

# Tropical Timber Market Report since 1990

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## Snapshot

Timber trade continued slowly throughout the last fortnight, primarily due to declining demand for tropical timber in traditional market destinations. While some producers, particularly Brazilian and Malaysian furniture producers, continued to hold a positive outlook for 2009, others were coping with the full effects of the economic downturn on the timber trade.

Despite the bleak market conditions, there was heightened attention to legislative and policy initiatives on a range of issues. The EU began negotiating a Free Trade Agreement with Ecuador, Peru and Colombia; Bolivia's President Evo Morales enacted a new constitution recognizing indigenous rights; the EU and China signed a bilateral coordination mechanism on Forest Law Enforcement and Governance; the European Parliament and European Council had been considering new illegal logging legislation; and the US clarified arrangements for the US Lacey Act amendments, which are expected to be implemented beginning 1 April 2009.

*Editor's note: Due to technical difficulties with our servers during the week of 2-6 February, your email may not have been received by the MIS. Kindly resend any email correspondence to [mis@itto.or.jp](mailto:mis@itto.or.jp) if you sent an email during this time.*

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## Report from Central/West Africa

### Trade continues to be low during start of year

West African prices have not changed from those reported at end January. Trade volumes have been low as has production, and exporters have been concentrating on matching particular species to specific demand rather than offering a normal mix of species and sizes. There have been pockets of demand, with Vietnam looking for tali and buyers from China interested in tali, okan and padouk logs. India was asking for two of their favorites, padouk and belli in logs and lumber. Apart from such specialities, demand from Asian markets has been low. Observers estimate around 50% of production capacity in Gabon, Cameroon and Congo Brazzaville has shut down and producers have been requesting temporary relief from governments on the various forest and export taxes. Governments have been finding it difficult to agree as income from forest and export taxes have already been severely hit by various mill and concession closures.

European markets have been very quiet; demand has been low even for favored species and as noted in our last report (TTMR 14:2) the ban on harvesting of four species in Gabon has not stimulated any sudden rush to mop up the very limited stocks remaining in the hands of producers, possibly because importers have already been holding more than adequate stocks. One exporter reports a buyer would agree to place a contract for moabi only if credit has extended for three months. Italy in particular has been very quiet, with normal demand for ayous and okoume having fallen away. The producers' overlying sapele stocks have been slowly absorbed and due to low or no production in Northern Congo and Central African Republic, it is likely sapele lumber prices will during the second quarter finally become more stable. Sipo firmed up marginally during January and has held on to the higher price. Exporters that still have some reasonable production capacity have been concentrating on supply of a very limited range of species in logs and lumber to Asian markets.

There have been no predictions of how the market in China will be affected due to the present global economic downturn, although there have been some indications Chinese demand for African sawn timber in the medium-term will increase in proportion to total demand for sawn lumber. Demand for Vietnam is expected to continue on an upward trend. Sawmills report much difficulty in finding orders sufficient to keep mills running economically.

### West Africa Log Prices

| West Africa logs, FOB                           | LM  | € per m <sup>3</sup> |      |
|---|-----|----------------------|------|
|   |     | B                    | BC/C |
| Asian market                                    |     |                      |      |
| 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)<br>(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

### Little movement in Ghana's prices

Prices for most of Ghana's species remained unchanged during the last fortnight. Asanfina was the only species increasing in price for logs. This lack of movement in the market was attributed by local experts to the effects of the global economic slowdown, which negatively impacted timber and wood product exports to European and US markets. Since trading has been slow, Ghana's Timber Industry Development Division (TIDD) has not reviewed the Guiding Selling Prices (GSP) of timber and wood products for the first quarter of 2009. Experts are eagerly awaiting the first budget of the new government, which is expected to be released in March 2009. The budget is widely anticipated to reduce certain taxes on petroleum products, a key promise made during the recent elections campaigns, and affect a wide range of Ghana's goods and services.

### 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 Sawwood Prices

| Ghana Sawwood, FOB                | € per m <sup>3</sup> |            |
|-----------------------------------|----------------------|------------|
|                                   | Air-dried            | Kiln-dried |
| FAS 25-100mm x 150mm up x 2.4m up | 855                  | -          |
| Afromosia                         | 490                  | 560        |
| Asanfina                          | 200                  | 260        |
| Ceiba                             | 330                  | 390        |
| Dahoma                            | 415                  | 465        |
| Edinam (mixed redwood)            | 425                  | 475        |
| Emeri                             | 585                  | 670        |
| African mahogany (Ivorenensis)    | 520                  | 610        |
| Makore                            | 560                  | 640        |
| Niangon                           | 660                  | 750        |
| Odum                              | 540                  | 600        |
| Sapele                            | 260                  | 285        |
| Wawa 1C & Select                  |                      |            |

| Ghana sawnwood, domestic |             | US\$ per m <sup>3</sup> |
|--------------------------|-------------|-------------------------|
| Wawa                     | 25x300x4.2m | 255                     |
| Emeri                    | 25x300x4.2m | 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 |
| Afromosia          | 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<br>B/BB, Thickness | € per m <sup>3</sup> |     |             |     |
|---------------------------------|----------------------|-----|-------------|-----|
|                                 | Redwoods             |     | Light Woods |     |
|                                 | WBP                  | MR  | WBP         | MR  |
| 4mm                             | 560                  | 475 | 500         | 380 |
| 6mm                             | 340                  | 325 | 335         | 285 |
| 9mm                             | 380                  | 300 | 290         | 270 |
| 12mm                            | 300                  | 300 | 280         | 250 |
| 15mm                            | 310                  | 280 | 300         | 270 |
| 18mm                            | 300                  | 280 | 285         | 260 |

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

### Ghana Added Value Product Prices

| Parquet flooring 1st | FOB € per m <sup>2</sup> |            |         |
|----------------------|--------------------------|------------|---------|
|                      | 10x60x300mm              | 10x65-75mm | 14x70mm |
| Apa                  | 12.00                    | 14.47      | 17.00   |
| Odum                 | 8.20                     | 10.18      | 11.00   |
| Hyedua               | 13.67                    | 13.93      | 17.82   |
| Afromosia            | 13.72                    | 18.22      | 17.82   |

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

### Report from Malaysia

#### Malaysia to launch new National Wood Industry Policy

Deputy Prime Minister Datuk Seri Najib Tun Razak plans to launch a new National Wood Industry Policy (NATIP) later this month, which is expected to shift the timber industry's structure. The announcement came from the Plantation Industries and Commodities Minister Datuk Peter Chin Fah Kui, who said the new policy needed to address both upstream and downstream industries as well as exports. With changes under the new policy, officials from Malaysia hope to generate exports worth RMB53 billion by 2020, with 60% of this amount to be generated from downstream activities and 40% from upstream activities. Chin said the new policy is aimed at decreasing waste and increasing the amount of value-added products for export. The government is also expected to create programmes to showcase local furniture, which would stimulate greater participation in the forest plantation scheme established in 2006. Nevertheless, Chin expressed concern over the falling prices for primary timber products such as sawn logs, fiberboard, and plywood and prospects for the market in 2009.

#### Malaysian furniture producers urged to sharpen competitiveness

The Ministry of International Trade and Industry (MITI) called on furniture manufacturers to sharpen their focus and marketing strategies to broaden their engagement with underdeveloped markets such as the Middle East, India, Russia and the countries of the Commonwealth of the Independent States (CIS), reported *Bernama News*. Faced with challenges on several fronts in the marketplace such as the weakening Malaysian ringgit against other major currencies, a rapidly declining international export market and shortage of trade financing within Malaysia, MITI will organize Malaysian furniture exhibitions to promote the country's brands at international trade shows. These include I-Saloni in Milan this April.

Although the furniture industry only grew 1.7% during the first 10 months of 2008 to RM8.37 billion, MITI officials are optimistic the Malaysian furniture industry will grow 2% to 7% in 2009. China's decreasing competition in the marketplace has helped Malaysia's wood products gain a competitive edge in the markets, said MITI. However, trade analysts have dismissed the projections as overly optimistic as global financial trade continues to bottom out in light of the financial crisis.

### New EU rules on pesticides for timber products

Exports of raw timber products to the EU, including sawnwood and logs, will be subjected to a new regulation on pesticides residues used in agricultural production, reported *Bernama News*. The European Parliament approved the regulation, which will take effect in 2009, with the view to ensure increasing stringency on the use of pesticides on EU imports. Under the new regulation, pesticide residues must not exceed the general default maximum residue level (MRL) of 0.01mg/kg.

### Prices slide amid worsening economic situation

Prices of Malaysian timber products, particularly sawnwood, continued to decline in the international market. Saw mills have been pondering the next course of action, since excessive sawnwood stocks continue to pile up in sawmill yards across the country. Nevertheless, timber traders were attempting to resist further price erosion for their products, as most of them are already operating at a loss.

With the first national economic stimulus plan failing to register any improvement in the economy, the number of housing construction project failures is expected to rise dramatically, resulting in abandoned projects. This may in turn negatively affect the local banking industry as most banks have high exposure to the construction industry in their lending portfolios.

### 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   | 300-325↓                |
| Merbau  | 330-365↓                |
| 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          | 283-314↓                |
| Seraya Scantlings (75x125 KD) | 464-479↓                |
| Sepetir Boards                | 252-274                 |
| Sesendok 25,50mm              | 360-378↓                |
| Kembang Semangkok             | 296-319                 |
| Malaysian Sawnwood, domestic  | US\$ per m <sup>3</sup> |
| Balau (25&50mm,100mm+)        | 340-360↓                |
| Merbau                        | 490-542↓                |
| 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                      | 422-484↓                |
| 3mm                        | 395-425↓                |
| 9mm & up                   | 340-412↓                |

|                             |                         |
|-----------------------------|-------------------------|
| Meranti ply BB/CC, domestic | US\$ per m <sup>3</sup> |
| 3mm                         | 391-432↓                |
| 12-18mm                     | 325-354↓                |

### 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                      | 560-570↓                |
| Red Meranti Mouldings 11x68/92mm x 7ft up |                         |
| Grade A                                   | 576-589↓                |
| Grade B                                   | 527-536↓                |

### 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)                | 55-63                   |
| without arm                                 | 55-64                   |
| with arm                                    | 43-48                   |
| Chair Seat 27x430x500mm                     | 43-48                   |
| Rubberwood Tabletop                         | US\$ per m <sup>3</sup> |
| 22x760x1220mm sanded & edge profiled        |                         |
| Top Grade                                   | 566-598↓                |
| Standard                                    | 551-570↓                |

## Report from Indonesia

### Indonesia mulls export of plantation logs

*Antara News* reported on the Ministry of Forestry's proposal to open exports of logs from timber plantations. The move would address the disparity in price between logs sold to the pulp and paper industry and those available in the international timber market. If the measure is approved, logs offered from Indonesia would be more competitive with those from neighboring Sarawak. Although two pulp and paper giants, Asia Pulp&Paper and Riau Andalan Pulp and Paper (Riapulp) consume 85% of logs produced from timber plantations, prices offered by the two companies have not generated enough profit for the plantation forest industry to contribute to its development. President Director Mustoha of the state-owned forestry company PT Inhutani IV commented that log prices, set at a range from Rp220,000 to 230,000 per m<sup>3</sup> were too low, and price fixes were needed to expand Indonesia's export market and counter the decline in domestic demand for timber.

### Regional administrations seek approval for local forest conversions

A number of local administrations have been submitting applications to the Indonesian Ministry of Forestry to convert their natural forests into forest plantations, reported *The Jakarta Post*. Central government officials noted they were struggling to comply with laws for forestry and spatial planning while attempting to meet demands from local governments.

The Director of the National Development Planning Board, Basah Hernowo, expressed concern over the uncertainty associated with the spatial planning law, as the 2008 spatial planning law allows local administrations to

revise the regulations after five years; this could cause further deforestation and damage to the environment.

Moreover, the Indonesian Association of Forestry Concessionaires (APHI) expressed reservation over the future of Indonesia's forests. Indonesia's reported deforestation rate between 1987 and 1997 was 1.8 million ha per year, climbing rapidly to 2.8 million ha per year from 1998 to 2000, before returning to about 1.8 million ha per year from 2000 to 2006.

#### Perhutani supports lifting teak export ban

Forestry Minister M.S. Kaban said the government could lift a ban on teak exports from industrial forests, since the government is expecting a decline in demand from the domestic market in the midst of the global economic crisis.

State-owned company PT Perhutani said it would support such a plan if approved. According to Upiék Rosalina Wasrin, chief executive of Perhutani, about 90,000 m<sup>3</sup> to 100,000 m<sup>3</sup> of teak logs would be available for export in 2009. The company produced 300,000 m<sup>3</sup> of teak in 2008, although the local furniture industry could only absorb up to 15,000 m<sup>3</sup> of teak logs, an amount which could decline in light of the ongoing global economic turmoil.

Elfian Effendi, Executive Director of the non-profit Greenomics, said the ban should be lifted only on exports to Japan, but only if Japan agreed to forgive Indonesia's foreign debt. Elfian noted that more than 70% of Indonesia's foreign debt is with Japan.

#### Indonesia Log Prices (domestic)

| Indonesia logs, domestic prices | US\$ per m <sup>3</sup> |
|---------------------------------|-------------------------|
| Plywood logs                    |                         |
| Face Logs                       | 190-233↓                |
| Core logs                       | 171-204↓                |
| Sawlogs (Meranti)               | 178-239↓                |
| Falcata logs                    | 146-180↓                |
| Rubberwood                      | 35-61                   |
| Pine                            | 161-200                 |
| Mahoni (plantation mahogany)    | 547-573                 |

#### Indonesia Sawnwood Prices

| Indonesia, construction material, domestic | US\$ per m <sup>3</sup> |
|--|-------------------------|
| Kampar (Ex-mill) AD 3x12-15x400cm          | 175-193↓                |
| KD   | 197-231↓                |
| AD 3x20x400cm                              | 223-246↓                |
| KD   | 227-252↓                |
| Keruing (Ex-mill) AD 3x12-15x400cm         | 239-253↓                |
| AD 2x20x400cm                              | 223-241↓                |
| AD 3x30x400cm                              | 203-222↓                |

#### Indonesia Plywood Prices

| Indonesia ply MR BB/CC, FOB | US\$ per m <sup>3</sup> |
|-----------------------------|-------------------------|
| 2.7mm                       | 413-470↓                |
| 3mm                         | 369-410↓                |
| 6mm                         | 326-392↓                |

| MR Plywood (Jakarta), domestic | US\$ per m <sup>3</sup> |
|--------------------------------|-------------------------|
| 9mm                            | 266-277↓                |
| 12mm                           | 258-268↓                |
| 15mm                           | 247-261↓                |

#### Other Indonesia Panel Prices

| Indonesia, Other Panels, FOB       | US\$ per m <sup>3</sup> |
|------------------------------------|-------------------------|
| <i>Particleboard</i> Export 9-18mm | 220-233↓                |
| Domestic 9mm                       | 191-203                 |
| 12-15mm                            | 182-193                 |
| 18mm                               | 172-184                 |
| <i>MDF</i> Export 12-18mm          | 264-276↓                |
| Domestic 12-18mm                   | 243-254↓                |

#### Indonesia Added Value Product Prices

| Indonesia, Mouldings, FOB                 | US\$ per m <sup>3</sup> |
|---|-------------------------|
| Laminated Boards Falcata wood             | 317-329↓                |
| Red Meranti Mouldings 11x68/92mm x 7ft up |                         |
| Grade A                                   | 513-547↓                |
| Grade B                                   | 467-489↓                |

### Report from Myanmar

#### MTE changes sales of teak from FOB to Ex-works

The Myanmar Timber Enterprise (MTE) issued a notice on 6 February 2009 indicating all direct sales of timber would be made on an Ex-works basis in lieu of the usual FOB basis. However, the exception to this rule is where the MTE will continue to act as the shipper. This decision has been taken after an incident occurred on the Rangoon River involving an MTE container that was reportedly shipped by MTE on behalf of a private company (see story below).

As a result of the decision, all sawn timber, secondary processed wood products and logs from direct sales will be made on an Ex-works (sawmill, factory or deposit) basis. This will be applicable to all contracts including those already issued. Exception will be made for some shipments for which export documentation has been processed and an export license issued. In general, the tender quantity is very small, at about 1,000 tons per month, although direct sales volumes are huge.

#### Heroin seized in Rangoon port

On 25 January 2009, police in Myanmar seized more than 89 kilograms of heroin packed in a container ship bound for Singapore, reported the *AFP*. The ship, Kota Tegap, was Singaporean flagged and left from Rangoon's Asia World Port Terminal, reportedly owned by a 'family of notorious drug traffickers'. The container was owned by the Myanmar Timber Enterprise, which has been subject to US sanctions since last year. The Rangoon police indicated the container was not inspected before leaving the port in Rangoon and was seized on the Rangoon River. A Special Police Force was questioning various government officials and businessmen in light of the recent drug seizure. Myanmar follows Afghanistan as the world's largest producer of opium, which is used to produce heroin.

## No price changes for Myanmar logs

As shown below, there have been no changes to prices during the previous fortnight. The next tender sales are scheduled for 22 February 2009.

### Myanmar Log Prices (natural forests)

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

*Folha da Mata Online* reported that forest products exported from the State of Pará dropped by volume and value in 2008 compared to 2007 levels, according to a statement made by the Timber Exporting Companies Association of Pará (AIMEX). Exports were USD631 million in 2008, a decrease by value of 20.4% compared to the previous year. Exported timber fell 35.8% by volume, a larger drop than by value. Among the products showing the largest decrease by volume in 2008 were: sawnwood (-41.8%); veneer (-54%); flooring (-24.5%); and plywood (-41.4%). The drop in exports of industrialized and manufactured timber products from Pará was attributed to the delay in approval of forest management and reforestation projects and unfavorable exchange rates, which undermined the performance of the timber sector.

At the end of 2007, Pará's exports decreased due to the US subprime mortgage crisis, since the US civil construction sector accounted for one-third of timber exported from Pará. By the end of June 2008, exports had dropped 8.98% by value and 28.19% by volume compared to the same period of 2007. Despite the crisis, other countries continued buying timber until the third quarter of 2008. As a result, price increases in the third quarter compensated

losses from the falling US dollar. Once the general economic crisis began in late October 2008, there was a significant reduction in the purchase of industrial and manufactured timber products, which lowered results for the state of Pará in 2008.

### Sao Bento furniture cluster holds optimistic outlook for 2009

After three years of a continuous slump in sales and job generation, furniture companies of the Sao Bento do Sul cluster in the Southern state of Santa Catarina reportedly held high hopes for recovery in 2009. The reason, reported *Diário Catarinense/Centro Gestor de Inovação Moveleiro*, was that April has historically been a refurbishing period in the US and Europe, the main international markets for Brazilian furniture. Companies hope demand will increase again around this time in 2009.

According to the Sao Bento do Sul Trade Association (ACISBS), the furniture sector once accounted for 40% of the local economy. However, the sector currently accounts for only 22%, partially due to the ongoing crisis in the forest sector, along with the growth of other sectors such as the metal, mechanics, textile, cleaning products and services industries. As an initiative for the sector's improvement, the Bento Gonçalves Furniture Industry Association (Sindmóveis) has been implementing activities to promote Brazilian furniture abroad. Aware of the need to make the industry more global, the Association has set an agenda to promote business in other countries in 2009. In 2007, sales abroad only reached BRL1 billion of the total BRL21.3 billion in revenue for the sector - less than 5% of sales of the furniture industry in Brazil.

### Alta Floresta wood exports plunged 34% in 2008

*Só Notícias* reported on the municipality of Alta Floresta's wood products statistics in 2008, noting it was one of the major timber producers in the Brazilian Amazon. Alta Floresta closed 2008 with 32.1% drop in wood product exports. According to the Ministry of Development, Industry and Foreign Trade, exports of various timber products from January to December 2008 reached USD14.2 million, compared to the USD20.9 million recorded in 2007. Exports of timber products faced substantial reductions in trade, including of non-coniferous parts (-22.9%), which were worth USD11.8 million.

Exports of sawnwood cut into sheets (thicker than six millimeters) were USD1.9 million, 52.6% lower than in 2007, when total exports reached USD2.9 million. On the other hand, exports of some items such as Ipe parts (116%) increased in 2008 from 2007. The largest share of exports in 2008 went to the US (USD7.5 million), although overall sales dropped 28.5% from 2007 levels. Alta Floresta exported USD2.2 million to Spain in 2008, a fall of 29.8% compared to 2007. The exception to the slump in exports was Israel, which registered imports of USD1 million, a 28.8% jump from 2007 levels.

### Buyers cancel export orders of Brazilian timber

The global economic crisis has continued to affect timber exports from Brazil, reported *Folha de São Paulo*. According to the Timber Producers and Exporters Association (ABPMEX), Brazilian timber producers have already reported a 40% cancellation of export orders. If the external demand for products continues to decrease, the expectation is that timber exports will be reduced by 15-20% in 2009. Foreign importing companies have cancelled orders with already approved credit letters. This situation has never before occurred in Brazil. Even with approved credit, importers are not making purchases because domestic buyers would not be able to consume them.

According to the ABPMEX, 15% of Brazilian solidwood production is exported, with 60% being sent to the US. In 2008, total timber exports reached USD2.7 billion, 17.3% less than in 2007. With the fall of external demand, entrepreneurs have attempted to redirect their products to the domestic market. Some items, however, are made specifically for foreign markets and do not have buyers in the domestic market. This is the case, for instance, of wooden fences manufactured for American houses. Thus, the domestic market cannot absorb all production. Instead, part of the solution will involve reducing production and extension of holiday vacations.

Layoffs in the timber industry may eventually happen, but so far this has not occurred at a significant level. The timber sector has already been facing problems before the economic crisis. In the first half of 2008, the sector already experienced a decline in exports due to the depreciation of the US dollar. When the Brazilian real depreciated against the US dollar because of the economic crisis in the second half of 2008, sales in the domestic market further deteriorated.

### Brazil Log Prices (domestic)

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

### 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> |
|-----------------------------------|-------------------------|
| <i>Northern Mills</i> (ex-mill)   |                         |
| Ipê                               | 532                     |
| Jatoba                            | 409                     |
| <i>Southern Mills</i> (ex-mill)   |                         |
| Eucalyptus (AD)                   | 152                     |
| Pine (KD) 1st grade               | 199                     |

### 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                    | Core |
|   | 201                     | 168  |

### 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          | 695                     |
| White Virola 15mm                         | 507                     |

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       | 442 |
| Particleboard 15mm                       | 279 |

### 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

### EU to negotiate FTA with Peru, Ecuador and Colombia

The *Peruvian Times* and *Andina* reported that Peru, Ecuador and Colombia have been undertaking negotiations on a Free Trade Agreement (FTA) with the EU. The first meeting for the negotiations was held in early February and the countries hope to conclude their discussions by mid-2009. The negotiations were initially postponed due to Bolivia's refusal to engage in the talks and threats to veto bilateral negotiations. Despite this setback, the discussions with Peru, Ecuador and Colombia are due to continue and address issues such as market access, trade facilitation and sustainable development.

### Peru targets 900,000 ha of certified forests in 2009

José Camino, Chief of the National Institute of Natural Resources (INRENA), expects Peru will certify or re-certify 900,000 ha of forests by the end of this year. Camino noted Peru ranked third after Brazil and Bolivia for having the largest area of certified forests in Latin America. He said Peru's goal was to certify about 2 million ha of forests. The areas currently containing the most certified forests in Peru are Huanuco, Madre de Dios, Ucayali, Loreto and Pasco.

### 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) | 1798-1844↓              |
| Spanish Cedar KD select                              |                         |
| North American market                                | 925-948↓                |
| Mexican market                                       | 918-950↓                |
| Pumaquiro 25-50mm AD                                 | Mexican market 485-515↓ |

\*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                         | 315-362↓                |
| Grade 2, Mexican market                         | 269-296↓                |
| 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                                  | 518-568↓                |
| Dominican Republic                              | 558-569↓                |
| Marupa (simarouba) 1", 6-11 length Asian market | 366-388↓                |

|  |                         |
|--|-------------------------|
| Peru Sawnwood, FOB Iquitos             | US\$ per m <sup>3</sup> |
| Spanish Cedar AD Select Mexican market | 912-938↓                |
| Virola 1-2" thick, length 6'-13' KD    |                         |
| Grade 1, Mexican market                | 299-323↓                |
| Grade 2, Mexican market                | 266-280↓                |
| Grade 3, Mexican market                | 145-165↓                |
| Marupa (simarouba) 1", 6-13 length KD  |                         |
| Grade 1, Mexican market                | 226-237↓                |

|                         |                         |
|-------------------------|-------------------------|
| Peru sawnwood, domestic | US\$ per m <sup>3</sup> |
| Mahogany                | 1137-1188↓              |
| Virola                  | 61-75↓                  |
| Spanish Cedar           | 366-389↓                |
| Marupa (simarouba)      | 88-101↓                 |

#### Peru Veneer Prices

|                    |                         |
|--------------------|-------------------------|
| Veneer FOB         | US\$ per m <sup>3</sup> |
| Lupuna 3/Btr 2.5mm | 210-215↓                |
| Lupuna 2/Btr 4.2mm | 217-243↓                |
| Lupuna 3/Btr 1.5mm | 236-248↓                |

#### Peru Plywood Prices

|  |                         |
|--|-------------------------|
| Peru plywood, FOB (Mexican Market)         | US\$ per m <sup>3</sup> |
| Copaiba, 2 faces sanded, B/C, 15x4x8mm     | 318-347↓                |
| Virola, 2 faces sanded, B/C, 5.2x4x8mm     | 406-416↓                |
| Cedar fissilis, 2 faces sanded 4x8x5.5mm   | 745-755                 |
| Lupuna, treated, 2 faces sanded, 5.2x4x8mm | 348-359↓                |
| 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          | 282↑                    |
| 1.83m x 2.44m x 6mm          | 230                     |
| 1.83m x 2.44m x 12mm         | 204↑                    |

#### Peru Added Value Product Prices

|   |                         |
|---|-------------------------|
| Peru, strips for parquet                  | US\$ per m <sup>3</sup> |
| Cabreva/estoraque KD12% S4S, Asian market | 1388-1442↓              |
| 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  | 549-590↓                |
| 2x13x75cm, Asian market                   | 698-716↓                |

## Report from Bolivia

### Bolivia passes new constitution recognizing indigenous rights

According to the *BBC*, a new constitution was enacted by President Evo Morales, which strengthens rights for country's indigenous people. Morales, saying Bolivia had been 'refounded' as a result of the new constitution, is the country's first indigenous president. The new constitution will grant rights to Bolivia's 36 indigenous groups on ownership of land to 5,000 ha, although the measure is not retroactive. Despite this perceived victory for Morales, opposition to Morales still lingers in the country's eastern lowlands.

#### 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)                | 800-99                             |
| 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 Mexico

### Community forest programme receives further funding

The National Forest Agency (CONAFOR) received a new loan from the World Bank in the amount of USD100 million to implement its Programme of Communitarian Forest Development (Procymaf) through year 2010. The programme focuses on the management of natural resources of common lands and forest communities, giving particular attention to local development. In 2010, actions to address the mitigation and adaptation of climate change are included in the programme, as well as establishment of commercial forest plantations and the extension of proposals to increase productive capacities of marginalized groups.

## Report from Guyana

### Log exports off to slow start in 2009

Log exports for the year are off to a slow start owing to the low volumes of harvest in the month of December and the higher demand for Guyana's sawnwood. Only 43 m<sup>3</sup> of logs were exported in the second fortnight of 2009, mainly consisting of standard sawmill quality purpleheart heading to destinations in India. Nevertheless, log prices jumped by 52% compared to January 2008 average prices. Log exports in January 2008 were 8,929 m<sup>3</sup>, which highlights the significant drop in this year's log exports compared with the corresponding period last year. The export markets targeted show a similar trend to that which prevailed in 2008, when the total volume of logs exported was mostly consumed in the Asian/Pacific region and accounting for the majority of volume and value totals. In this region, the two main destinations for Guyana's logs in 2008 were China and India. China consumed 45% of all logs exported while India consumed 42%.

For added value products, shingles showed strong results in 2009 with an 81% increase in value over January 2008. The overall price level has also jumped by 60%. Similarly, the export of other value-added products including doors has increased substantially over the January 2008 levels. The highest revenue earner for January 2009 was Dressed Lumber, accounting for 42% of total export value. Shingles were the second largest revenue earner for the month.

### Lending to forest sector on the rise

According to reports from the Central Bank of Guyana, loans and advances to business enterprises in the forest sector have shown considerable increases in 2008 compared to same period of 2007 (January to November). A robust 38.9% increase in investment recorded in the sector reflects a continued interest in Guyana's timber products of Guyana, both locally and internationally.

### Guyana establishes REDD Secretariat

As part of its REDD preparedness activities, the GFC received support from Conservation International (CI) Guyana in January 2009 for the establishment of a Reducing Emissions from Deforestation and Degradation (REDD) Secretariat. The Secretariat will be tasked with coordination of relevant activities to link key institutions and stakeholder groups in the implementation of activities and dialogue on REDD.

It is hoped the Secretariat will create a formal structure and framework for REDD activity implementation through the development of a methodology to conduct a national assessment and create a forest carbon stock monitoring system that are appropriate, applicable, feasible and relevant to the Guyana context. Activities are also expected to generate a continuous updated information base on forest carbon storage capacities and serve as the basis for securing global carbon financing mechanisms, performance based payments and positive incentives.

One of the first activities of the REDD Secretariat, working in collaboration with the Guyana Forestry Commission, will be to conduct a nationwide sensitization

and consultation programme on climate change and REDD. Several teams were dispatched to various regions in the country with the purpose of engaging forest-based communities and other stakeholders.

A total of 27 outreach sessions were made, with participation from over 35 community groups, including a number of indigenous communities. Additionally, through continuing work of this kind, an integral link will be established to encourage sustainable development and improve livelihoods for local communities including indigenous populations - all within the wider context of sustainable forest management (SFM).

### Guyana Log Prices

| Logs, FOB Georgetown | SQ - \$ Avg unit value per m <sup>3</sup> |      |       |
|----------------------|---|------|-------|
|                      | Std                                       | Fair | Small |
| Greenheart           | -   | -    | -     |
| Purpleheart          | 220                                       | -    | 180   |
| Mora                 | -   | -    | -     |

\*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           | -                                   | -        |
|                          | Select/Standard | 509-575↓                            | 509-785↑ |
| Purpleheart              | Prime           | -                                   | -        |
|                          | Select/Standard | -                                   | 594-779↑ |
| Mora                     | Select          | -                                   | -        |

### Guyana Plywood Prices

| Plywood, FOB Georgetown Port |       | \$ Avg unit val. per m <sup>3</sup> |     |
|------------------------------|-------|-------------------------------------|-----|
| Baromalli                    | BB/CC | 5.5mm                               | -   |
|                              |       | 12mm                                | -   |
| Utility                      | 5.5mm | 5.5mm                               | -   |
|                              |       | 12mm                                | 427 |

## Report from Japan

### MAFF publishes results of timber distribution in Japan

The Ministry of Agriculture, Forestry and Fisheries' (MAFF) survey of lumber factories, including sawmills, plywood factories, and laminated lumber factories, showed the number of factories have fallen since the survey was last conducted in 2001. According to the *Japan Lumber Journal (JLJ)*, although the number of large-scale factories had increased, there were 2,212 less factories than in 2001. The number of plywood factories fell by 62 and laminated lumber factories were 294, 7.8% less than in 2001. Lumber markets have also fallen to 516, down by 51. Those with sales of less than JPY50 million increased from 13 to 35. The amount of lumber enterprises fell to 9,430, 10.9% down from 2001.

### End January plywood situation shows little movement

*JLJ* reported that domestic plywood manufacturers were decreasing their production of plywood by suspending operations in factories using an employment subsidy system. *JLJ* suggested this was a sign prices had hit new lows and had spread across the industry. The publication also reported Japanese manufacturers were switching their foundation materials from plywood to particleboard and MDF wood boards. There is fear in the industry that other manufacturers of wooden construction materials will make similar changes. It is likely the amount of logs traded in January and February will be quite low since there is

almost no inventory of logs in the producing regions, with the potential for a drastic decrease in the future.

**KM Hybrid Plantation SDN recognized for SFM results**  
*JLJ* noted Sabah Afforestation Co.'s investment in KM Hybrid Plantation SDN had been recognized by the Sabah Regional Assembly in Malaysia for its outstanding results in SFM. Koshii & Co., Ltd. and Asahi Woodtec Corporation are joint investors in Sabah Afforestation Co. Sabah Afforestation Co. supports initiatives related to afforestation, forest expansion and harvesting. KM Hybrid Plantation SDN has been involved in producing young Acacia hybrid trees, afforestation and forest expansion in Sabah.

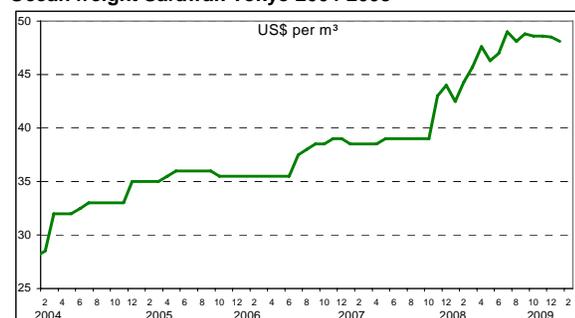
#### Log and Sawwood Prices in Japan

| Logs for Ply Manufacture, CIF              | Yen per Koku<br>(Koku=0.278 m <sup>3</sup> ) |
|--|--|
| Meranti (Hill, Sarawak)                    |  |
| 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                                       |
| <b>Logs for Sawmilling, CIF</b>            |  |
| Melapi (Sarawak) High Select               | 11,500                                       |
| Agathis (Sarawak) High Select              | -  |
| <b>Lumber, FOB</b>                         |  |
| 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)   | Jan         |   | Feb         |   |
|---|-------------|-------------|---|-------------|---|
|   |             | ¥ per sheet |   | ¥ per sheet |   |
| 2.4mm (thin plywood, F 4star, type 2)   | 920 X 1830  | 350         | ↓ | 350         |   |
| 3.7mm (med. Thickness, F 4star, type1)  | 910 X 1820  | 490         | ↓ | 490         |   |
| 5.2mm (med. Thickness, F 4star, type 1) | 910 X 1820  | 600         | ↓ | 600         |   |
| 11.5mm for sheathing (F 4star, type 2)  | 910 X 1820  | 850         | ↓ | 850         |   |
| 12mm for foundation (F 4star, special)  | 910 X 1820  | 890         | ↓ | 890         |   |
| 12mm concrete-form ply (JAS)            | 900 X 1800  | 780         | ↓ | 780         |   |
| 12m coated concrete-form ply (JAS)      | 900 X 1800  | 960         | ↓ | 960         |   |
| 11.5mm flooring board                   | 945 X 1840  | 1450        | ↓ | 1300        | ↓ |
| 3.6mm baseboard for overlays (OVL)      | 1230 X 2440 | 750         | ↓ | 700         | ↓ |
| <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

### Moderate increase seen in China's forest products trade during 2008

According to the latest statistical data issued recently by the General Administration of China's Customs, the foreign trade of China's forest products rose moderately in 2008, although trade was significantly impacted by the global economic crisis. Statistics showed the total import and export value of the forest sector's products (including non-wood forest products) reached just over USD63 billion, a year-on-year increase of 9.6%. However, the growth rate decreased by 12.9 percentage points from 2007. Of the total, the import value grew 14% to over USD27 billion and the export value of forest products rose 6% to USD35.9 billion.

In 2008, the total foreign trade value of China's major forest products accounted for 32% of the national total value of the forest sector's output. Of the total, the export value of China's forest products accounted for 18.5% of total output value. The total value of China's major forest product foreign trade represented 2.5% of the national total in 2008, dropping 0.18% from 2007.

#### 1.1 Imports

##### 1.1.1 Logs

Log imports totaled 29.57 million m<sup>3</sup> and were valued at USD5.18 billion in 2008, down 20% by volume and 3% by value from 2007. In terms of value, log imports ranked third after pulp and waste paper. The imports of tropical logs were 7.18 million m<sup>3</sup>, accounting for 24% of total log imports, up 1.6% from 2007.

Russia remained the most important supplier of logs in 2008. China imported 18.67 million m<sup>3</sup> of logs from Russia, representing 63.1% of China's total logs imports. Other significant suppliers in 2008 were Papua New Guinea (2.23 million m<sup>3</sup> and 7.5% of total imports), New Zealand (1.91 million m<sup>3</sup> and 6.5%), Solomon Islands (1.16 million m<sup>3</sup> and 3.9%) and Gabon (1.08 million m<sup>3</sup> and 3.6%).

##### 1.1.2 Sawnwood

Sawnwood imports totaled 7.18 million m<sup>3</sup>, valued at USD2.039 billion in 2008, up 9.6% by volume and 15% by value from 2007.

Imported sawnwood was mainly supplied by Russia (1.97 million m<sup>3</sup> and 27.4% of total sawnwood imports), Canada (1.13 million m<sup>3</sup> and 15.8%), the US (1.04 million m<sup>3</sup> and 14.5%), Thailand (0.79 million m<sup>3</sup> and 11%) and Malaysia (0.25 million m<sup>3</sup> and 3.5%).

##### 1.1.3 Wood-based panels

Imports of various wood-based panels continuously decreased in 2008. Of the total, plywood imports were 293 900 m<sup>3</sup> and valued at USD167 million, down 4% by volume and 1.7% by value from 2007. Fiberboard imports totaled 318,200 tons valued at USD140 million, down 27% by volume and 16.9% by value from 2007.

Particleboard imports totaled 243,200 tons and were valued at USD92 million, down 28.7% by volume and 13.6% by value from 2007.

#### 1.1.4 Paper pulp and waste paper

Pulp imports totaled 9.52 million tons and were valued at USD 6.7 billion in 2008, up 12% by volume and 20.8% by value from 2007. Waste paper imports totaled 24.2 million tons and were valued at USD5.5 billion, up 7% by volume and 37.5 % by value from 2007.

#### 1.1.5 Paper, paperboard and paper products

Paper, paperboard and paper products imports totaled 3.74 million tons, which were valued at USD4.36 billion in 2008, down 11% by volume and up 1.8% by value from 2007.

#### 1.1.6 Wooden furniture

China imported a total of 3.15 million pieces of wooden furniture in 2008, which was valued at USD312 million, up 26.9% by volume and 41.5% by value from 2007.

### 1.2. Exports

#### 1.2.1 Wooden furniture

China exported a total of 243.4 million pieces of wooden furniture in 2008, valued at USD11.021 billion, down 14.4% and up 3.1% respectively over the last year. Due to the global economic crisis in late 2008, traditional Chinese furniture importing countries such as the US and Japan as well as European countries reduced their imports. China's furniture exports were subject to considerable decline for the first time in the last ten years. The value of wooden furniture exports rose 3%, but its growth rate fell 18.6%.

Among exported national forest products, wooden furniture plays an important role. In terms of export value, wooden furniture accounted for 30.7% of the total value of national major forest products in 2008.

#### 1.2.2 Paper, paperboard and paper products

Paper, paperboard and paper products exports totaled 6.14 million tons and were valued at USD7.698 billion in 2008, down 10% by volume and up 8.5% by value from 2007. All kinds of paper products had the highest growth rates. Being the second largest exported forest products, its export value accounted for 21% of the total export value of forest products in 2008, although its export volume fell nearly 10%.

#### 1.2.3 Other Wood products

All kinds of other wood products, including wooden doors, windows and flooring as well as wooden handicrafts, tableware and package materials, were worth a total value of USD3.3 billion, down 9% from 2007. In terms of export value, this kind of product ranked fourth in China's total exported forest products and accounted for 9% of the total export value of forest products.

#### 1.2.4 Plywood

Plywood exports totaled 7.18 million m<sup>3</sup> and valued at USD3.4 billion in 2008, down 18% by volume and 5% by

value from 2007. Plywood exports grew rapidly before 2007. However, its export growth rate slowed in 2007 and was negative in 2008. The export value of plywood represented 9.5% of total forest products export and ranked third in terms of China's total exported forest products in 2008.

#### 1.2.5 Fiberboard and particle board

Fiberboard exports totaled 1.88 million tons and valued at USD1.094 billion in 2008, down 17.6% in volume and up 0.8% in value from 2007. Particleboard exports totaled 243,200 tons valued at USD91.85 million, down 28.7% in volume and 13.6% in value from 2007.

#### Guangzhou City Imported Timber Market

| Logs                  | Yuan per m <sup>3</sup> |
|-----------------------|-------------------------|
| Lauan (50-60cm)       | 1900-2300               |
| Kapur                 | 1900-2350               |
| Merbau 6m, 60cm diam. | 4400-5300               |
| Teak                  | 12000-15000             |
| Wenge                 | 8500-10000              |
| <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)            | 5500-5600↓              |
| KD (2", grade A)        | 4500-4600↓              |

#### Shandong De Zhou Timber market

| Logs           | Yuan per m <sup>3</sup> |
|----------------|-------------------------|
| Larch          | 1130↓                   |
| White Pine     | 1230↓                   |
| Korean Pine    | 1450↓                   |
| 6m, 30cm diam. | 1550↓                   |

#### Hebei Shijiazhuang Wholesale Market

| Logs                       | Yuan per m <sup>3</sup> |
|----------------------------|-------------------------|
| Korean Pine 4m, 38cm+ diam | 1900↓                   |
| Mongolian Scots Pine       | 1300↓                   |
| 4m, 30cm diam.             | 1350↓                   |
| 6m, 30cm+ diam.            |                         |
| <b>Sawnwood</b>            |                         |
| Mongolian Scots Pine       | 1420↓                   |
| 4m, 5-6cm thick            | 1480↓                   |
| 4m, 10cm thick             |                         |

#### Zhejiang Jiashan Kaihua International Timber Market

| Logs                     | Yuan per m <sup>3</sup> |
|--------------------------|-------------------------|
| Okoume 80cm+             | 2800-3400↓              |
| Sapele 80cm+             | 6000-6500               |
| Wenge 80cm+              | 13000-14000             |
| <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)

### **EC establishes bilateral mechanism on FLEG**

On Friday 30 January 2009 the Chinese government and European Commission established an EU-China bilateral coordination mechanism on Forest Law Enforcement and Governance (FLEG). The agreement was signed by Mr. Zhu Lieke, Vice-Minister of the Chinese State Forest Administration and Commissioner Dimas of the EC in the presence of EC President Manuel Barroso and Chinese Prime Minister Wen Jiabao.

The mechanism will provide a framework for policy dialogue and joint activities on issues such as timber legality verification, supply chain transparency and public and private procurement policies for timber and timber products. It also foresees the possibility of trilateral cooperation with third countries. It is expected that the mechanism will encourage the development of shared approaches to timber legality verification, in which it is likely that the systems established by countries negotiating FLEGT Voluntary Partnership Agreements with the EU will feature prominently.

### **Changing trends seen in European hardwood market**

Until recently, the European flooring market was a key growth area for hardwood products. As in other sectors, the global economic crisis is having a significant impact on reducing short term growth prospects. It is also encouraging manufacturers to take a good hard look at their investment, sourcing and marketing strategies. While the long term outlook for hardwood flooring in Europe remains positive, there will be great pressure on materials suppliers – particularly of tropical hardwoods - to adapt quickly to new emerging demands if they are to remain competitive.

Market reports indicate that European flooring manufacturers are currently finding it very hard to generate new orders for their products and many have now built up large unsold inventories of finished goods. Producers of three-ply and multi-ply parquet that have pushed ahead with capacity development in recent times have been particularly hard hit.

Nevertheless, the flooring sector appears to be weathering the downturn better than most other hardwood end-using sectors, such as furniture and joinery. As a 'finishing trade', the European flooring sector was slower to respond than other timber industry sectors to the recent dramatic downturn in European residential markets. The sector has also been partially insulated from the downturn as people who can no longer afford to move home or who are unable to sell their existing home tend to spend proportionally more on renovation and restoration.

A UK-based flooring supplier noted in a recent *TTJ* article that 'there are pockets of new build that have continued [in the recent downturn], but...the split is now 70:30 in favor of refurbishment, stimulated by the consumers decision to improve their homes rather than move'. The same *TTJ* article notes that while the residential market still represents the biggest chunk of business for major flooring

players, the commercial sector has proved more immune to the downturn. It is now seen, in the UK at least, as the most promising, though not necessarily dramatic growth area.

### ***Fall in flooring production and sales in 2008***

Trade analysts suggest that European parquet floor production may have declined between 12% and 18% during 2008. Drawing on a member survey, FEP (European Parquet Federation), suggest that overall sales dropped by around 7% compared to 2007. Production in 2008 is estimated at between 82,000 million m<sup>2</sup> and 88,000 million m<sup>2</sup>, while consumption at around 104 million m<sup>2</sup>. This is the first significant turnaround in an upward trend in the European flooring market on-going since at least the mid 1980s. The European flooring sector is now bracing itself for an even slower year in 2009.

In absolute production figures, Sweden and Poland are the largest producers of wooden parquet flooring in Europe (each accounting for around 16%), followed by Germany (accounting for around 13%). Germany is Europe's largest parquet market followed by Spain, Italy and France.

In contrast to the North American market which prefers solid wood flooring, the European market for wood flooring is dominated by engineered products. The popularity of engineered wood flooring is underpinned by its versatility and stability. Unlike solid wood flooring, it is less affected by movement in response to changes in atmospheric moisture. It can be used with under-floor heating and is also popular in apartments because sound insulation can be fitted underneath the wood.

### ***Focus on high value***

European real wood flooring manufacturers have faced increasing competition in recent times from manufacturers of wood look-a-like products in vinyl and laminated products with a décor paper face over a softwood or panel substrate. The quality, look and feel of these products have improved to such an extent that it can be difficult for the non-specialist to tell them apart from real wood products. Pricing of these products is often extremely low - so low that some European flooring distributors are withdrawing from this end of the market altogether in response to extremely tight margins.

Increasingly the only realistic strategy for long-term development of the real wood flooring market is to focus on the high end of the market, emphasizing long term technical performance, customer service, strong aesthetic appeal, superior design, and the strongest green credentials. These elements form key components of the 'Real Wood' campaign led by the European Parquet Flooring Federation (FEP), which is now supported by 53 leading European flooring manufacturers.

### ***Changing relationship with Asian flooring manufacturers***

This increased focus at the high end of the market also seems to be altering the relationship between European flooring manufacturers and suppliers in emerging markets,

notably China. A key component of any high end marketing strategy must be to ensure proximity to the final customer. Manufacturers need to maintain a very detailed and up-to-date understanding of species, colors, finishes and trends and can benefit through linkage of products to broader interior design services for customers.

Increasing availability of relatively cheap real wood flooring products imported from China has played an important role in recent years to help generate demand for these products in the European market. During the growth years, European manufacturers sought to benefit from cheaper labor and production costs in East Asia either through direct investment in manufacturing capacity or through sales agreements with East Asian companies. While such tie-ups may continue into the future, signs of a change in direction are becoming more apparent as sales have slowed and competition intensified.

Some European manufacturers now seem to be actively reducing their links with Far Eastern manufacturers. The reasons are complicated and multi-faceted reflecting changing circumstances both in Europe and Asian manufacturing countries. The economic downturn has made the trend more obvious as leading European producers have been encouraged to concentrate on their own production first. But even before this, rising costs in China were making it a less attractive proposition for European manufacturers. At the same time, some Chinese manufacturers having built up the necessary technical knowledge and marketing expertise in partnership with European and other western companies, are now choosing to go it alone and to market their own brands. The economic crises in western countries has reinforced this strategy for Chinese companies that now see that long term opportunities for market development are just as likely to emerge in their domestic market as they are in Europe and North America.

European companies increasingly see that their best opportunities to counter the threat both from emerging Chinese brands and from non-wood products lie in a move up-market and exploiting the advantages to be gained from proximity to the European customer. Focusing on their domestic production has the advantage of ensuring tighter control of product quality and standards and allows more rapid and sensitive adjustment to customer preferences and changing fashions.

#### ***The green issue***

Although less significant than other factors of cost and quality control, the ability of European flooring companies to respond to the green concerns of customers and other interests is another factor driving increased emphasis on high value domestic production in the European flooring sector. There is broad recognition in this industry that there is very limited end-user demand for specific product labels. Environmental issues are generally low in the list of factors influencing consumers purchasing decisions – compared to price, quality, performance and follow-up service.

On the other hand many consumers want to feel good about the flooring products they buy and want reassurance that they are not contributing to excessive environmental destruction. Manufacturers and distributors have a strong interest in protecting their brands against negative publicity of any sort. There is a perception that East Asian manufacturers drawing on complex wood raw material from fragmented and complex supply chains may have more difficulty responding to emerging European requirements to demonstrate that wood does not derive from illegal or unsustainable sources. This inability to provide adequate assurances of legal and sustainable sourcing might undermine broader efforts to market wood flooring as the most environmentally benign flooring material.

#### ***Species and fashions***

In terms of species, the European flooring sector is dominated by oak which accounts for around 56% of European real wood floor manufacturing. Other temperate hardwood species (notably walnut, ash, and cherry) also play a leading role. One recent report suggests that jarrah is becoming more popular for commercial projects due to its color and environmental credentials. The share of tropical hardwood in the sector has been hovering in the range 13% to 16% in recent years showing no clear trend either up or down. More recent anecdotal reports, however, suggest that the trend is likely to be downwards. Late last year, concerns over commercial availability and sustainability issues led two major European producers - Weitzer in Austria and Meister in Germany – to announce that they would no longer source any tropical hardwood.

However there are some trends that should favor tropical wood species in the sector if other marketing and supply issues could be resolved. There have been widely reported fashions towards a preference for darker and more interesting exotic species in the furniture and flooring sectors. Design trends have also focused on sharply contrasting light and dark colors, on mixing textures, and therefore on widening the pallet of materials used.

But while these trends exist, it is also clear that rather than increase their use of tropical timbers, many manufacturers prefer to adapt temperate species by staining and other treatments. With modern stains and finishes, manufacturers can now achieve the desired look almost no matter what the species. They are also promoting heavily the natural 'rustic' characteristics of temperate hardwoods, making a virtue of the color variations and knots which are often a feature of temperate hardwoods.

#### ***Technical developments***

There is also growing interest in heat treatment of temperate hardwoods and softwoods to achieve the hardness necessary for flooring applications. At present lack of heat-treating capacity, relatively high costs and remaining technical issues (for example heat treatment can be associated with increased brittleness) have meant that use of heat treated products is not widespread in the flooring sector. But European commentators generally expect these products to become increasingly important in

the future, taking market share specifically from tropical hardwoods.

### **CE Marking**

Another issue likely to impact on market access in the future will be the ability of manufacture products with appropriate CE Marking. At present CE Marking to the standard EN 14342 standard 'Wood flooring - Characteristics, evaluation of conformity and marking' is not obligatory. The EC had intended to introduce mandatory CE Marking from the 1 March 2009. However a recent press release issued by FEP suggests that this deadline has been postponed for another year. Mandatory CE Marking is now expected to be required from 1 March 2010 onwards. According to EN 14342, in order to CE-mark wood flooring, a manufacture must have documented conformity to an internal production control system and must perform an initial type testing.

### **EC Illegal logging proposal being considered by European Parliament**

The European Commission (EC) proposals for new legislation designed to remove illegal wood from the supply chains of products destined for the European market are now being considered for adoption by the European Parliament and European Council.

The proposal has been influenced by the US Lacey Act Amendment passed in the US in May 2008, but differs in some significant respects. The US Lacey Act makes it an offence in the US to trade in any wood product sourced in contravention of the laws of any other country. It therefore strongly implies, but does not require, that timber trading companies in the US implement management systems to minimize the risk of any illegal wood entering their supply chains.

In contrast, the EU's proposed legislation would not make it illegal in the EU to trade in wood products in contravention of the laws of another country. The EC believes it impractical for European prosecutors to gather sufficient evidence to make a conviction. The EC has therefore proposed that the new legislation places a direct obligation on European operators to implement a 'due diligence system', essentially a management system to minimize the risk of any illegal wood entering their supply chains (sometimes referred to as a 'due diligence system').

The due diligence obligation would extend only to those operators that 'first place' a forest product on the European market. This is currently interpreted as including forest product importers and primary producers. The proposed legislation would extend to European importers and primary producers of all wood and wood based products (including furniture) as well as pulp and paper products.

Under the terms of the proposed legislative framework, while the European Commission would have responsibility for developing more detailed guidelines, for example on appropriate procedures for risk assessment of suppliers, the individual EU Member States would be responsible for enforcement and imposition of sanctions.

These proposals were the main focus of discussions involving a wide range of European policy makers at the Royal Institute of International Affairs in London during January. These discussions indicated that there is strong support in the EU for some form of legislation designed to prevent imports of illegal wood into the EU. But there is still lack of agreement over whether the EC's proposal is the right approach.

Some EU politicians and environmental groups clearly do not feel the proposals go far enough and pushed for a Lacey-style offence for trade in illegally sourced wood to be introduced alongside the requirements for a due diligence system. There was concern that the concept of due diligence was too vague and not sufficiently well defined in the draft legislation. There was also concern that EU regulatory authorities would have insufficient expertise and knowledge to ensure effective implementation. The effectiveness of due diligence systems might vary widely between EU Member States. This might encourage less scrupulous suppliers to feed products into the EU market by way of Member States with softer regimes.

Nor was there confidence in the ability of timber trading companies throughout the EU to develop and adopt appropriate procedures. To date only four EU timber trade federations are promoting environmental timber procurement policies for their members that might meet the requirements for due diligence as set out in the EC proposal and these have taken years to develop and implement effectively.

On the other hand, EC representatives emphasized that due diligence procedures need not be complicated and that sufficient capacity could be built up with appropriate support. The existing trade association environmental policy frameworks provide a model on which to build. EC officials also noted more comprehensive details of appropriate due diligence systems would be drawn up following passage of the framework legislation.

The legislative proposal is unlikely to become law until after the European Parliamentary elections in July 2009. If passed, there would be a two year phase-in period during which more detailed regulations would be developed and Member States would prepare their enforcement regimes. Therefore the earliest the due diligence requirements might be imposed on EU operators is the second half of 2011.

### The Netherlands Sawwood Prices

|                                    | USD per m <sup>3</sup> |
|------------------------------------|------------------------|
| FOB (Rotterdam)                    |                        |
| Sapele KD                          | 876↓                   |
| Iroko KD                           | 948↓                   |
| Sipo KD                            | 1013↓                  |
| 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            | 310-330↑             |

### UK Sawwood 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                 |

## Report from North America

### Amendments to the US Lacey Act to be implemented in April 2009

Changes to the US Lacey Act (16 U.S.C. 3371 et seq.) that were enacted in May 2008 have attracted considerable attention among timber producers and traders. However, there has also been some misunderstanding of the Lacey Act. The following is a brief summary of these new provisions.

The Lacey Act was initially enacted in 1900; it is the oldest national wildlife protection statute in the United States. Prior to the 2008 amendments, the Lacey Act was an anti-trafficking measure covering a broad range of fish and wildlife, but relatively few plants. The amendments expand the scope of plants covered so that the Act can, among other things, serve as a tool to help the US support the efforts of other countries, as well as its own states, to combat illegal logging. Specifically, with these amendments, the Lacey Act now makes it unlawful to, among other things, import, export, transport, sell, receive, acquire, or purchase in interstate or foreign commerce any plant, with some exceptions, taken or traded in violation of the laws of a US state and most foreign laws.

The definition of the term 'plant' in the amended Lacey Act includes 'any wild member of the plant kingdom,

including roots, seeds, parts, and products thereof, and including trees from either natural or planted forest stands'. There are certain exclusions, including: (1) common cultivars (except trees) and common food crops; (2) live plants that are to remain or be planted or replanted; and (3) scientific specimens of plant genetic material to be used for research. Exclusions under (2) and (3) do not apply for those species that are listed in an Appendix to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), as endangered or threatened under the US Endangered Species Act, or pursuant to any US state law providing for conservation of indigenous species threatened with extinction.

As of 22 May 2008, if a tree is illegally harvested, made into wood products, and then exported to the US, anyone who imported, exported, transported, sold, received, acquired or purchased the wood products made from that illegal timber, who knew or should have known that the wood was illegal, may be prosecuted for violation of the Lacey Act. The defendant need not be the one who violated the foreign law; the plants or timber, and the products made from the illegal plants or timber, become 'tainted' even if someone else commits the foreign law violation. However, the defendant must know, or in the exercise of due care should know, about the underlying violation. Illegal plants and plant products may also be seized and forfeited whether or not the person from whom they are seized knew of the illegal nature of the product. In any prosecution or forfeiture under the Lacey Act, the burden of proof of a violation rests on the US government.

The 2008 amendments also introduce the requirement for an import declaration for plants entering the US. Enforcement of this requirement will be phased in, beginning 1 April 2009, or as soon thereafter as the electronic system used to collect customs information is revised to collect the new information.

The plant import declaration will require the scientific name of the plant (tree genus and species), quantity and value of the importation and name of the country where the timber was harvested. The plant import declaration does not require information on legality and does not require certification of any kind.

A revised schedule for the initial phase-in of enforcement of the plant import declaration was published in the US Federal Register on 3 February 2009. In the initial stage (starting 1 April 2009 or soon thereafter), the requirement for the declaration will be enforced for the following Harmonized System (HS) tariff classifications:

| HS code | Brief description                  |
|---------|------------------------------------|
| 4401    | Fuel wood                          |
| 4403    | Wood in the rough                  |
| 4404    | Hoopwood, poles, posts, stakes     |
| 4406    | Railway and tramway sleepers       |
| 4407    | Wood sawn or chipped lengthwise    |
| 4408    | Sheets for veneering               |
| 4409    | Wood continuously shaped           |
| 4417    | Tools, tool handles, broom handles |
| 4418    | Builder's joinery                  |

Current information on implementation of the amended Lacey Act can be found on the USDA-APHIS webpage: [www.aphis.usda.gov/plant\\_health/lacey\\_act/](http://www.aphis.usda.gov/plant_health/lacey_act/).

#### **US EPA to hold public hearings on formaldehyde emissions**

The US Environmental Protection Agency (US EPA) has extended the deadline for public comment on its investigation on formaldehyde emissions from pressed wood products. In addition to extending the period of comment on the Federal Register information of 3 December 2008 to 19 March 2009, it is also holding a public consultation on the issue on 4 March 2009 at 1 pm in the Sheraton New Orleans Hotel. The investigation is to generate public feedback on the proposed national extension of California's regulations on formaldehyde emissions from hardwood plywood, particleboard, and MDF.

### 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.*

Ahead of the United Nations Framework Convention on Climate Change in December, the European Union (EU), through its executive branch, the European Commission (EC), has tabled a proposal for developed countries to cut their emissions levels. The EC's proposal presents various options for increasing international funding for developing countries like Malaysia, including requiring EU and other economic powers to help defray the costs related to reducing greenhouse gases emitted by developing nations. <http://www.bernama.com/bernama/v5/newsbusiness.php?id=387324>

China declared the highest level of emergency in response to the rare drought which began in November. President Hu Jintao and Premier Wen Jiabao have ordered all-out efforts to combat the severe drought in the country's vast wheat-growing area to ensure a good summer harvest. About half of the total, or 78.77 million mu (5.25 million hectares) of the affected wheat lands have been irrigated in the nation's eight wheat-growing provinces as of 5 February, according to data released by the Ministry of Agriculture (MOA). <http://english.people.com.cn/90001/90776/90882/6587599.html>

Chinese scientists said glaciers that serve as water sources on the Qinghai-Tibet plateau are melting at a 'worrying speed', having receded 196 km<sup>2</sup> over the past nearly 40 years. The decline is equal to about one-fourth of the area of New York City. Xin Yuanhong, senior engineer in charge of a three-year field study of glaciers in the region, said glaciers at the headwaters of the Yangtze, China's longest river, cover 1,051 km<sup>2</sup>, down from 1,247 km<sup>2</sup> in 1971. <http://english.people.com.cn/90001/90776/90881/6586178.html>

The Forestry Research Institute of Ghana (FORIG) has expressed its worry over the high rate at which medicinal plants in the country were becoming extinct. This development, according to the Institute, could have a multiplying negative effect on the nation's bid to achieve a breakthrough in the development of the health sector and traditional plant medicine, if serious measures were not adopted to improve the situation. <http://news.myjoyonline.com/news/200902/26060.asp>

Local furniture dealers in Mombasa are facing a major onslaught from importers despite high prices. The coastal town has experienced a mushrooming of furniture marts, showrooms and workshops in the recent past with most selling fittings imported from China and Malaysia. [http://www.bdafrica.com/index.php?option=com\\_content&task=view&id=12632&Itemid=5880](http://www.bdafrica.com/index.php?option=com_content&task=view&id=12632&Itemid=5880)

The World Resources Institute (WRI) and NewPage Corporation announced a partnership to protect forests in Indonesia. NewPage will substantially fund WRI's 'Project POTICO' (Palm Oil, Timber, Carbon Offsets), an initiative to combat illegal logging and preserve virgin rainforests in Indonesia by diverting new oil palm plantations to degraded lands. <http://sev.prnewswire.com/paper-forest-products-containers/20090205/NY6714705022009-1.html>

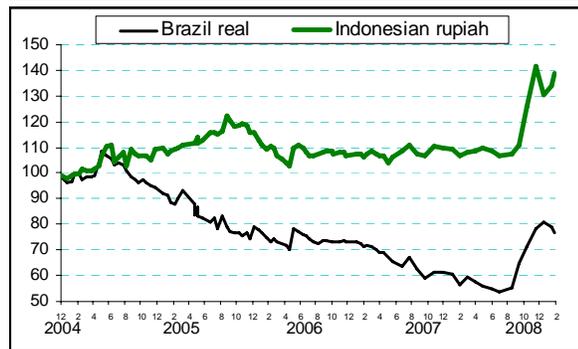
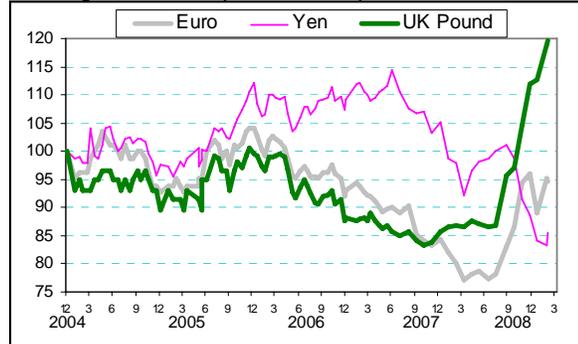
The local mahogany industry will be boosted by the establishment of a local mahogany carving business for furniture making in Vatuwaqa, Fiji. Extreme Pacific Furniture formally began late last year with seven local and two expatriate employees with a total investment of USD100,000. Managing Director Manoj Kumar said he was happy that in the next five years he would be able to utilize some of the best local mahogany timber while contributing to the livelihood of mahogany farmers, most of whom were indigenous Fijian. <http://www.fijitimes.com/story.aspx?id=112683>

## Main US Dollar Exchange Rates

As of 15 February 2009

|               |           |           |   |
|---------------|-----------|-----------|---|
| Brazil        | Real      | 2.2553    | ↑ |
| CFA countries | CFA Franc | 508.957   | ↓ |
| China         | Yuan      | 6.8397    | ↑ |
| EU            | Euro      | 0.7759    | ↓ |
| Indonesia     | Rupiah    | 11,765.00 | ↑ |
| Japan         | Yen       | 91.97     | ↑ |
| Malaysia      | Ringgit   | 3.6049    | ↓ |
| Peru          | New Sol   | 3.2383    | ↑ |
| UK            | Pound     | 0.6944    | ↑ |

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



## Abbreviations and Equivalences

|             |  |
|-------------|--|
| LM          | Loyale Merchant, a grade of log parcel   |
| QS          | Qualite Superieure   |
| CI, CE, CS  | Choix Industriel, Economique or Supplimentaire   |
| FOB         | Free-on-Board  |
| CIF; CNF    | Cost, insurance and freight; Cost and freight  |
| KD; AD      | Kiln Dry; Air Dry  |
| Boule       | A log sawn through and through, the boards from one log are bundled together.  |
| BB/CC, etc. | Log/plywood grades. Letter(s) on the left indicate face veneer(s), on the right backing veneer(s). Grade decreases in order B, BB, C, CC, etc. |
| BF; MBF     | Board Foot; 1000 Board Feet  |
| Hoppus ton  | 1.8 m <sup>3</sup>   |
| Koku        | 0.278 m <sup>3</sup> or 120 BF   |
| SQ; SSQ     | Sawmill Quality; Select Sawmill Quality  |
| FAS         | Sawnwood Grade First and Second  |
| GMS         | General Market Specifications  |
| GSP         | Guiding Selling Price  |
| MR; WBP     | Moisture Resistant; Water and Boil Proof   |
| MDF         | Medium Density Fibreboard  |
| PHND        | Pin hole no defect grade   |
| \$/; ↑↓     | US dollar; Price has moved up or down  |

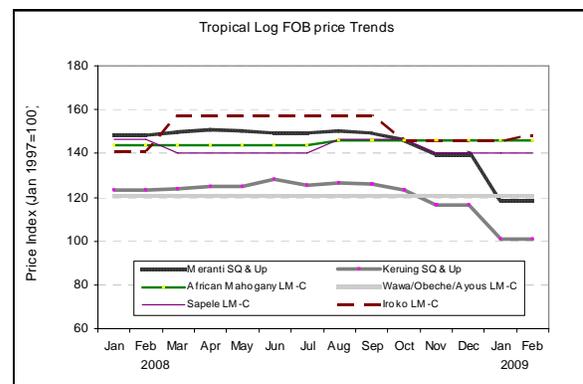
## Ocean Freight Index



The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes. It is based on a 52,454 mt bulk carrier carrying commodities such as timber.

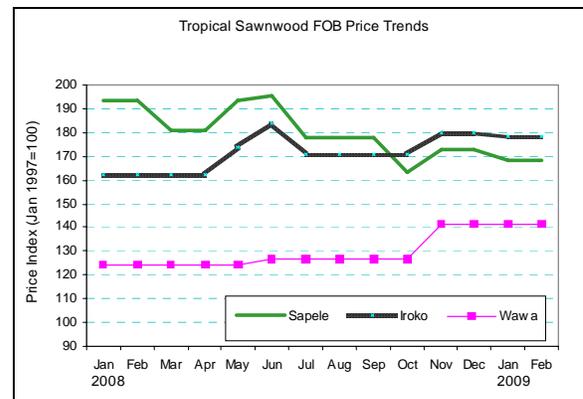
## Appendix. Tropical Timber Price Trends

### Tropical Log Price Trends



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

### Tropical Sawnwood Price Trends



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

# Tropical Plywood Price Trends

