Bolivia Added Value Product Prices

Doors 13/4"x36"x96", FOB Arica Port	Avg \$ per piece
US market Mara macho/Tornillo (FSC)	100-300↑
Yesquero	100-175↓
Ochoó	80↓

Parquet Flooring 3-5"x4-6"x5-13', FOB Arica Port	\$ Avg un. val. per m <sup>3</sup>
Santos Mahogany (China market)	200-600
Caviuna (FSC) (US market)	500-700
Cumaru (FSC) (US, EU and Asia mkt)	500-1000
3/4"x3-5"x1-7'	
Jatoba (US, EU and Mexico market)	1035-1300
Ipe (EU and Asia market)	1140-1900
Curupay (US market)	1473

## Report from Guyana

### Early 2009 brings strong results for Guyana

Export market prices showed strong results at the start of 2009 with recorded increases in average prices for sawnwood, roundwood, splitwood and plywood compared to 2008 prices for same period. Improvements in average prices were greatest for splitwood, with prices rising by 30%. This was closely followed by gains for sawnwood and plywood, with increases in average prices reaching 29% and 28%, respectively. Other improvements were recorded in average prices of roundwood, which showed a 13% rise compared to the same period of 2008.

In terms of destination, Guyana's forest products were exported mainly to Latin American/Caribbean markets. Favored products for these markets included sawnwood roundwood, splitwood, plywood and other value added products such as crabwood doors and spindles made from greenheart, purpleheart, kabukalli and wamara. Other markets for Guyana's forest products were in North America, Asia Pacific and South America, with the latter two's interests being only in shingles and plywood respectively, while North American market interests were in sawnwood, splitwood and wooden utensils and ornaments.

In other news, no logs were exported for the first fortnight of 2009, largely due to the new log export policy that took effect on 1 January 2009, which imposes a higher export commission on certain species of logs, and to a lesser

extent, to the early closure of operations by many concessionaires as a consequence of rainy weather at the end of 2008. In the corresponding period for 2008, Guyana's log export volume total was 4,989 m<sup>3</sup>. On the production side, reports from one large concessionaire also indicate that 2009 promises to be more rewarding, with hopes pinned on earlier starts in operations and plans being made for greater efficiency in their production processes.

#### **Guyana unanimously passes new Forestry Bill passes with unanimous support**

Guyana's Forest Bill 2007 (Bill No. 21 of 2007), which seeks to consolidate and amend the law relating to forests, was unanimously passed by Parliament on 22 January 2009, with strong support from both government and opposition members of Parliament. The Forest Bill 2007 provides an important and timely piece of legislation necessary to ensure that Guyana's forest sector continues to contribute to the country's sustainable development.

The Bill was the product of a lengthy public consultation with various stakeholder groups including Amerindian NGOs, the Forest Products Association, Guyana Manufacturing Association, civil society groups, and even a number of international organizations. The Bill was introduced in the National Assembly and read for the first time on 2 August 2007. Following its first reading, the Bill was committed by the National Assembly for consideration by a Special Select Committee, with the Committee meeting on fifteen (15) occasions during the period 15 January 2008 to 13 January 2009. On 22 January 2009, members of Parliament supported and unanimously accepted the passage of the Bill.

The Bill takes into account the important contribution and role played by Guyana's forest resources in climate change mitigation and the provision of environmental services. It also seeks to update existing legislation under which forests are managed with keen regard to international best practices for sustainable forest management and legality. The Forest Bill also recognizes forests' vital role in poverty alleviation especially in relation to forest dependent communities.

The Bill sets a regime for the sustainable management of the state forests. The second part of the Bill provides for the issuance of five types of state forest authorizations: concessions, exploratory permits, use permits, community forest management agreements and afforestation agreements. This section also addresses compliance with occupational health. The Bill prohibits acts that could cause forest fires in State Forest areas and allows the GFC to declare certain areas to be fire protection areas. The Bill places emphasis on value added activities by addressing issues of quality control through legally binding codes of practice which can be subject to amendments from time to time. Issues of under-pricing, unlawful exportation of forest produce, trade of timber in contravention to the GFC's guidelines, and procedures for ownership of concession areas and change thereof, are also outlined in the Bill.

This Bill will serve to significantly enhance the quality of environmental management, the contribution of the forest sector to Guyana, and the benefits derived for forest-based communities and surrounding areas.

#### **Growing interest in RIL and SFM stimulates demand for training**

The Guyana Forestry Commission and the Forestry Training Centre Incorporated (FTCI) planned a one-day course in Georgetown on 31 January 2009 for decision makers of forest enterprises and public agencies. Given the high level of interest, another course will be held on 7 February 2009 with similar courses being planned for the country's regions 2 and 6 in February 2009.

FTCI normally offers a three-day 'Decision Makers' Course' at its field centre, where senior staff of forest enterprises, public agencies, environmental NGOs and communities have a chance to observe a model logging operation, review RIL practices, and discuss the skills sets required for a well planned logging operation. A quick look at the profile of persons registering for the course reveal interest by senior staff of GFC, chairpersons of communities, senior staff of forest enterprises and environmental NGOs and lecturers in forestry.

The course will include a review of emerging developments in the forestry sector, the legislative framework for forestry practices, forest management planning, RIL concepts and practices, occupational health and safety, considerations on the use of machines and forest roads, management of timber quality and management of costs.

#### **Guyana Log Prices**

Logs, FOB Georgetown	SQ - \$ Avg unit value per m <sup>3</sup>		
	Std	Fair	Small
Greenheart	-	-	-
Purpleheart	-	-	-
Mora	-	-	-

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

#### **Guyana Sawnwood Prices**

Sawnwood, FOB Georgetown EU and US markets	\$ Avg unit val. per m <sup>3</sup>	
	Undressed	Dressed
Greenheart Prime	-	-
Select/Standard	551 ↓	550-721 ↓
Purpleheart Prime	-	-
Select/Standard	-	614-742 ↑
Mora Select	-	-

#### **Guyana Plywood Prices**

Plywood, FOB Georgetown Port		\$ Avg unit val. per m <sup>3</sup>	
Baromalli	BB/CC	5.5mm	-
		12mm	510
Utility		5.5mm	-
		12mm	413

## Report from Japan

### Japan projected to import less lumber in 2009

*Japan Lumber Journal (JLJ)* and *Japan Lumber Reports (JLR)* reported on projections for Japan's demand of timber imports for 2009. According to the Japan Foreign Timber Supply and Demand Liaison Conference, it was expected that demand for logs from North America, Russia, Europe, New Zealand and Chile would drop marginally, but not close to the significant 20% drop seen in 2008. According to the *JLR*, shipments of logs from Russia were expected to drop about 10% due to the industry's shift in focus to domestic species in Japan.

South Sea log demand was also expected to drop, as a result of the number of shrinking plywood mills in the region. *JLJ* estimates that the import of South Sea logs would be 24% below the shipments forecast for previous years. Logs used by plywood factories dropped 27%, since raw materials are expected to be limited in supply and many mills are stopping production or closing.

The chart below shows the changes to import levels in Japan for 2008 and 2009:

	2008	% change 2007-2008	2009	% change 2008-2009
<b>LOGS</b>				
Southsea (ply)				
(lumber)	713	(25.5)	520	(27)
	105	(14)	102	(2.9)
Log total	6490	(26)	5849	(9.9)
<b>LUMBER</b>				
Southsea	365	(16.6)	340	(6.8)
Lumber total	6408	(12.3)	6517	(1.7)
<b>Total</b>	12898	(19.8)	12366	(4)

Chart 1: Expected demand for imported lumber and logs to Japan, 2008 and 2009 (1000 m<sup>3</sup>)

### Japan's plywood imports show marginal gains at end of 2008

*Japan Lumber Reports* showed minor gains in November 2008 plywood imports compared to November 2007 levels. Housing starts for November 2008 showed no gains from a year earlier (Figure 1), with wood-framed installations making up about half of total housing starts. While plywood imports for November 2008 showed a minimal 3.3% gain from the same month in 2007 (Figure 2), it is expected import levels will continue to be low due to weak demand for plywood. *JLR* reported that prices continued to be lower because of the strong yen and reduced demand for logs. Nevertheless, it is reported that Malaysian plywood suppliers were tightening their export prices, so prices are expected to rebound.

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

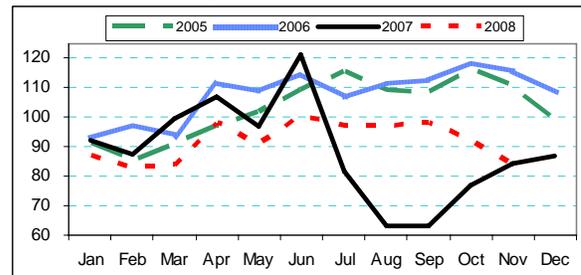
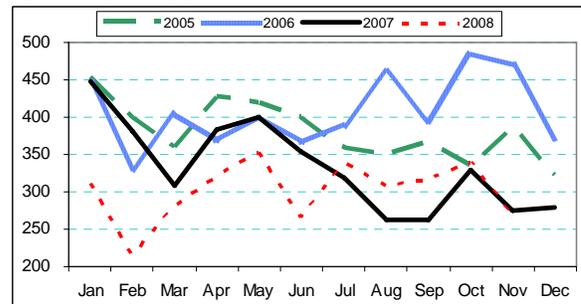


Figure 2: Japanese plywood imports, 2005-2008 (000 m<sup>3</sup>)



### Sumitomo Forestry to start reforestation project in Indonesia

*Japan Lumber Journal* reported on Sumitomo Forestry Co., Ltd's implementation of a reforestation project in Indonesia, which will restore 1,000 hectares of denuded land in the Bromo Tengger Semeru National Park in East Java. The park is under the jurisdiction of Indonesia's Ministry of Forestry and is in a sightseeing area, at elevations of around 1,700-2,500 meters. Although the area had previously been reforested, it continued to turn into grassland due to repeated fires in the area. Sumitomo Forestry hopes to apply other lessons from its reforestation projects in Indonesia to reforest the area, which is in a harsh volcanic area.

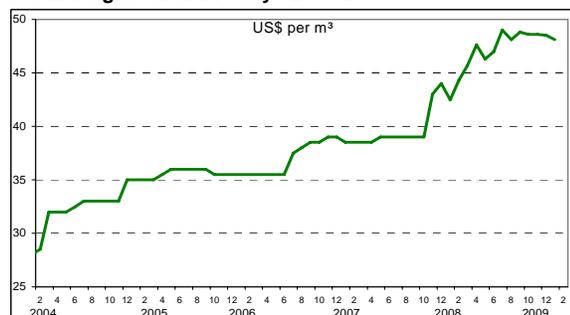
### Log and Sawwood Prices in Japan

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)

	Size (mm)	Dec (¥ per sheet)	Jan
<b>Indonesian &amp; Malaysian Plywood</b>			
2.4mm (thin plywood, F 4star, type 2)	920 X 1830	390 ↓	350 ↓
3.7mm (med. Thickness, F 4star, type1)	910 X 1820	540 ↓	490 ↓
5.2mm (med. Thickness, F 4star, type 1)	910 X 1820	650 ↓	600 ↓
11.5mm for sheathing (F 4star, type 2)	910 X 1820	980 ↓	850 ↓
12mm for foundation (F 4star, special)	910 X 1820	1000 ↓	890 ↓
12mm concrete-form ply (JAS)	900 X 1800	930 ↓	780 ↓
12m coated concrete-form ply (JAS)	900 X 1800	1060 ↓	960 ↓
11.5mm flooring board	945 X 1840	1650	1450 ↓
3.6mm baseboard for overlays (OVL)	1230 X 2440	870	750 ↓
<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

### Chinese flooring manufacturers lose 337 investigation

The US International Trade Commission (ITC) made a final determination on its Section 337 investigation of 38 flooring companies from multiple countries, ruling these companies in violation of the patent protecting glueless laminate flooring panels. The patent is owned by the Unilin Beheer B.V., the Netherlands and its two subsidiaries, Flooring Industries Ltd. in the Republic of Ireland and Uninlin Flooring N.C. LLC in the US. In line with the final ruling, a general exclusion order was granted, requiring US Customs to restrict the import of such products.

Eighteen Chinese laminate flooring manufacturers were investigated by the ITC. According to the final ruling, these companies are restricted from exporting any flooring panels unless they pay USD100,000 to USD120,000 in royalties and USD0.65 in royalties per cubic meter to the owner of the patent. If the manufacturers do not comply with this measure, China's flooring manufacturers will not be allowed to export their glueless laminate flooring panels.

### China to permit duty free export of some wood products

In order to respond to the global economic slowdown and keep stable growth in foreign trade, two notices (Notice No. 120 and No. 121) were issued jointly by the Ministry of Commerce and the General Administration of China's Customs on 31 December 2009, to amend the Catalogue of Restricted and Prohibited Products for Processing Trade. Effective 1 February 2009, China will allow duty free export of some products including certain wood products. A total of 1,730 ten digit tariff code items of

textiles, plastic products, wood products and metal products will be removed from the Catalogue of Restricted Products for Processing Trade, making up 77% of the total number of previously restricted products worth USD30 billion. A total of 27 ten digit tariff code items of copper, nickel and aluminum materials will be removed from the catalogue of prohibited products for trading, comprising USD1.5 billion of the total export value.

### Leizhou Peninsula hit by substantial shut downs

Jia Zhibang, Administrator of the State Forestry Administration, recently stated that the development of China's forestry sector had significantly progressed and achievements had been made to balance forestry development and grow farmers' incomes. The total output value of China's forestry was expected to rise 6%, reaching RMB1.33 trillion yuan in 2008, although the full implications of the snow storm and freezing rain, earthquakes and the international financial crisis affecting the country had not been fully taken into account. The total value of foreign trade was estimated to exceed USD70 billion.

The scale of the national forestry industry had also expanded. There were more than 15,000 forestry enterprises with RMB5 million yuan of annual sales. The annual output value of forestry in Fujian, Guangdong and Zhejiang provinces exceeded RMB100 billion yuan. Fast growing and high yielding plantations had developed rapidly. Raw materials for paper, pulp and wood-based panels had become social investment priorities. Forest industry groups had been established to address wood and bamboo processing, wood pulp and paper making, forest specialization, cultivation of flowers and wild plants and animals.

In addition, Mr. Jia also indicated that forestry development was in a critical period and facing severe challenges from the global economic downturn. During January to October 2008, the total value of wood products imports and exports rose 15% and fell 17 percentage points from the gains seen in the same period in 2007. The export prices for wood-based panels and wooden floors fell 25% and 30%, resulting in many processing and exporting enterprises closing or temporarily stopping production. According to statistics, 50% of national plywood enterprises closed down or stopped production. Sixty percent of timber primary processing enterprises stopped or partially stopped production.

### Fujian sees stable growth for furniture exports in 2008

According to the latest statistics from Fuzhou City Customs, the growth rate of furniture exports in Fujian Province in the fourth quarter 2008 slowed down markedly and was only 11%, twelve percentage points lower than the growth experienced in the first three quarters of 2008. Furniture exports in Fujian Province in 2008 were USD1.596 billion, growing 20% over 2007 levels. Furniture in Fujian Province was mainly exported to the US and Europe, amounting to USD700 million and USD450 million, respectively, and increasing 10% and 19%, respectively. China's export value to these two markets constituted 72% of the total furniture export value

in Fujian Province. In addition, the growth rates of Fujian furniture exports to Canada and Japan rose by 29% (USD85 million) and 27% (USD77 million), respectively. Wooden furniture exports rose 7% to USD460 million, wooden framed seats exports grew 7.5% to USD90 million, metal framed seats rose 14% to USD390 million, metal furniture exports grew 25% to USD370 million. The value of the above mentioned commodities accounted for 82% of the total furniture export value in Fujian Province. As a result of the US anti-dumping duty rate (36% in 2008), wooden furniture exports to the US fell 10% to USD190 million in 2008.

#### Guangzhou City Imported Timber Market

Logs	Yuan per m <sup>3</sup>
Radiata 6m, 30cm diam.	1300
Lauan (50-60cm)	1900-2300
Kapur	1900-2350
Merbau 6m, 60cm diam.	4400-5300
<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

#### 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)	6500-6800↓

#### 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

### Economic indicators show deteriorating trend

Economic problems continue to mount in Europe. The UK, Spain and Ireland were hit hard early on by the collapse of their respective property markets. The UK's economy, with its heavy dependence on financial services, has also suffered more profoundly than other economies from the crises in the banking sector. Now contagion has set in and conditions are deteriorating rapidly throughout the EU.

Germany, France and Italy, the euro area's three biggest economies, have experienced a rapid decline in industrial production in recent months as the strong euro and weakening global demand has hit exports hard. Germany's industrial output fell at annualized rate of 15.1% in the three months to November compared with the previous three months; in France it fell by 14.5% and in Italy by 19.5%. Domestic consumption is also being squeezed throughout the euro zone. Although the area's consumers have relatively high savings and low debt by rich-world standards, they are becoming more nervous as unemployment is rising. Consumer confidence in the euro-zone has sunk to a record low – falling particularly dramatically in Spain and Ireland.

Policy makers are trying desperately to avert the crises, so far with little success. The Bank of England has reduced interest rates to 0.5%, their lowest ever. The European Central Bank (ECB) cut its key rate by 50 basis points to 2% on January 15th. Fiscal policy is being loosened aggressively in a few countries, leaving the UK in particular with a huge budget deficit.

Signs are that the European economy will remain depressed for at least the rest of 2009, with tentative hopes of a recovery in 2010. In January 2009, the Economist Intelligence Unit forecast that euro area GDP would contract by 2% in 2009 - a substantial downgrade from December's forecast of minus 1.2%. Much of this is due to the deteriorating outlook for Germany, which is likely to contract by more than 2% in 2009. Prospects in the UK may be even worse, the IMF forecasting that the nation's economy might contract by 2.9% in 2009.

Until only a few months ago, reports indicated that Eastern Europe might escape the worst impacts of the global downturn. But economic conditions in the Baltic States have taken a serious turn for the worse. This has raised concerns that the downturn might spread into other parts of Eastern Europe. Industrial production in November 2008 in Latvia, Estonia and Lithuania fell respectively by 14%, 17.5% and 7%. In mid January, the IMF and other foreign lenders had to step in to bail-out Latvia's economy imposing tough austerity measures as a condition of the rescue package. Attention is now focusing on Poland, the biggest regional economy, which until recently seemed fairly safe. Industrial production in the country has nosedived in recent weeks. The central bank has cut interest rates sharply in response but it is too early to say whether this will halt the slide.

### **Sawn lumber market in the doldrums**

Overall the European market for tropical hardwood sawn lumber remains extremely depressed. There is very little forward purchasing as importers focus on offloading existing landed stock at a time when consumption has slumped and prices are weakening. Agents report only a slight pick-up in orders during the week immediately following the end of the Christmas vacation, but these tailed away very quickly in the following weeks.

Due to the extremely low level of forward sales, it remains very difficult to obtain consistent and accurate price information. There are a lot of very cheap offers around but still buyers are not being tempted. Overall the feeling is that landed stocks have been whittled down over recent months with so little forward buying. But the serious lack of confidence in levels of consumption this year - combined with the widely held perception that prices will remain weak and availability relatively prompt - is deterring any move to build stocks.

This situation seems to apply across the board to the full range of species, although the problems are most obvious in the larger volume species. The market for African sapele is particularly depressed as some large European importers are selling on to manufacturers and other buyers at well below replacement prices in their efforts to offload excess stocks. Similarly USD CIF Northern Europe prices for white oak – such a staple of the European furniture and joinery sectors – are reported to have fallen by 30% in the last eight weeks. Malaysian meranti USD CIF Northern Europe prices have plummeted due to weak consumption and efforts by Malaysian shippers to generate cash flow in advance of the Chinese New Year.

Freight rates from the Far East into Europe have also fallen by around 50% since early December – a particularly visible sign of the abrupt decline in European trade volumes over the last three months.

### **Plywood trade stagnates**

European plywood importers have greatly reduced forward purchases and remain focused on stock consolidation. There is much inter-importer trade, particularly in the UK due to the weakness of GBP sterling. With the currency so weak it makes sense for UK importers to buy existing landed stock that was bought forward by other importers in the middle of last year when GBP sterling was stronger. There is very unlikely to be any significant upturn in forward buying until sterling recovers some of the ground it has lost to other currencies, particularly the US dollar.

One large UK plywood importer interviewed in late January notes 'our sales levels in the UK are around a third less than the same time last year. Plywood is being consumed and there will come a time when we need to restock and buy more on a forward basis. However we are not in that position yet, nor are we likely to be for several months'. This same importer noted that his company may be performing better than many competitors due to its ability to supply more specialist products such as large

panels and marine plywood which are in relatively short supply. It is those importers that rely more heavily on large volume commodity products that are really struggling.

This importer also notes that they are now buying little or no Chinese plywood with a poplar core. This is due both to continuing quality concerns and the fact that prices for Chinese hardwood-throughout plywood have come down to such an extent that the price of lower-quality poplar core product is much less attractive.

Another significant impact of the downturn has been to narrow the price differential between FSC and PEFC certified and uncertified plywood products on offer to European importers. As the overall market has contracted, the relative availability of certified material has increased and shippers have responded by reducing their certified prices in an effort to maintain their market share. Those shippers with access to material from certified forests are aggressively marketing their products emphasizing that they can provide environmentally certified product at little or no price premium.

Although end user demand for FSC and PEFC labeled plywood remains restricted in the UK, importers suggest that more enquiries for these products are coming in, particularly from the public sector. The UK authorities seem now to be imposing more effectively the central government procurement policy favoring 'verified legal and sustainable' timber. At the same time, the public sector is becoming a relatively more important market as private sector construction has declined. For this reason, together with other factors such as ease of stock control, brand protection and rising availability of certified product at little or no premium, more UK plywood importers are taking a strategic decision to shift over to sourcing 100% FSC or PEFC labeled product.

### **EU garden furniture sector provides opportunities for tropical timber suppliers**

The garden furniture sector remains a major source of demand for tropical hardwood products in the EU. Data on the size of the sector in the various European countries is not readily available, but anecdotal reports indicate that Germany, France, Italy and the UK and the four largest consumers of garden furniture products roughly in order of importance. The market picture is complicated by the fact that a significant proportion of the Top Quality Grade A Teak imported into the Italian market is not used for garden furniture but rather as decking for the luxury boat building industry.

The European garden furniture sector is unusual for its relatively high level of interest in environmental certification. High profile environmental campaigns, combined with the sector's obvious dependence on environmentally sensitive tropical hardwoods and the relatively large volume of product sold through big name retailers, have meant a very strong emphasis on certified product. Many retail buyers in the EU will no longer directly or indirectly purchase or offer uncertified timber or wood products. With very few exceptions, FSC is

essentially the only brand of certification recognized in the sector.

While big-name retailers have become more dominant in the sector in recent years, there is still quite a high degree of fragmentation. Huge volumes are sold through companies like Metro in Germany, Carrefour in France, B&Q, Homebase, and Tesco in the UK. But significant volumes also find their way to final consumers through smaller garden centers and internet firms.

Large retailing companies often buy a significant proportion of finished products direct from the Far East. Direct buying normally generates a much higher margin for a retailer. However there are also risks associated with buying direct and paying for goods well in advance of delivery. Therefore a proportion may also be bought from EU branded companies who can offer stock support in the EU with a quick repeat order delivery time.

There are a large number of European 'pseudo manufacturers' who are now in effect importers and wholesalers supplementing the large retailers' supplies and also acting as a major source of goods supplied to the smaller garden centers and retailers. Pseudo manufacturers usually operate by supplying a design to a Chinese or SE Asian producer who then makes the furniture under the brand name of the pseudo manufacturer. Occasionally the factory design is used. Quite often a pseudo manufacturer acts on behalf of a retail buyer.

There are only a very few garden furniture companies actually manufacturing products in the EU and most use materials other than wood. For example Kettler still produces steel garden furniture in the EU while importing their wooden furniture from SE Asia.

Teak is generally the preferred species in the garden furniture sector, although lack of availability of this species combined with the strong emphasis on ensuring products are FSC certified has meant the sector now utilises a wide range of alternatives. Of tropical species these include iroko, eucalyptus, acacia, balau, meranti, keruing, shorea, sindana, and couboril. Lack of availability of FSC certified teak from Myanmar and Indonesia has contributed in recent times to a shift in sourcing of wood raw material to other regions, for example from teak plantations in Central America, *Eucalyptus* plantations in South Africa, *Acacia* plantations from Vietnam and other SE Asian countries, and couboril from Brazil. In addition a lot of FSC certified pine from Russia, Northern Europe, North America and New Zealand is now pressure treated to extend its life for outdoor use.

Until the start of last year, the EU garden furniture sector was generally expanding. However in 2008 the wet summer in north-west Europe undermined demand. The worldwide economic downturn then severely dented confidence. Many retailers continue to hold excess stocks over from the 2008 season and, lacking confidence in a significant recovery this year, have drastically reduced forward ordering for the 2009 season.

Another effect of the economic downturn has been to contribute to growing interest in lower priced products especially lower grade plantation teak, *Acacia* and *Eucalyptus*. With cost becoming an even bigger driver of demand in difficult trading times, there is growing concern amongst manufacturers over the continuing price differential that exists between FSC certified and uncertified raw material suitable for garden furniture manufacture. Concern is particularly pronounced as the downturn also seems to be encouraging more interest in relatively cheap non-wood products including no or low maintenance aluminum, steel and mixed material furniture mainly from China.

#### The Netherlands Sawntwood Prices

	USD per m <sup>3</sup>
FOB (Rotterdam)	
Sapele KD	886↓
Iroko KD	958↓
Sipo KD	1025↓
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	390-410
Sipo FAS 25mm	650-690
Sapele FAS 25mm	520-540
Iroko FAS 25mm	600-630
Wawa No.1 C&S 25mm	285-295
CIF plus Commission	
Tulipwood FAS 25mm	315-330↓
Meranti Tembaga Sel/Btr (KD 2"boards)	550-570↓
Balau/Bangkirai Decking	800-850↓
White Oak	485-525↓

#### UK Plywood and MDF Prices

	US\$ per m <sup>3</sup>
Plywood Panels 8x4", CIF	
Brazilian WBP BB/CC 6mm	500-515↓
Malaysian WBP BB/B 6mm	490-510↓
China (hardwood face, eucalyptus core) 18mm	330-340↓
China (hard face, poplar core) 18mm	310-330↓

## 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.*

Burundi is a African countries whose culture cannot be separated from forestry or vegetation cover found in the country. But ethnic and civil wars, coupled with the ever rising population pressure are threatening to take away these rich ecological cultural resources.

[http://africasciencenews.org/asns/index.php/20090123966/News/Latest/index.php?option=com\\_content&task=view&id=966&Itemid=2](http://africasciencenews.org/asns/index.php/20090123966/News/Latest/index.php?option=com_content&task=view&id=966&Itemid=2)

Challenges faced by the forest and natural resources sector in the 21st Century were the subject of discussion at a one-day inception forum, set to discuss a project that aimed to support the National Forest Inventory (NFI) and popularization of Forest Policy as well as reviewing Forest legislation.

<http://allafrica.com/stories/200901191371.html>

A digital map of the state of Africa's soils is to be put together in an initiative launched on 13 January, 2009. The African Soil Information Service, launched in Nairobi, Kenya, will produce a digital map of 42 African countries revealing soil type and its component nutrients.

<http://allafrica.com/stories/200901150681.html>

The South African government's plan to introduce a carbon tax is not the best way to reduce carbon emissions in South Africa, professional services firm Deloitte says. Research recently carried out by the firm into potential emission reduction methods indicated that the best way to reduce emissions in the country was by way of a cap-and-trade system.

<http://allafrica.com/stories/200901190024.html>

Sawmills in Ivory Coast are closing down or operating part time as demand for tropical timber has collapsed due to the global recession. "The most optimistic scenario is that there will be a resumption of demand in the last quarter of this year," said the European manager of a medium-sized sawmill.

<http://www.easybourse.com/bourse-actualite/marches/ivory-coast-timber-industry-suffers-from-lack-of-demand-602586>

Since more than 90 percent of the world's tropical forests are outside of reserves, parks, and protected areas, the survival of species of plants and animals that live in human-modified landscapes will require involving local communities in conservation strategies.

<http://www.advance.uconn.edu/2009/090120/09012004.htm>

Timber industry experts recently discussed solutions to tackle the difficulties caused by the global economic downturn, in Hanoi. There are 2,500 timber enterprises across Vietnam that deal with the production, import and export of wooden products, including 500 exporters.

<http://vietnamnews.vnagency.com.vn/showarticle.php?num=02IND240109>

The United Nations hopes to include a market-based scheme aimed at using carbon credits to save rainforests as part of a broader pact to fight climate change. Called REDD, or reduced emissions from deforestation and degradation, the scheme won backing at last year's U.N.-led climate talks in Bali and trial schemes are now being developed, a number of them in Asia.

<http://uk.reuters.com/article/environmentNews/idUKTRE5011WN20090119>

With many findings on illegal logging cases and smuggled timber trading on border areas shared by Indonesia and Malaysia, the two countries which share their cultural roots and beliefs need to harmonize their anti-timber smuggling procedures. Due to the lack of harmonized procedures, Malaysia's commitment to combat illegal logging and timber trading across its borders with Indonesia is often not followed.

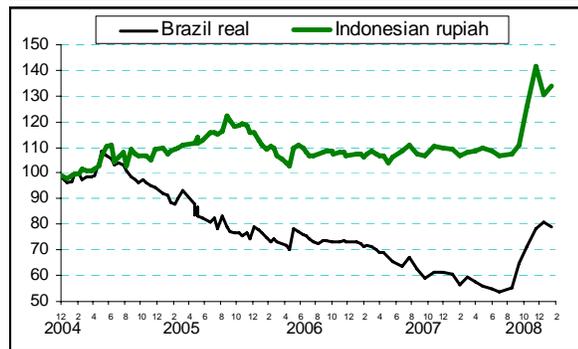
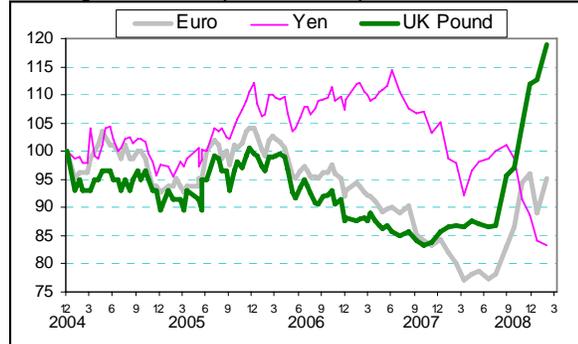
<http://www.antara.co.id/en/arc/2009/1/23/indonesia-malaysia-need-harmonized-anti-timber-smuggling-procedures/>

## Main US Dollar Exchange Rates

As of 31 January 2009

Brazil	Real	2.3202	↓
CFA countries	CFA Franc	512.236	↑
China	Yuan	6.8350	↓
EU	Euro	0.7809	↑
Indonesia	Rupiah	11,377.00	↑
Japan	Yen	89.84	↑
Malaysia	Ringgit	3.6075	↑
Peru	New Sol	3.1990	↑
UK	Pound	0.6900	↑

### 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

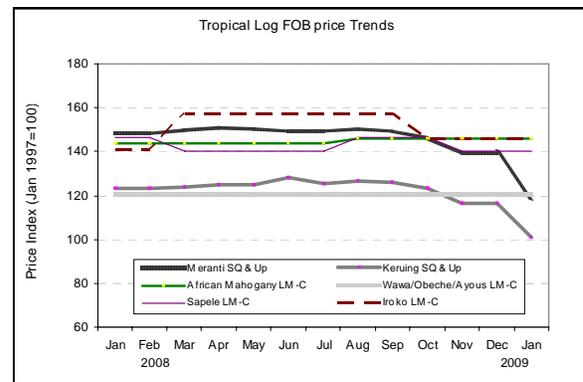
## Ocean Freight Index



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.

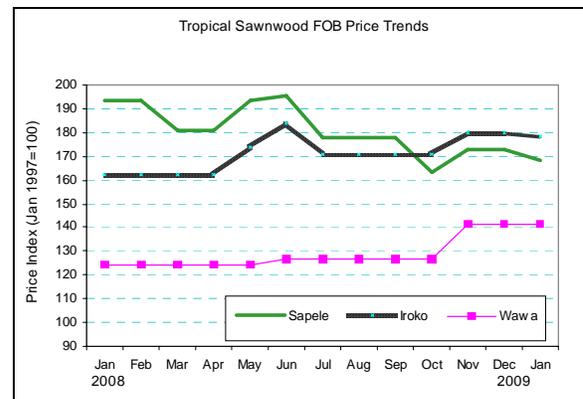
## Appendix. Tropical Timber Price Trends

### Tropical Log Price Trends



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

