

Tropical Timber Market Report

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ITTO's Annual Market Discussion

The Speakers

The ITTO Annual Market Discussion 2009 was held on 11 November 2009 with the theme 'Tropical Timber at a crossroad – Buyers Perspective'. Presentations were made by five speakers, Dr. Andrew Pitman (TRADA UK), Mr. Shengfu Wu (China National Forest Products Association), Mr. Ramkrishna Somaiya, (Indian Timber Importers Association), Mr. Y. Ohashi, (Secretary General of the Japan Lumber Importers Association) and Dr Stefan Wille, (AKTRIN Group, Canada). Mr. Barney Chan, the Trade Advisory Group Coordinator, moderated the session.

For all presentations see:

http://www.itto.int/news_releases/id=2186

In his opening statement the Moderator of the ITTO 2009 Market Discussion said that any recovery from the current downturn in the tropical timber trade will be demand led. It was with this in mind that the focus of the Market Discussion was on the consumer country perspectives of the state of the trade. He said producers are looking for signals from the market to encourage them in these difficult times.

Dr Pitman reported that EU demand for tropical hardwood logs had fallen by 27%, for sawnwood by 23%, for veneers by 11% and for plywood by 14%. He said that the UK Timber Trade Federation had projected further declines in UK demand for 2009.

With respect to the drivers of demand for tropical timber products, he highlighted trends in the construction sector and the growing requirement for 'responsibly sourced' timber.

Market requirements in the UK and EU are changing, said Dr. Pitman. The UK government has a timber procurement policy and this was elaborated, as was the EU FLEGT and the associated Action Plan.

Mr. Wu of the China National Forest Products Association provided a detailed analysis of China's wood products industry and the outlook for the immediate future. He also explained how China hopes to meet its rapidly growing domestic demand for wood products and how it is finding ways to substitute for imported tropical timber.

He indicated that China's log imports are beginning to decline and the proportion of tropical logs in total imports also appears to be declining. On the other hand, imports of sawnwood are increasing, he said.

Mr. Wu said that the adoption of advanced technology had allowed mills to profitably process small sized logs, especially domestic plantation grown logs. The expansion of plantation log production in China has, he said, much to do with the expansion of farm forests where Poplar and other species have been planted extensively.

Mr. Wu reported that there has been a surge in investment in wood product processing capacity and he indicated that China's woodworking capacity would be 15% higher next year (2010).

In sharp contrast to the demand situation in the EU and in N. America, Indian imports of wood products continue to grow, said Mr. Somaiya. He reported that imports in 2008 were up about 10% and that exports were up about 15%.

He advised the meeting that timber consumption in India is growing fast. As the economy strengthens and as income levels rise, so does the demand for wood products. He indicated that India imports annually around 16 mil cubic metres of wood, but that it requires some 85 mil. cubic metres to satisfy demand. Mr. Somaiya said that India needs wood and more wood and will even manage, reluctantly, with the low quality material that is available as domestic demand is so strong.

Mr. Yasuhiro Ohashi, Executive Director Japan Lumber Importers Association (JLIA), provided a very detailed analysis of trends in Japan's consumption and imports of timber. He noted that the recent fall in housing starts had driven down consumption and that this was being reflected in declining imports.

Mr. Ohashi explained that, in the past, Japan was a major importer of tropical hardwoods and tropical hardwood plywood production was high. In a relatively short time there has been a shift to greater imports of softwood logs and a decline in imports of tropical logs.

The overall decline in wood product consumption has been affected by depressed global economy, said Mr. Ohashi. It has also been affected by the decline in wood consumption in housing over the past 20 years. Mr. Ohashi provide data to show that wood consumption in an average house in 1991 was some 50 cubic metres but that this had dropped to just 35 cubic metres in 2008/9

Mr. Ohashi ended with an overview of legality certification in Japan. Further work, he explained, is to be carried out on LCA and the concept of Carbon Footprint.

Dr. Stefan Wille presented an overview of the state of the US economy, the characteristics of the wood and wood products markets and American standards and procurement issues. He reported that residential housing construction and remodeling accounts for about 40% of US lumber consumption. However, he said, market prospects have been affected by the large number of foreclosures and the huge inventory of unsold houses on the market.

He said the US economy has now entered a recovery phase, but recovery will be slow and while the multi-family housing market is still declining, single family housing is now showing some modest growth.

Dr Wille indicated that the American potential for imports is huge. Total imports, he said, are around US\$ 30 billion annually or 17% of world trade in forest products.

He pointed out that the US is the largest furniture importer and that the penetration by imports is high (Wooden Household Furniture: 56%, Outdoor Furniture: 45%, Office Furniture: 39%, Upholstered Furniture: 34% and Fitted Kitchen Cabinets: 27%).

The US has a huge trade deficit in furniture, said Dr. Wille, and protectionism is rising. He recommended that exporters pay close attention to and adhere to American product legislation and voluntary standards as well as certification programmes.

Report from Central/West Africa

Markets flat

Markets remain flat and prices for both logs and lumber are unchanged this mid-month. The demand also remains in the same pattern that has developed over the past months. Broadly, Asian destinations are moderately busy.

Log demand in China and India is firm and prices are steady. Demand from continental European buyers is either very slow or in the case of southern Europe virtually at a standstill.

Collapse in Spanish demand

Spain and Portugal are very quiet due to the building and construction downturn in Spain in particular and suppliers say it is unlikely to recover for possibly several years. This collapse in demand has seriously affected those West African log exporters that relied on Spanish purchases of the lower and more mixed qualities.

Finding new markets has not been easy, however there are reports of some recent success in penetrating Middle East markets where there is some demand for logs and even more demand for sawn lumber. This demand is said to be attracting some business that was previously almost wholly taken up by Asian suppliers of meranti and other mixed light red hardwoods.

Costs rise

The rain season is affecting operations in Gabon and leading to transport problems thus increasing the cost of moving logs and lumber over the long distances to the port. Exports of sawn lumber to Europe are so low that producers report difficulty and delays in finding freight as fewer ships are now making regular calls.

In Cameroon the seasonal rains continue but are expected to ease at the end of November, however given the state of the European market there will be little incentive for mills to expand sawmill output.

Azobe over-production

Reports are emerging suggesting that the Cameroon production of azobe lumber is well above the current demand and stocks are climbing.

As previously reported, the relationship between lumber output and the current demand appears to be finely balanced and some West African producers believe that care is needed to avoid overproduction and price weaknesses in the more popular species. A salutary example is sapele lumber where prices are still weak after many months even though the excess stocks have long been bought.

Okoume logs and lumber shipments and prices are holding very firm on the strong demand.

West Africa Log Prices

West Africa logs, FOB	€ per m ³		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	205	205	153
Ayous/Obéché/Wawa	190	190	145
Azobe & Ekki	185	185	115
Belli	230	230	-
Bibolo/Dibétou	140	130	-
Bubinga	500	460	390
Iroko	257	250	200
Okoume (60% CI, 40% CE, 20% CS) (China only)	190	-	-
Moabi	270	270	206
Movingui	165	135	125
Niove	130	130	-
Okan	195	195	122
Padouk	310	290	235
Sapele	200	195	150
Sipo/Utile	260	240	190
Tali	230	225	114

West Africa Sawnwood Prices

West Africa sawnwood, FOB	€ per m ³
Ayous FAS GMS	300
Fixed sizes	396
Okoumé FAS GMS	290
Sel. & Bet. GMS Italy	215
Sel. & Bet. fixed sizes	290
Sipo FAS GMS	475
FAS fixed sizes	-
FAS scantlings	490
Padouk FAS GMS	540
FAS scantlings	555
Strips	355
Sapele FAS Spanish sizes	390
FAS scantlings	460
Iroko FAS GMS	430↓
Scantlings	440↓
Strips	350
Khaya FAS GMS	380
FAS fixed	420
Moabi FAS GMS	440↓
Scantlings	455↓
Movingui FAS GMS	270

Report from Ghana

Oil exports to drive 2010 growth

The Ghanaian economy remains steady but is being impacted by deteriorating fiscal and external balances because of the global economy. Real GDP growth was around 6.4 per cent in 2008, slightly exceeding the 5.7 per cent average in 2000-07.

Growth is projected to dip in 2009 as export performance weakens on account of the global economic crisis, but then to pick up again in 2010 as Ghana begins to export crude oil.

Forest plantation plan

To restore the dwindling forest cover of the country, the government has announced a National Forest Plantation Development Programme. According to the Minister of Lands and Natural Resources, Alhaji Dauda, Cabinet has already given its approval for the programme which could generate about 30,000 jobs to contribute to a reduction in rural poverty.

The immediate objective of the programme is to increase the tree cover in the country. The programme is also intended to improve environmental quality, reduce the wood deficit and provide an avenue for the country to tap the emerging benefits from climate change markets for carbon and sequestration projects.

The Minister reportedly said the long term goal of the plantation development initiative was to develop a sustainable forest resource base that would satisfy future demands for industrial timber and enhance environmental quality, thereby reducing pressure on existing natural forests.

Ghana Log Prices

Ghana logs, domestic	US\$ per m ³	
	Up to 80cm	80cm+
Wawa	120-130	140-155
Odum Grade A	160-170	175-185
Ceiba	100-11↑	115-125↑
Chenchen	80-100↑	105-120↑
Khaya/Mahogany (Veneer Qual.)	95-105↑	110-135
Sapele Grade A	135-150	155-175
Makore (Veneer Qual.) Grade A	125-135	140-166

Ghana Export Sawnwood Prices

Ghana Sawnwood, FOB	€ per m ³	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	855	-
Asanфина	500	545
Ceiba	200	255
Dahoma	300	390
Edinam (mixed redwood)	405	430
Emeri	330	400
African mahogany (Ivorenensis)	595	665
Makore	520	600
Niangon	495	630
Odum	650	710
Sapele	540	600
Wawa 1C & Select	260	285

Ghana sawnwood, domestic	US\$ per m ³
Wawa 25x300x4.2m	247↑
Emeri 25x300x4.2m	325
Ceiba 25x300x4.2m	215
Dahoma 50x150x4.2m	280
Redwood 50x75x4.2m	295
Ofram 25x225x4.2m	320

GHANA VENEER PRICES

Rotary Veneer, FOB	€ per m ³	
	CORE (1-1.9mm)	FACE (<2mm)
Bombax	320	350
Ofram, Ogea & Otie	320	350
Chenchen	320	360
Ceiba	325	345
Mahogany	400	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 ³
Ceiba	255↑
Chenchen	290↑
Ogea	295
Essa	285
Ofram	320

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afrormosia	1.19	1.00
Asanfina	1.40	1.00↑
Avodire	1.20	0.90
Chenchen	1.20	0.80↑
Mahogany	1.40	0.85
Makore	1.45	0.85
Odum	1.80	1.40

GHANA PLYWOOD PRICES

Plywood, FOB B/BB, Thickness	€ per m ³			
	Redwoods		Light Woods	
	WBP	MR	WBP	MR
4mm	560	475	500	370
6mm	340	325	335	285
9mm	365	305	290	270
12mm	300	295	270	265↓
15mm	310	300	280	270
18mm	300	290	285	265↑

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 sq.m		
	10x60mm	10x65-75mm	14x70mm
Apa	12.00	14.47	17.00
Odum	7.80	10.20	11.00
Hyedua	13.67	13.86	17.82
Afrormosia	13.72	18.22	17.82

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

Report from Malaysia

Optimism returns

The year end monsoon season failed to lift prices of timber products higher as usually happens and this was because millers are holding above normal stocks of sawnwood and panel-products. However, timber traders are growing more optimistic as the year comes to an end with positive economic and business news emerging on the US, EU and Japanese economies.

Former US Federal Reserve Chairman Alan Greenspan mentioned recently that a rebound in US stocks is "re-liquefying" the US economy and there are indications that the decline in the house prices has bottomed out.)

MIFF 2010

Malaysian furniture manufacturers are optimistic that the US economy has bottomed out and are expecting that US buyers will be in the market soon. Manufacturers expect the first signs of a turn-around to be in orders generated by

the annual Malaysia International Furniture Fair (MIFF) 2010 to be held from March 2 - 6, 2010.

MIFF 2010 will be held at three locations, the Putra World Trade Centre, the Kuala Lumpur Convention Centre and the MATRADE Exhibition and Convention Centre. A separate event entitled ID Trend will be held by the organizers of MIFF 2010 for local. The organizers are targeting more than 20,000 visitors this year.

Japan's growth good for panels

The current-account surplus of Japan, the world's second largest economy grew wider in September as worldwide government stimulus spending helped to mitigate declines in exports.

This has given Malaysian panel products manufacturers a measure of optimism that the construction industry in Japan will begin to pick by early spring 2010. However, the panel products industry is wary that the price increase of crude oil towards US\$80 per barrel may unhinge business sentiment. China has already increased fuel prices in the wake of the increase.

The price increase of crude oil will also affect prices of palm oil, which analysts suggest could rise above RM2, 600 per tonne by April next year if palm oil stocks remain tight and the crude oil price remains above US\$75 per barrel. This would cause the prices of oil palm fibres, a source of raw material for many panel-products, to increase.

China's property market

House prices in China are rising and the latest monthly increase of around 4% is the biggest gain in the last 14 months.

This price increase underlines the recovery in the Chinese property market and the Chinese construction industry.

This is good news for exporters and the Malaysian timber industry is preparing for a wave of buying of raw materials by China. This would be important as purchases by Middle-Eastern buyers begin to slow.

Log Prices

	US\$ per m ³
Sarawak log, FOB	226-250
Meranti SQ up	210-241
Small	200-224
Super small	216-228
Keruing SQ up	191-220↑
Small	168-198↑
Super small	206-231
Kapur SQ up	180-217↑
Selangor Batu SQ up	

	US\$ per m ³
Pen. Malaysia logs, domestic (SQ ex-log yard)	231-250
DR Meranti	297-326
Balau	323-355
Merbau	51-85↑
Rubberwood	214-230
Keruing	

Peninsular Malaysian meranti logs are top grade and are used for scantlings for the EU. Their prices are higher than Sarawak's.

Sawnwood Prices

Malaysia Sawnwood, FOB	US\$ per m ³
White Meranti A & up	280-310
Seraya Scantlings (75x125 KD)	433-446
Sepetir Boards	249-271
Sesendok 25,50mm	345-363
Kembang Semangkok	293-316

Malaysian Sawnwood, domestic	US\$ per m ³
Balau (25&50mm,100mm+)	325-345
Merbau	452-504
Kempas 50mmx(75,100 & 125mm)	260-300
Rubberwood	
25x75x660mm up	200-250↑
50-75mm Sq.	241-273↑
>75mm Sq.	263-292↑

Plywood Prices

Malaysia ply MR BB/CC, FOB	US\$ per m ³
2.7mm	405-467
3mm	385-415
9mm & up	331-403

Meranti ply BB/CC, domestic	US\$ per m ³
3mm	380-421
12-18mm	314-343

Other Panel Prices

Malaysia, Other Panels, FOB	US\$ per m ³
<i>Particleboard</i>	
Export 12mm & up	226-249
Domestic 12mm & up	211-228
<i>MDF</i>	
Export 15-19mm	279-310
Domestic 12-18mm	270-288

Added Value Product Prices

Malaysia, Mouldings, FOB	US\$ per m ³
Selagan Batu Decking	528-538
Red Meranti Mouldings	
11x68/92mm x 7ft up	
Grade A	543-556
Grade B	496-505

Furniture and Parts Prices

Malaysia, Rubberwood, FOB	US\$ per piece
Semi-finished dining table	
solid laminated top 2.5'x4', extension leaf	60-76
As above, Oak Veneer	67-81
Windsor Chair	59-61
Colonial Chair	57-62
Queen Anne Chair (soft seat)	
without arm	57-65
with arm	57-66
Chair Seat 27x430x500mm	45-50

Rubberwood Tabletop	US\$ per m ³
22x760x1220mm sanded & edge profiled	
Top Grade	557-590
Standard	541-560

Report from Indonesia

Indonesia furniture fair

Indonesia will be holding its third International Furniture and Craft Fair (IFFINA 2010) in Jakarta, March 11 - 14, 2010. It will be held at the Jakarta International Expo (JIExpo) Kemayoran Centre. The event will be hosted by

ASMINDO and is supported by various Indonesian government departments and trade bodies

The organizers of IFFINA 2010 have confirmed 350 exhibitors to date and are targeting at least 10,000 international visitors and buyers.

Stimulus package delay

In a statement that could help to further stabilise prices of Indonesian timber products and other building materials the Indonesian finance minister said the government could intend to spend about 60% of this year's stimulus financing on infrastructure-related projects. Over the past nine months only some 42% of the money available had been spent

The Indonesian government had allocated approximately US\$1.2 billion for infrastructure construction purposes. This was to cover projects on seaports, airports, toll roads and bridges and other vital infrastructure. In the absence of rapid government spending it has been domestic spending that has accounted for much of the growth particularly in the retail sector.

Action on Forest fires

At the recent ASEAN environment ministers meeting held in Singapore, Indonesia announced that it will implement measures that are aimed at reducing the incidences of forest fires, an annual problem that leads to serious air pollution in the country and in the region.

The minister added that his is part of Indonesia's promise to cut quarter of its total greenhouse-gas emissions by 2020. Although, Indonesia had not yet signed the 2002 ASEAN Agreement on Trans-boundary Haze Pollution, it seems that this would eventually be done.

In addition, Indonesia and Australia have launched a forest fire detecting system called Indofire - Indowatch. This will utilise satellite images that will detect and inform authorities about forest fires in both countries on a real-time basis.

This support is apparently part of Australia's AU\$40 million assistance programme for Indonesia in dealing with carbon and forest issues.

Log Prices (domestic)

Indonesia logs, domestic prices	US\$ per m ³
Plywood logs	
Face Logs	187-230
Core logs	169-202
Sawlogs (Meranti)	174-235
Falcata logs	143-177
Rubberwood	45-69↑
Pine	157-196
Mahoni (plantation mahogany)	465-492

Sawnwood Prices

Indonesia, construction material, domestic		US\$ per m ³
Kampar (Ex-mill)		
AD 3x12-15x400cm		172-191▲
KD		195-229▲
AD 3x20x400cm		217-240
KD		221-248
Keruing (Ex-mill)		
AD 3x12-15x400cm		233-247
AD 2x20x400cm		219-237
AD 3x30x400cm		200-219

Plywood Prices

Indonesia ply MR BB/CC, FOB		US\$ per m ³
2.7mm		394-451
3mm		351-392
6mm		310-372

MR Plywood (Jakarta), domestic		US\$ per m ³
9mm		250-261
12mm		242-252
15mm		231-245

Other Panel Prices

Indonesia, Other Panels, FOB		US\$ per m ³
<i>Particleboard</i>		
Export 9-18mm		215-224
Domestic 9mm		191-203
12-15mm		184-195▲
18mm		174-186▲
<i>MDF</i>		
Export 12-18mm		248-261
Domestic 12-18mm		230-241

Added Value Product Prices

Indonesia, Mouldings, FOB		US\$ per m ³
Laminated Boards		
Falcata wood		296-308
Red Meranti Mouldings 11x68/92mm x 7ft up		
Grade A		483-517
Grade B		438-459

Report from Myanmar

Indian demand

Exporters in Myanmar report that the Indian market can absorb a wide range of grade of teak logs, even the lower grades for its local consumption as well as for export. At present, say local analysts, it is only the India market that is active for teak.

The trade is saying that that a full recovery in the teak market could be expected by mid-2010, but this is a very difficult situation to assess and predict. Teak used to be the darling export commodity for Myanmar during the past decade, but this is no longer so.

Other than teak

Hardwood logs notably Pyinkado are still actively purchased by buyers in Vietnam and India, but current purchases are low compared to previous years. Gurjan logs are also shipped out in considerably quantities. It could be said that the trade of hardwood logs (that is other than teak) is quite active compared to the trade levels in logs in other exporting countries.

There is talk that MTE (Myanmar Timber Enterprise) may scale down the extraction of teak in the coming year. It appears that more emphasis is now given to the reforestation, especially the establishment of plantations.

Statistical update

The following table shows the shipment data from April 2009 to October 2009. Indications are that shipments of logs are on the rise. Other hardwood shipments peaked in July and August and declined slightly in September and October. The shipment of rough-sawn timber, and other processed wood products are, by contrast, not very promising.

Myanmar exports

Month	Teak logs	HW logs	Sawn Teak	Sawn HW	Others (SPWP)
Apr	2435	29347	236	74	328
May	2877	61567	332	81	333
Jun	8645	57442	549	125	374
July	12403	73688	661	105	1032
Aug	15145	86206	945	339	1736
Sept	16138	65682	871	289	2085
Oct	16178	69531	228	201	1143
Total	73821	443463	3822	1214	7031

tons

Mangroves

The domestic press in Myanmar is reporting that according to a FREDa official, a network of 17 local NGO's has been formed to implement the replanting of existing tidal forests in the country. FREDa (Forest Resources & Environment Development Association) is a local NGO formed by retired senior foresters and forestry experts. The project will apparently extend along a 2500 km stretch of coastline starting from the Naaf River in the Rakhine State in the west of Myanmar, to the Myeik (Mergui) Archipelago in the south-east.

The project will begin with an initial funding of US\$500,000. Mangrove plantations will be established in the Ayeyarwady delta that was hit by the Nargis Cyclone in May 2008, as first priority.

Myanmar Log Prices (natural forests)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)	
<i>Veneer Quality</i>	<u>Sep</u>	<u>Oct</u>
2nd Quality	-	-
3rd Quality	3,513 (5 tons)	
4th Quality	3,463 (11 tons)	3,188 (21 tons)
<i>Sawing Quality</i>	<u>Sep</u>	<u>Sep</u>
Grade 1 (SG-1)	2,482 (36 tons)	2,231 (38 tons)
Grade 2 (SG-2)	1,984 (41 tons)	1,910 (36 tons)
Grade 3 (SG-3)	-	-
Grade 4 (SG-4)	1,813 (208 tons)	1,380 (209 tons)
Grade 5 (SG-5)	1,583 (178 tons)	1,482 (126 tons)
Grade 6 (SG-6) Domestic	1,253 (58 tons)	1,2547 (85 tons)
Grade 7 (ER-1)	999 (86 tons)	985 (89 tons)
Grade 8 (ER-2)	-	-

Hoppus ton=1.8m³; 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.

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

Hardwood log Prices (FOB)

	€ per hoppus ton
Pyinkado	372 (63 tons)
Gurjan (keruing-exp)	169 (434 tons)
Tamalan (export)	866 (89 tons)
In-gujan	-
Yamane (export)	-
Sagawa	220 (tons)

All prices are per hoppus ton FOB, equivalent to 1.8 cu.m

Report from India

Markets active

Post monsoon activity in the timber market is brisk. Government Forest Depot auctions are on and remnant of last seasons' logs have been sold. New arrivals are reported as substantial with over 15,000 cu.m of teak logs coming from the Vyara and Dang Divisions of Western India and the Betul Division of Central India. All have been sold at good rates.

The quality of this year's cut has been generally good and being the first auction of the new harvesting season, buyers were quite enthusiastic. Compared to last season, these auctions saw prices going higher by around 10-15% over previous levels.

Domestic purchases

Hardwood imports are also in full swing but currently the trade prefers to try and snap up local forest grown Teak logs hence higher prices. Current prices per cubic foot Hoppus are shown below

Teak A+ Shipbuilding quality Rs.1800 to 2000

7

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Teak B+ Shipbuilding	Rs.1700 to 1800
Teak A+ Sawing quality logs	Rs.1500 to 1600
Teak B+ Sawing quality logs	Rs.1400 to 1500
Teak long length medium girth	Rs.1200 to 1300
Teak long length small girth logs	Rs.1100 to 1200
Teak sawing quality C+	Rs.950 to 1100

Amongst non-teak species on offer *Adina cordifolia*, (known as Kadam or Kadamba) and *Terminalia tomentosa* (Indian Laurel) fetched around Rs.350 for A grade, around Rs.250 for B grade and around Rs.150 for C grade logs per c.ft Hoppus.

Mills at full capacity

With Diwali (festival of lights) holidays coming to an end, workers have returned from home towns and the mills which were suffering due to a labour shortage are once again running at full swing.

Of late, imports of sawnwood have been increasing as the difference in import duties for logs and sawn timber has narrowed also exporting countries are offering sawn timber at good prices. Sawnwood importers are happy but saw mills which were processing imported logs are worried at this development as they see growing competition from sawnwood imports.

On the financial front, corporate results for the half year ending 30th September are showing good results and this has lifted confidence all around. Added to that, reports of improvement in the US and Europe economies has driven fresh activity in the wood product export sector.

India's overall exports are still under pressure showing a decline of 14% for September, but the wood products sector has seen no downturn and the Indian Export Promotion Council is optimistic that last years' levels will be maintained and probably exceeded.

Teak prices

The flow of imported Teak and other hardwood logs is satisfactory. Exports of wood products have been rising. Teak supplies from Myanmar seem to be dropping and the quality is slipping. Presently plantation shipments arriving from Benin and Ghana are better and fill in for the shortages from Myanmar.

The current prices for Teak imported from various sources other than Myanmar are shown below. All rates are per cubic meter C&F Indian ports.

Sudan Teak logs Green	USD 585
Sudan Teak logs Dry	USD 535
Ivory Coast Teak logs	USD 500 to 525
Thai Teak logs	USD 400 to 450
PNG Teak USD	USD 400 to 425 ↑
El-Salvador Teak logs	USD 400 to 425 ↑
Guatemala Teak logs	USD 395 to 415
Ghana Teak logs	USD 400 to 450 ↑
Benin Teak logs	USD 400 to 425 ↑
Togo Teak logs	USD 325 to 350
Ecuador Teak logs	USD 300 to 325
Costa Rica Teak logs	USD 300 to 325
Panama Teak logs	USD 275 to 300

All rates are per cubic meter C&F Indian ports.

The variations in price depend upon the thickness of sap, bark, percentage of heartwood and clarity of logs. It also varies with measurement allowances given for bark and sap.

India Sawwood Prices (domestic)

Indian sawwood (Ex-mill) Teak (AD)	Rs. per ft ³
Plantation Teak A grade	1850-3500
Plantation Teak B grade	1700-2850
Plantation Teak C grade	1200-1450

India Sawwood Prices (imports)

Sawwood, (Ex-mill) (AD)	Rs. per ft ³
Merbau	1400
Balau	1150
Kapur	850
Red Meranti	650
Bilinga	650
Radiata Pine (AD)	300-400

Sawwood, (Ex-warehouse) (KD)	Rs per ft ³
Beech	1200
Sycamore	1250
Oak wood	1300
American Walnut	2250
Hemlock clear grade	950
Hemlock AB grade	800
Western Red Cedar	1250

India Plywood Prices

Plywood, (Ex-warehouse) (MR Quality)	Rs per ft ²
4 mm	21.0
6 mm	30.5
12 mm	44.0
15 mm	53.0
18 mm	64.0

Report from Brazil

Trade in Mato Grosso

Over the past 3 years the logging sector in Mato Grosso in the Amazon region has generated business worth some BRL 5.9 billion. Of this, the largest sales (BRL 3.5 billion) have been of products destined for the domestic market in other states. Companies in Sinop sold nearly 15% of all volume traded in Mato Grosso. Business transactions reached BRL 877.8 million, of which BRL 516.7 million was sold to customers in other states; BRL 256.8 million to the international market, and BRL 104.4 million to customers within the state.

Aripuanã, on the other hand sold only 9% of the total state sales (BRL 532.3 million) locally, the largest share was to international market

Advanced logging software

To assist companies with improvements to timber resource management researchers from the Federal Rural University of Amazonia and the Pará administration are reportedly developing software for logging management.

In outline this new software allows cost saving planning, implementation and monitoring of forest management activity, providing lower costs to producer and less impact to the environment. Initial training has been undertaken for professionals working with timber companies and others. This new system is expected to be implemented in all Amazonian states by late 2010.

The advantage of the system say analysts is the scope of information generated and that the digital model helps the enforcement of forest management plans. The mapping and field operations tracking make logging activities more transparent and facilitate careful monitoring say the developers

Difficult times for the trade

At the recently concluded International Timber Trade Federation Day (Oct 2009, Geneva) Marco Tuoto of STCP Brazil, discussed the challenges facing the Brazilian timber sector.

This outlined Brazil's resource base, trends in production and trade and issues of legality verification and the implications for the Brazilian timber sector. The presentation identified the global and domestic factors responsible for the declining exports of which the appreciation of the Brazilian currency against the US dollar and falling consumption in the main markets.

Furniture sector closures

Furniture manufacturers in Santa Catarina have been reducing their labour force as exports have plummeted because of falling demand in export markets and because of the appreciation of the Brazilian Real.

Many companies have been reducing the payroll and some mills have decided to close until the markets pick up. Reports indicate that there was around a 30% cut in the work force in the furniture industries in the region.

Analysts point out that the raw materials and even machinery are Brazilian-made and costs in dollar terms have been rising sharply. In addition the industry is labour intensive so job losses are high.

One of the greatest difficulties faced by exporters is that of pricing forward sales when the currency is appreciating so fast. In many cases over the past year exporters have had to absorb the losses from exchange rate fluctuations as contract prices could not be increased with the overseas buyers.

Action on Argentina import rules

On November 1st Brazil's Minister of Development Industry and Trade, reportedly confirmed that the government is applying 'non automatic' license requirements for some imports from Argentina. These measures are similar to those measures adopted by Argentina some twelve months ago.

This move will inevitably mean that Argentine import documents will take longer to process and this is likely to cause delays for goods waiting to cross into Brazil from Argentina. Argentina imposed similar measures a year ago and this has resulted in a slowing of trade between the two countries.

It is not certain at the moment what range of products will be included in the latest move by the Brazilian government. This matter now needs mediation and observers say it could be that either the WTO or Mercosur will become involved.

Brazil Log Prices (domestic)

	US\$ per m ³
Brazilian logs, mill yard, domestic	
Ipê	142
Jatoba	101
Guariuba	67
Mescla (white virola)	74

Brazil Export Sawwood Prices

	US\$ per m ³
Sawnwood, Belem/Paranagua Ports, FOB	
Jatoba Green (dressed)	787
Cambara KD	459
Asian Market (green)	
Guariuba	261
Angelim pedra	595
Mandioqueira	229
Pine (AD)	189
Brazil sawnwood, domestic (Green)	US\$ per m ³
<i>Northern Mills</i> (ex-mill)	
Ipê	669
Jatoba	514
<i>Southern Mills</i> (ex-mill)	
Eucalyptus (AD)	184
Pine (KD) 1st grade	238

Brazil Veneer Prices

	US\$ per m ³
Veneer, FOB (Belem/Paranagua Ports)	
White Virola Face 2.5mm	290
Pine Veneer (C/D)	205
Rotary cut Veneer, domestic	US\$ per m ³
(ex-mill Northern Mill)	Face Core
White Virola	250 209

Brazil Plywood Prices

	US\$ per m ³
Plywood, FOB	
White Virola (US Market)	
5.2mm OV2 (MR)	464
15mm BB/CC (MR)	401
White Virola (Caribbean market)	
4mm BB/CC (MR)	505
12mm BB/CC (MR)	405
Pine Plywood EU market, FOB	US\$ per m ³
9mm C/CC (WBP)	271
15mm C/CC (WBP)	247
18mm C/CC (WBP)	242
Plywood, domestic (ex-mill Southern mill)	US\$ per m ³
Grade MR (B/BB)	
White Virola 4mm	856
White Virola 15mm	626

Domestic prices include taxes and may be subject to discounts.

Other Brazil Panel Prices

	US\$ per m ³
Belem/Paranagua Ports, FOB	
Blockboard Pine 18mm 5 ply (B/C)	310
<i>Domestic Prices, Ex-mill Southern Region</i>	
Blockboard White Virola faced 15mm	547
Particleboard 15mm	345

Brazil Added Value Products

	US\$ per m ³
FOB Belem/Paranagua Ports	
Edge Glued Pine Panel	
Korean market (1st Grade)	631
US Market	482
Decking Boards	
Cambara	594
Ipê	1,544

Report from Peru

Asian markets strongest

The market situation remains very quiet with only the Asian market showing signs of recovery. Demand from Asian buyers while not considered strong, has been healthy enough in recent weeks to lift prices of some products.

Loans up

Peru's private sector banks saw a rise in consumer, mortgage and micro-enterprise loans in September, but a drop in their biggest segment, commercial loans.

Competitiveness support

The World Bank has approved a US\$150 mil. loan for Peru to lift its fiscal management and competitiveness. This is part of its commitment to help Peru during the post-financial crisis period.

This financial tool was arranged in collaboration with the Government of Peru to help it deal with the short-term effects of the global financial crisis.

Towards FTA

Peru's Government has apparently ratified the "Agreement signed between the Republic of Peru and Japan for the Promotion, Protection and Liberalization of Investment". This ratification is just one more step as a prerequisite for both countries to start negotiating a Free Trade Agreement.

San Martin deforestation

The Regional Director of Agriculture has said a third of San Martin forests have been degraded by shifting agriculture. He estimated of the 5 mil hectares of forest in San Martin some 1 mil. hectares has been lost or degraded.

Disney investment in forests

Walt Disney Co. has a forest conservation programme which will deliver some US\$7 mil. this year to forest conservation. Some US\$1 million will reportedly be provided to the Alto Mayo Protection Forest in the department of San Martin, northern Peru.

The Alto Mayo project covers an area of about 300,000 hectares and is managed by local communities, local organizations, including the Peruvian Environmental Law Society, SPDA, the Andean Ecosystems Association, the Ministry of the Environment and the national parks service as well as Conservation International.

Peru Sawwood Prices

Peru Sawwood, FOB Callao Port	US\$ per m ³
Mahogany S&B KD 16%, 1-2" random lengths (US market)	1722-1798
Spanish Cedar KD select	
North American market	918-922
Mexican market	897-921
Pumaquiro 25-50mm AD Mexican market	509-546 ↑

*Cheaper and small-dimension sawwood for this market.

Peru Sawwood, FOB Callao Port (cont.)	US\$ per m ³
Virola 1-2" thick, length 6'-8' KD	
Grade 1, Mexican market	296-351
Grade 2, Mexican market	250-269
Cumaru 4" thick, 6'-11' length KD	
Central American market	794-822
Asian market	804-843 ↑
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	509-549
Dominican Republic	558-569
Marupa (simarouba) 1", 6-11 length Asian market	352-377

Peru Sawwood, FOB Iquitos	US\$ per m ³
Spanish Cedar AD Select Mexican market	887-909
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	281-309
Grade 2, Mexican market	244-259
Grade 3, Mexican market	132-151
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	211-222

Peru sawwood, domestic	US\$ per m ³
Mahogany	887-923
Virola	46-61
Spanish Cedar	268-321
Marupa (simarouba)	57-69

Peru Veneer Prices

Veneer FOB	US\$ per m ³
Lupuna 3/Btr 2.5mm	191-212
Lupuna 2/Btr 4.2mm	203-217
Lupuna 3/Btr 1.5mm	211-221

Peru Plywood Prices

Peru plywood, FOB (Mexican Market)	US\$ per m ³
Copaiba, 2 faces sanded, B/C, 15x4x8mm	318-347
Virola, 2 faces sanded, B/C, 5.2x4x8mm	398-405
Cedar fissilis, 2 faces sanded 4x8x5.5mm	745-755
Lupuna, treated, 2 faces sanded, 5.2x4x8mm	359-376
Lupuna plywood B/C 15x4x8mm	353-365
B/C 9x4x8mm	345-350
B/C 12x4x8mm	350-360
B/C 8x4x15mm	410-419
C/C 4x8x4mm	380-388
Lupuna plywood B/C 8x4x4mm Central Am.	368-388

Lupuna Plywood BB/CC, domestic (Iquitos mills)	US\$ per m ³
122 x 244 x 4mm	441
122 x 244 x 6mm	397
122 x 244 x 8mm	409
122 x 244 x 12mm	399
(Pucallpa mills)	
122 x 244 x 4mm	458
122 x 244 x 6mm	439
122 x 244 x 8mm	430
122 x 244 x 12mm	429

Other Peru Panel Prices

Peru, Domestic Particleboard	US\$ per m ³
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 ³
Cabreva/estoraque KD12% S4S, Asian market	1344-1433
Cumaru KD, S4S Swedish market	760-856
Asian market	1077-1236 ↑
Cumaru decking, AD, S4S E4S, US market	910-1088
Pumaquiro KD # 1, C&B, Mexican market	423-511
Quinilla KD, S4S 2x10x62cm, Asian market	512-549
2x13x75cm, Asian market	721-798

Report from Bolivia

Bolivia Sawwood Prices

Sawwood 1-3"x3x5"x7-19', FOB Arica Port	\$ Avg un. val. per m ³
Ipe (Argentina and Uruguay)	402-593
Jequitiba (Italian markets)	613
Oak (Portuguese mkt)	678
Cedro (US, Argentina, Chile mkt)	593-720

Bolivia Added Value Product Prices

Doors 13/4"x36"x96", FOB Arica Port	Avg \$ per piece
US market Mara macho/Tornillo (FSC)	170
Cambara	177
Oak (US market)	159

Chairs FOB Arica Port	\$ Avg Per piece
Ipe (US market)	80-178
Roble/Oak (UK market)	71-94

Parquet Flooring 3/4"x3-5"x1-7', FOB Arica Port	\$ Avg un. val. per m ³
Jatoba (US market)	1185-1525
Ipe (US market)	805-1800
Cumaru (FSC) (China mkt)	1620-1785

Report from Mexico

CONAFOR strategies

In the last Forest Expo, the National Forest Agency (CONAFOR) announced changes in its programmes and these included details of a new approach to ProTree, its programme to achieve sustainable forest development in the country.

As part of the seventh Forest Expo held in Mexico City federal official discussed the ongoing diagnosis of the institution and its programmes to support the forestry sector. The first objective is to improve the allocation of resources taking account of the needs for conservation and production.

An effort will also be made to create incentives for further forest conservation or restoration activities. Priority will be given to the long-term sustainability, enhancing the legal enforcement, maintenance and monitoring of reforested areas. The director of CONAFOR said better coordination between institutions will be achieved to improve the efficiency of all forestry programs.

Energy from biomass

Mexican authorities, with partners from Canada will undertake a study on wood waste to generate energy, CONAFOR will coordinate the work together with the Technological Institute of El Salto, Pueblo Nuevo, which will be responsible for execution in the rural areas of Victoria, Pueblo Nuevo and Durango

This project aims to determine the amount of energy that could be produced from biomass in the region and the quantification of the potential for carbon credits and the replacement of fuel fossils for power generation.

Report from Guyana

Market Trends

Prices for wood products from Guyana remain generally stable. However Purpleheart standard sawmill quality logs recorded a drop in price whilst Purpleheart fair sawmill quality and Mora standard sawmill quality recorded price increases of USD\$5 per cu.m.

For the period under review prices for 'undressed' (rough sawn) Greenheart recorded decreases in prices, while Purpleheart sawnwood prices increased.

Dressed Greenheart also enjoyed significant price increases as did dressed purpleheart.

Baromalli BB/CC plywood was the only product for

Plywood, FOB Georgetown Port			\$ Avg unit val. per m ³
Baromalli	BB/CC	5.5mm	-
		12mm	370↓
	Utility	5.5mm	-
		12mm	-

which prices are available for this period

Splitwood, Roundwood (Piles, Poles and Posts) saw positive price advances adding to the contribution to the export earnings in this period. Prices were above average in the period under review

The contribution to export earnings from trade in value added products continues to grow. Special mention should be made on the export of doors which achieved higher than average prices. Other products including mouldings, outdoor and indoor furniture, spindles and windows all contributed well to the export performance of the timber sector.

Preserve the forest deal

Guyana has a US\$250 mil. five-year forest preservation agreement with Norway, the MOU was signed on 9 October and will begin with the Norwegian government contributing US\$30 mil. in 2010 and potentially up to US\$250 mil. by 2015.

Under the agreement, Guyana will speed its efforts to limit forest-based greenhouse gas emissions and protect its rainforest. Norway will provide financial support to Guyana at a level based on this country's success in limiting emissions. This will enable Guyana to start implementing its Low Carbon Development Strategy (LCDS).

As the monitoring, reporting and verification (MRV) system for the forest is developed, and as more accurate assessments of the carbon stock are determined more financial support will flow.

There are a number of conditions which Guyana will have to fulfill to ensure continued support from Norway. These include maintaining transparent and accountable processes. Norway has similar programmes of support with Brazil and Indonesia.

Guyana Log Prices

Logs, FOB Georgetown	SQ - \$ Avg unit value per m ³		
	Std	Fair	Small
Greenheart	-	135 ↓	125 ↓
Purpleheart	180-200 ↓	160-220 ↑	-
Mora	125 ↑	115	-

*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 ³	
		Undressed	Dressed
EU and US markets	Greenheart Prime	575-806	-
	Standard	530-877 ↑	551-1150
Purpleheart	Prime	-	-
	Select	700	-
Mora	Merchantable	700	594-813
	Select	450-500 ↓	-

Guyana Plywood Prices

Report from Japan

September housing starts

The Japan Lumber reports (JLR) states that September 2009 housing starts were 61,181 units, 37% lower than the same month year earlier. This is ten straight months of decline. September starts fell in all the regions for all types of unit. Condominium starts were badly hit falling 72%. Wood based units also declined by 19%.

Ocean freight

Increased imports of raw materials by China are impacting wood product ocean transportation costs. From North America, grain shipments to China increased as did shipments of logs and sawnwood and this pushed up the cost of both bulk carriers and container traffic. On the other hand, demand in Japan is so weak that there is no difficulty to find space and freight costs have not increased much this year

According to the JLR, China is buying about 4 mil. cu.m of radiate pine logs this year and this affects ocean freight costs of log carriers. The current rate for shipments for Japan has increased to US\$45-50 per cu.m.

For tropical log shipment China buys from PNG, Solomon Islands and Sarawak. Bulk carriers are small around 7,500-8,000 ton and freight rates have been firming driven up by increases in bunker oil. The early November rate for bulk carriers from Sarawak to Japan was about US\$45 per cu.m about the same level as in the previous few months.

Laminated products

According to a survey of 50 wood frame house builders conducted by the Japan Forest Products Journal the materials and species used for structural members are changing. Among large builders the use of laminated products is increasing while smaller builders generally use less laminated lumber. However, the use of laminated sills by small builders is almost the same as large builders and this is a major change on their part.

Sumitomo plantations in Indonesia

Sumitomo Forestry with Indonesian partners is developing plantations near Pontinak of West Kalimantan.

The JLR is saying that tree planting has already started on 40,000 ha. and this will expand to an eventual 280,000 hectares in ten years. These plantations will be of mixed species, some fast growing exotics and others native species. The plantations are apparently on areas devastated by slash and burn farming and on wasteland and marshy area. The enterprise hopes to generate 1,000 jobs with this project.

Active log purchases

After a prolonged period of low level tropical log imports, monthly arrivals recently topped 60,000 cu.m, the same as last year. According to the JLR plywood mills in Japan using tropical logs are actively buying now mainly because the rain season will slow log harvesting in the producing countries.

Average log inventories are reported to be getting low at the ports of shipment. Despite the slight increases in consumption by some mill, log prices remain largely unchanged.

At one time, the market seemed to be bottoming out when the suppliers asked higher prices, then the yen got stronger and the prices weakened again by 100-200 yen per koku.

Meranti regular grade prices are around 6,300-6,400 yen per koku CIF. Small meranti prices are between 5,200-5,300 yen per koku CIF. Sabah kapur prices have dipped to 8,900 yen per koku CIF.

Log and Sawwood Prices in Japan

Logs for Ply Manufacture, CIF		Yen per Koku
Meranti (Hill, Sarawak)		(Koku=0.278 m ³)
Medium Mixed	6,600	↓
Standard Mixed	6,800	↓
Small Log (SM60%, SSM40%)	6,600	↓
Taun, Calophyllum, others (PNG)	7,500	
Mixed light hardwood, G3/4 grade (PNG)	-	
Keruing MQ & up (Sarawak)	10,800	
Kapur MQ & up (Sarawak)	8,900	↓
Logs for Sawmilling, CIF		Yen per Koku
Melapi (Sarawak) High Select	11,500	
Agathis (Sarawak) High Select	-	
Lumber, FOB		Yen per m ³
White Seraya (Sabah) 24x150mm, 4m, Grade 1	135,000	
Mixed Seraya, Sangi 24x48mm, 1.8-4m, S2S	53,000	

Wholesale Prices (Tokyo)

Indonesian & Malaysian Plywood	Size (mm)	Oct (¥ per sheet)	Nov
2.4mm (thin plywood, F 4star, type 2)	920 X 1830	320	320
3.7mm (med. Thickness, F 4star, type1)	910 X 1820	450	450
5.2mm (med. Thickness, F 4star, type 1)	910 X 1820	550	560 ↑
11.5mm for sheathing (F 4star, type 2)	910 X 1820	880	880
12mm for foundation (F 4star, special)	910 X 1820	890	850 ↓
12mm concrete-form ply (JAS)	900 X 1800	820	790 ↓
12m coated concrete-form ply (JAS)	900 X 1800	930	890 ↓
11.5mm flooring board	945 X 1840	1070	1070
3.6mm baseboard for overlays (OVL)	1230 X 2440	740	740
OSB (North American)			
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

Report from China

Wood Products trade 2009

According to the latest statistics from China's Customs, in the first three quarters of 2009 the total trade value of China's major wood products amounted to just over US\$45 billion, down 6 percent from the same period of last year. Of this, imports were US\$20.6 billion, down 3 percent from the same period of last year; exports were US\$ 24.4 billion, down 9 percent.

Logs

China imported a total of 21million cu.m of logs in the first three quarters of 2009 worth US\$2.9 billion, down 10 percent in volume and 28 percent in value from the same period of 2008. Of the total, softwood log imports were 15.3 million cu.m, valued at US\$1.7 billion, up 7 percent in volume and down 9 percent in value. Hardwood log imports amounted to 5.6 million cu.m valued at US\$1.3 billion, down 37 percent in volume and down 13 percent in value. Tropical log imports were 4.3 million cu.m, down 23 percent from the same period in 2008.

Log imports from Russia continue to dominate the trade and imports were 11.4 million cu.m valued at US\$1.3 billion, down 23 percent in volume and 33 percent in value from the same period of 2008. The proportion of Russian logs in China's total logs imports fell to 55 percent. The other main suppliers of logs to China were New Zealand (3.3 million cu.m, 15.7 percent), Papua New Guinea (1.1 million cu.m, 5 percent), Solomon Island (883,600 cu.m, 4 percent), Gabon (829,500 cu.m, 4 percent) and the USA (510,300 cu.m, 2 percent).

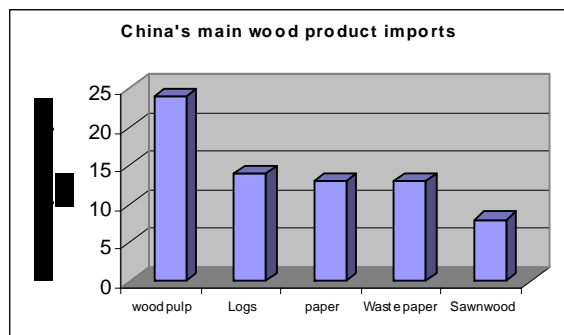
Sawwood

In the first three quarters of 2009, China's sawwood imports (including sleepers) were 7.0 million cu.m, worth US\$1.62 billion, up 34% in volume and 8% in value from the same period of 2008.

Sawwood sources were mainly Russia (2.27 million cu.m, 32 percent), Canada (1.7 million cu.m, 24 percent), Thailand (708,700 cu.m, 10 percent), the USA (640,100 cu.m, 9 percent), New Zealand (307,200 cu.m, 4 percent), the Philippines (189,400 cu.m, 3 percent), Indonesia (157,400 cu.m, 2 percent) and Malaysia (147,300 cu.m, 2 percent).

Price of imports drop

The global economic crisis is driving down prices for commodities in international markets. The average CIF price in China for imported logs was US\$140 per cubic meter, down 20 percent from US\$175 per cu.m compared to the same period of last year. The average price of imported sawnwood was US\$230 per cubic meter a drop of around 20 percent from US\$286 last year.



Wood-based panel

From January to September 2009 China's plywood imports declined dramatically to just 125,000 cu.m, valued at US\$63 million, down 46 percent in volume and 53 percent in value from the same period of last year. Fiberboard imports were 230,500 tons, down 7 percent. Particle board imports were rose to 222,800 tons, valued at US\$ 66.7 million.

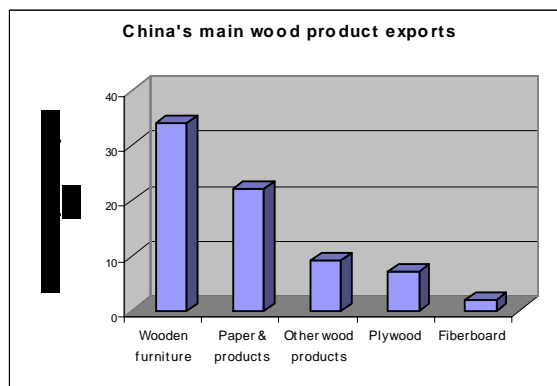
Wooden furniture trade

Wooden furniture imports were valued at US\$220 million, down 42 percent in value compared to the same period last year. From January to September 2009, wooden furniture exports earned US\$8.22 billion a slight increase on 2008 figures.

Wooden furniture is still one of the main wood product exports and the value of furniture exports accounted for 34% of the total value of all exported wood products in first three quarters of 2009.

Wood-based panel exports

Exports of wood-based panels fell markedly during January to September 2009. Plywood exports totaled 4.1 million cu.m earning US\$1.8 billion. This translates to a fall of 31 percent in volume and 33 percent in value from the same period of 2008. Fiberboard exports were down 36 percent in volume terms while particleboard exports at only 56,800 tons were down 42 percent in volume.



Sawnwood exports

In the first three quarters of 2009 China's sawnwood exports were 436,500 cu.m, worth US\$271 million, down 20 percent in volume and 13 percent in value from the same period of 2008.

Other wood product exports

China exported US\$ 2.3 billion of other wooden products during January to September of 2009, down 8.6% from the same period of 2008. These included wooden door and windows and wooden flooring as well as wooden tableware, kitchenware and craftwork products.

Guangzhou City Imported Timber Market

Logs	Yuan per m ³
Lauan (50-60cm)	2200-2400▲
Kapur (up to 79cm)	1900-2100
Merbau 6m, (up to 79cm)	3500-4000
Teak	11000-16000
Wenge	5200-5300
Sawnwood	
Teak sawn grade A	9300
US Maple 2" KD	7500-11500
US Cherry 2"	12000-12800
US Walnut 2"	14000-15500
Lauan	3500-4000

Shanghai Furen Wholesale Market

Sawnwood	Yuan per m ³
Beech KD Grade A	4800-4900
US Cherry, 25mm	9500-10000
US Red Oak, 50mm	9800-10500
Sapele 50mm FAS (Congo)	
KD (2", FAS)	5800-6000
KD (2", grade A)	5200-5300

Shandong De Zhou Timber market

Logs	Yuan per m ³
Larch 6m, 24-28cm diam.	1120
White Pine 6m, 24-28cm diam.	1200
Korean Pine 4m, 30cm diam.	1400
6m, 30cm diam.	1500

Hebei Shijiazhuang Wholesale Market

Logs	Yuan per m ³
Korean Pine 4m, 38cm+ diam	1750▲
Mongolian Scots Pine 4m, 30cm diam.	1350▲
6m, 30cm+ diam.	1450▲
Sawnwood	
Mongolian Scots Pine 4m, 5-6cm thick	1500▲
4m, 10cm thick	1500V

Zhejiang Jiashan Kaihua International Timber Market

Logs	Yuan per m ³
Okoume 80cm+	2900-3400▲
Sapele 80cm+	6000-6600▲
Wenge 80cm+	13000-14500▲
<i>Sawnwood</i>	
Doussie	3600-4000
European beech boules	3200-3400▲
Radiata	1600-3000▼
<i>Plywood</i>	
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

Report from Europe

Europe crawls out of recession

The Financial Times (FT) reports that “the worst recession to hit continental Europe since the 1930s ended formally in the three months to September, but with less than a bang than expected.”

Drawing on Eurostat data, the FT notes that GDP in the 16-country euro-zone grew 0.4% in the third quarter compared with the previous 3 months. That was the first positive growth reported since early 2008.

Germany returned to its role as Europe's economic powerhouse, reporting a 0.7% expansion, boosted by investment spending and exports. Italy also performed strongly with GDP rising 0.6% in the third quarter.

But the overall euro-zone rebound was marred by a much weaker than expected performance by France, which reported a GDP rise of 0.3% - the same as the previous quarter. Euro-zone prospects also remain blighted by Spain, hit badly by its property market collapse.

The FT warns that the pace of recovery is likely to be slow. Quoting Jorg Kramer, chief economist at Commerzbank in Frankfurt, it suggests that “the euro-zone is driving ahead with the handbrake on”. So far, recovery has been dependent on temporary factors – less aggressive de-stocking by industry and emergency stimulus measures.

It is too early to assume that growth will be sustained. After a while, the recovery could run out of steam if household spending does not pick up. Consumer spending remains weak across the euro-zone and prospects for any strengthening are gloomy given the current state of the labour market. Meanwhile the strengthening euro, which is undermining exports, and weakness in the banking sector are other obstacles to a rapid rebound.

On the other hand, the UK economy was still in recession at the end of the third quarter of 2009. The UK is now in its longest recession since records began in 1955. Here too, the latest economic data suggests that any recovery is likely to be sluggish.

Consumer spending is currently bolstered by a reduced value added tax (VAT) rate, which forms part of the

government's package of stimulus measures, but may well be hit when the rate is returned to pre-recession levels in January.

Continuing job losses are also damaging consumer confidence. While companies are rebuilding stocks, lack of confidence in end-user demand is feeding through into only cautious buying.

Despite promising signs that property prices may have stabilised in the summer months, the UK housing market still looks very fragile. Both mortgage approvals and private housing orders continued to fall in August, the latest month for which this data is available. The outlook therefore is for only very sluggish growth in the first half of 2010.

Tentative restocking of plywood

The emergence of gaps in stockholdings and a fear of future shortfalls in supply have encouraged some tentative moves by UK plywood importers to restock in recent weeks.

However, uncertainty over future demand prospects, combined with concerns over freight rate increases and the inconsistency of the pound-dollar exchange rate, mean that the mood remains extremely cautious. The UK tropical hardwood plywood market is now very much dominated by Malaysian and Chinese material. Low price expectations, falling availability of raw material and environmental concerns have generally forced out Indonesian shippers.

Brazilian shippers have also been unable to meet current market prices, particularly as mills in Brazil have also been hit by the strength of the real against the US dollar.

Generally slow consumption and uncertain market prospects have meant that efforts by Malaysian shippers to edge up their prices to better reflect rising costs and low supply have been met with resistance by UK importers. Nevertheless, expectations are that UK CIF dollar prices for Malaysian BB/CC WBP plywood for December 2009 may be 5% higher than in September 2009. Chinese plywood shippers are also generally looking to push up prices due to rising costs and log supply problems.

Changes in ply sector

UK trade in tropical hardwood plywood is increasingly concentrated in the hands of a limited number of larger importers and merchants. This, combined with the fact that during the recession a much higher proportion of new building work in the UK is now dependent on public-sector finance, is adding to the pressure on suppliers to demonstrate that products are FSC or PEFC certified.

Many large importers are tightening their certification requirements. For example B&Q, the UK's largest DIY retailer, announced in September that it will only buy FSC-certified tropical hardwood plywood (B&Q's tropical hardwood throughout plywood is manufactured in Acre, western Brazil).

Similarly, International Plywood, one of the UK's largest importers, recently reported that over the last 5 years, their sales of certified products went from zero to 20% of turnover. In 2009, this figure is expected to be as high as 35% and it won't be long before all their softwood product range is certified.

Mislabelling of Chinese plywood

Controversy surrounding quality issues and mislabelling continue to plague imports of Chinese combi-plywood into the UK. Most recently, a large volume of Chinese hardwood-faced poplar plywood was impounded in the Port of Belfast on suspicion of falsification of CE marking.

According to the UK trade press, Belfast City Council's environmental health department has impounded up to 80 containers of BB/CC plywood, ranging from 5.5-18mm thickness, and ordered the remarking of product. The department said its investigations in China and Europe led to concerns that the CE2+ stamp on pallets had been falsified. Product has now been remarked CE4+ and invoices and documentation changed accordingly so that the product can only be sold on for non-structural applications.

In an effort to overcome quality problems associated with Chinese plywood products, and to differentiate the good from the bad, the UK notified body BM TRADA Certification recently launched the Q-Mark certification system.

This system, which goes beyond CE Marking, has been set up as a direct response to a loss of confidence in the quality of products from Chinese plywood manufacturers and the appearance of CE-Marks on inferior products.

Q-Marking shows that products are fully compliant with European Construction Products Directive (CPD) requirements for structural applications. All boards must be individually marked and any mills found to be non-compliant with any of the requirements will be suspended immediately. The plywood importer RKL is hoping to be the first UK company to source Chinese plywood under the scheme. The first shipment of Q-Marked products is scheduled to arrive in the UK during November.

More competition for tropical plywood

The UK Timber Trade Journal, in its latest special feature on the UK panel products sector, highlights some major emerging challenges to the market position of tropical hardwood plywood in the UK. For example:

Ireland-based Coillte Panel Products now has a joint development agreement with Accoya modified wood creator Titan Wood to commercialise modified MDF panels to extend their application into shop-fitting, exterior, facades, garden furniture and even decking.

The 4-year old JOSB Done Campaign, supported by the Wood Panel Industries Federation, the manufacturers Norbord and Smartply, and resin supplier Huntsman, is having a significant effect on attitudes in the UK building sector.

According to the JOSB campaign organisers, their research suggests that 78% of UK builders and merchants would "opt for OSB over plywood" and for those who don't choose OSB over plywood "it was a question of not knowing enough about OSB to make an informed choice".

Smartply is now promoting Site Protect OSB coated pre-finished panels which are replacing tropical hardwood plywood in the hoarding sector.

Weyerhaeuser is increasing its efforts to promote "Tropical Replacement Panel" manufactured from Uruguayan plantation eucalyptus in the UK market. The company claims that the top-end 100% eucalyptus appearance grade plywood compares favourably with tropical BB/CC tropical hardwood plywood from Malaysia and Indonesia.

While Chinese plywood has been beset with quality problems, large UK importers like International Plywood are now working closely with a limited number of better quality mills in China to better ensure they get a consistent product.

The Netherlands Sawwood Prices

	US\$ per m ³
FOB (Rotterdam)	
Sapele KD	936▲
Iroko KD	1054▲
Sipo KD	1165▲
DRM Bukit KD	847▲
DRM Seraya KD	855▲
DRM Meranti KD Seraya MTCC cert.	876▲
Merbau KD	1123▲
Sapupira (non FSC) KD	890▲
Sapupira (FSC) KD	1398▲
Anti-slip decking AD C&F Rotterdam	
Selangan batu	1342▲

UK Log Prices

	€ per m ³
FOB plus commission	
N'Gollon (khaya) 70cm+ LM-C	320-350
Ayous (wawa) 80cm+ LM-C	230-240
Sapele 80cm+ LM-C	280-320
Iroko 80cm+ LM-C	300-330
African Walnut 80cm+ LM-C	310-340

UK Sawwood Prices

	Pounds per m ³
FOB plus Commission	
Framire FAS 25mm	390-420
Sipo FAS 25mm	670-700
Sapele FAS 25mm	540-550▲
Iroko FAS 25mm	590-620
Wawa No.1 C&S 25mm	320-330
CIF plus Commission	
Tulipwood FAS 25mm	230-250
Meranti Tembaga Sel/Btr (KD 2"boards)	490-510
Balau/Bangkirai Decking	810-850
White Oak	410-440▲

UK Plywood and MDF Prices

	US\$ per m ³
Plywood Panels 8x4", CIF	510-530▲
Brazilian WBP BB/CC 6mm	500-520▲
Malaysian WBP BB/CC 6mm	340-360▲
China (hardwood face, eucalyptus core) 18mm	330-350▲
China (tropical hardwood face, poplar core) 18mm	

Report from North America

Homebuyer credit programme

The US Congress has passed legislation to extend and even expand the homebuyer tax credit. The original first-time homebuyer tax credit was introduced to help stabilise the housing market. The current incentive programme runs out at the end of November 2009.

Under the new programme, the first-time homebuyer tax credit (USD8, 000) will be extended to April 2010. Additionally, a USD6, 500 tax credit will be introduced for home buyers who have owned a home for at least five years.

It is hoped that the tax credit programme will support new home building, an essential element in securing employment in the sector as well as in the building products supply industries, including wood products.

Chain-of-custody growing

The number of chain-of-custody certified wood products manufacturers in North America keeps growing. A number of factors are driving this development, including the growing interest in green building, action by environmental advocacy groups and consumer demand for green products.

At least six US wood product manufacturers received chain-of-custody certification for the first time this autumn, among them a large manufacturer and distributor of building materials (Builders FirstSource).

The majority of the newly 'certified' companies are FSC chain-of-custody certified and they plan to market their products to the green building market, such as the US Leadership in Energy and Environmental Design (LEED) programme developed by the US Green building Council.

Draft forest certification benchmark

Studies suggest that the building sector accounts for almost half of all greenhouse gas emissions in the US and improving building design and performance with existing technologies is seen as one of the most effective and least expensive ways to reduce emissions.

Against a background of increasing interest in green building, the US Green Building Council (USGBC) invited public comments on the revised criteria in its draft forest certification benchmark for the LEED rating system. All forest certification organizations in North America and many industry associations responded to the draft changes to the chain-of-custody requirements for certified wood credits under LEED.

Currently, only FSC-certified wood products qualify for a credit in the materials and resources category of the LEED programme. Products currently covered include framing, flooring, sub-flooring, wood doors and finishes that are permanently installed in the building. In the latest draft, LEED credits would be given for any certified wood that meets the Forest Certification Benchmark, a set of prerequisites and criteria.

The American Tree Farm System (ATFS), the Canadian Standards Association (CSA), the Programme for the Endorsement of Forest Certification (PEFC), and the Sustainable Forestry Initiative (SFI) have demanded for a long time that their certification systems are recognized in LEED.

The draft prerequisites and criteria were heavily criticized because most certification organizations believed that FSC-certified wood would likely remain the only wood products approved under the benchmark. Several groups argued that the rules on wood are so restrictive that they promote the use of steel and concrete as well as imports of FSC-certified wood products.

According to FSC in the US, on the other hand, several issues have not been addressed by the proposed new benchmark, including the organisational structure of certifying groups, the rights of indigenous peoples, the conversion of natural forest to plantations and the lack of public consultation.

Furniture markets

Data is showing that US furniture orders and shipments improved only slightly this summer. Year-to-date furniture orders were down by 19% in August 2009, according to the most recent survey of residential furniture manufacturers and distributors by the accounting and consulting firm Smith Leonard in High Point, North Carolina. Ninety percent of the survey participants reported lower order rates year-to-date August 2009 compared to the previous year.

The inventories of retailers and buyers are getting low but they are saying that demand is not expected to drop any further. Furniture shipments were also down by 20% in August compared with the same period in 2008.

Tight credit availability will continue to be a problem even when market demand picks up. Many furniture retailers, distributors and manufacturers have sold off inventory to raise cash, but they will need financing to build up new inventory.

Furniture industry update

The Swedish furniture manufacturer BJS has opened a new plant in Dandridge, Tennessee, to manufacture MDF bedroom furniture. BJS also supplies Swedish retailer IKEA.

Wood case good manufacturer National Office Furniture is reportedly investing more than USD4.5 million in Fordsville, Kentucky, to implement green technology. The company, part of Kimball International, plans to install a UV cure process for a water-based finish.

Bassett Furniture has announced the closure of its MDF plant in Bassett, Virginia, due to poor local demand for MDF.

Office furniture maker HNI continues to reduce the number of manufacturing sites in North America. It announced that it will close its plant in Owensboro, Kentucky, in 2010. In the last three years HNI closed factories in North Carolina, Virginia, Washington, California and Monterrey, Mexico.

US Timber prices

FOB	US\$ per m ³
Ipe (Brazil) Decking Premium Grade AD	1785
Jatoba (Brazil) No.1 Common and Better AD	805↑
Jatoba (Brazil) No.1 Common and Better KD	-
Khaya (Cote d'Ivoire) FAS KD, Abidjan	740↑
Khaya (Ghana) FAS AD, Takoradi	-
Sapele (Cameroon) FAS AD, Doala	670↑
Sapele (FAS KD), Doala	780↑

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.

Chinese Premier Wen Jiabao announced eight new measures the Chinese government will take to strengthen China-Africa cooperation in the next three years. Wen announced the measures while addressing the opening ceremony of the Fourth Ministerial Conference of the Forum on China-Africa Cooperation (FOCAC) in the Egyptian resort of Sharm el-Sheikh.

<http://english.people.com.cn/90001/90776/90883/6807055.html>

The climate summit in Copenhagen is supposed to come up with a successor to the Kyoto Protocol, which expires in 2012. However, industrial and developing nations continue to argue over which countries must reduce their emissions and who should bear the costs of carbon dioxide reduction measures.

<http://www.dw-world.de/dw/article/0,,4869644,00.html>

Criticism is mounting against Italian energy giant Eni SpA's plans to squeeze oil from the tar sands of the Republic of Congo, which campaigners claim could endanger one of the world's largest tropical rain forests. Eni says the crude would be produced in areas of grassy savannah, and wouldn't harm the local environment in the country, the capital of which is Brazzaville. But a study to be released cites internal Eni reports as saying more than half the tar sands exploration zone is made up of "primary forest and other highly bio-diverse areas."

http://online.wsj.com/article/SB10001424052748703808904574523473381720200.html?mod=googlenews_wsj

Deforestation's relative contribution to global carbon emissions has declined as pollution from fossil fuels increased, according to a researcher at the faculty of earth and life sciences at VU University in Amsterdam. The removal of trees that can absorb carbon dioxide may now account for around 12 percent of global carbon emissions from human activities, according to a study led by Guido van der Werf and published in the academic journal Nature Geoscience.

<http://www.bloomberg.com/apps/news?pid=20601124&sid=a4m0CUzmdcIA>

In Africa, as around the world, awareness is growing that climate change is not a remote threat but an immediate danger causing more frequent 'extreme weather conditions' of drought and flooding. Ice is melting at the poles and on Mount Kilimanjaro. The waters of Lake Chad are disappearing. Drought cycles in East Africa are becoming more unpredictable.

<http://allafrica.com/stories/200910291020.html>

Japan will join five Southeast Asian nations that share the Mekong River in a 10-year program to protect the region's environment, as Prime Minister Yukio Hatoyama seeks closer ties with Asia. Hatoyama and the leaders of Thailand, Vietnam, Cambodia, Laos and Myanmar agreed

to establish a new partnership at the inaugural Japan-Mekong summit in Tokyo, as Japan's leader pledged 500 billion yen (\$5.5 billion) in aid over the next three years. The Southeast Asian leaders thanked Hatoyama for the aid pledge and financial assistance for Mekong reforestation and water management.

<http://www.bloomberg.com/apps/news?pid=20601130&sid=aktox4XOUKHU>

Manmohan Singh, India's prime minister, sought to override divisions in his ruling coalition by pledging to fulfil a deep financial reform programme in Asia's third-largest economy. He also signalled the "winding down" of fiscal stimulus measures next year. These have helped spare India from the worst of the global financial crisis with support to the rural economy, infrastructure and export sectors.

<http://www.ft.com/cms/s/0/5f78c486-cc3a-11de-8e30-00144feabdc0.html>

Loggingoff.info is co-managed by a group of NGOs from European and timber-producing countries. The website has been set up to exchange clear, concise and up to date information, including joint North-South civil society position papers on the Voluntary Partnership Agreement (VPA) negotiations. The site is a one-stop-shop used by civil society, NGOs, the media, the timber industry and governments involved or interested in these negotiations.

<http://www.loggingoff.info/index.html>

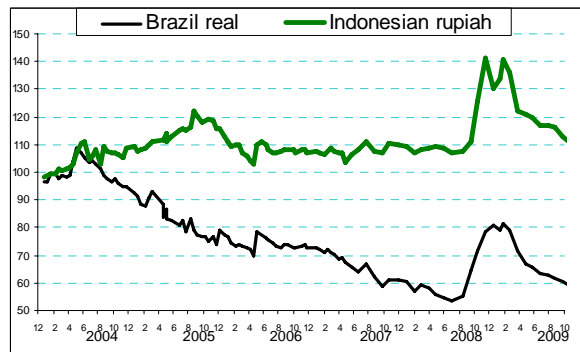
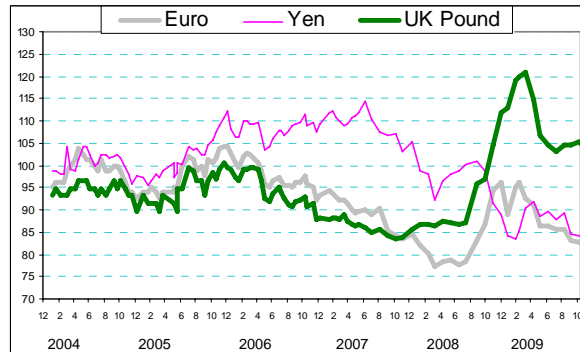
Disclaimer: Though efforts have been made to keep prices near to accurate, these are published as a guide only. ITTO does not take responsibility for the accuracy of this information.

Main US Dollar Exchange Rates

As of 16 November 2009

Brazil	Real	1.7117	↑
CFA countries	CFA Franc	438	↑
China	Yuan	6.8270	↑
EU	Euro	0.6679	↑
Indonesia	Rupiah	9390	↑
Japan	Yen	89.12	↑
Malaysia	Ringgit	3.670	↓
Peru	New Sol	2.8678	↑
UK	Pound	0.5942	↑

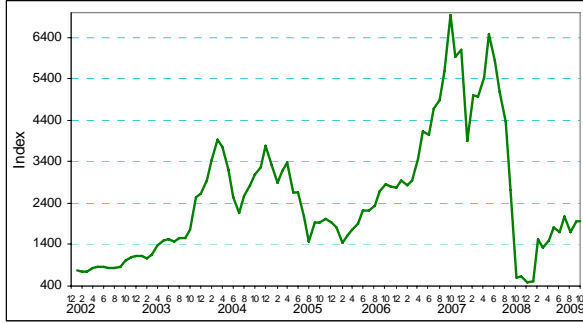
Exchange rates index (Dec 2003=100)



Abbreviations and Equivalences

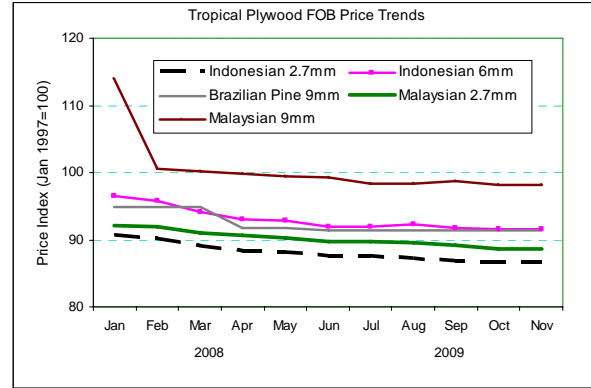
LM	Loyale Merchant, a grade of log parcel
QS	Qualite Superieure
CI, CE, CS	Choix Industriel, Economique or Supplimentaire
FOB	Free-on-Board
CIF; CNF	Cost, insurance and freight; Cost and freight
KD; AD	Kiln Dry; Air Dry
Boule	A log sawn through and through, the boards from one log are bundled together.
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 ³
Koku	0.278 m ³ 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

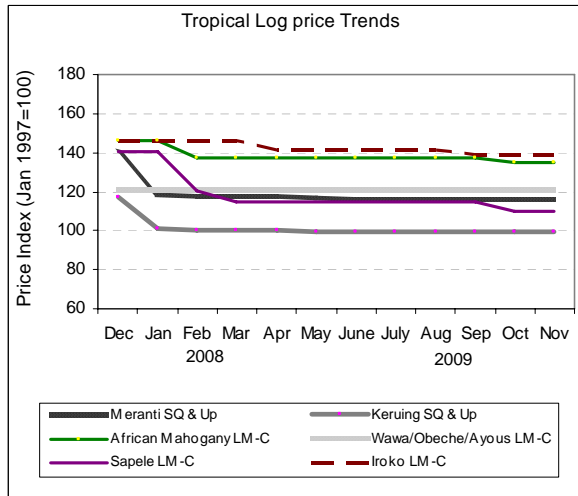


The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes. It is based on a 52,454 mt bulk carrier carrying commodities such as timber.

Tropical Plywood 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>

To subscribe to the ITTO market report
email : mis@itto.or.jp

Tropical Sawnwood Price Trends

