

Tropical Timber Market Report

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Top Story

The 2986th EU Council meeting on Agriculture and Fisheries held in Brussels on 14-16 December 2009 reached a partial political agreement on the text of a draft Regulation laying down the obligations of operators who place timber and timber products on the market.

Agreement on the entire text could be reached during one of the Council forthcoming meeting. The Council adopted the FLEGT (Forest Law Enforcement, Governance and Trade) Regulation in December 2005 and gave the Commission mandate to open negotiations with third countries willing to enter voluntary partnership agreements.

See:

http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/agricult/111950.pdf

Source: Council of the EU

Slow Start to year

The harsh winter weather in northern importing countries has been the biggest influence on the timber trade in the first weeks of 2010. Certainly business is slow in most areas.

In Europe many companies close for up to two weeks over the Christmas and New Year period and the difficult conditions with snow, ice and below freezing temperatures are inhibiting resumption of normal working of factories, schools and offices and building activity.

Although most countries have technically moved out of recession there remain financial problems especially in UK and economists, as well as ordinary people, are aware of a tough year ahead with prospects of higher taxes and lower trade levels.

In the W. African timber trade the present situation appears to be of not quite at a standstill but flat, with little interest reported from buyers in chasing up new purchases. Prices have not moved over the past four weeks and there are few indications as to how the markets will develop in the first quarter. Sawn lumber prices also have held very steady over the past few weeks although traded volumes have been low and business continues at low levels.

Gabon keeps trade waiting

The uncertain position in relation to the announced ban on log exports by Gabon has, if anything exacerbated the near standstill in the timber sector. After the ban was announced buyers did immediately begin seeking alternative log sources but have held back until there is clarification on the details of the ban

The SEPBG, the port authority in Gabon, has apparently halted all loading of ships until the situation is made clear. There are rumors that consideration is being given to allowing the possible export of logs already cut until the end of March.

Other rumours hint of heavy felling to have logs on the ground in the hope that felled logs could be exported in a grace period. Other sources hint at a possible strengthening of existing regulations which require a commitment to invest in local processing before log exports are allowed. However, all this is pure speculation by the trade.

Exports of non-premium logs

On the supply side, the unexpected but timely relaxation of exports of logs of non-premium species from Cameroon may well have been a stabilising factor for the W. African trade. We have yet to see if log exports from Liberia will resume in any meaningful volume during 2010.

Logs are still exported from Congo Brazzaville and lately also some from the Democratic Republic of Congo. Whether these countries can fill the supply gap resulting from a Gabon ban is far from clear.

China would be the consumer country most affected in the short term but no doubt would look to increase log purchases from other countries such as Papua New Guinea and Solomon Islands, though this would have to be in alternative species some of which would not be a substitute for okoume for peeling.

In the medium term the Gabon sawmills and plymills will have to resume or step up to full production and place much more emphasis on marketing their processed timbers. This will not be easy given the slow market conditions for processed timbers over the past 18 months.

In the meanwhile mills in Ghana and Cameroon have been working under capacity and might well have a market advantage, being able to quickly increase production in response to any increase in 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

Export performance

Ghana realised Euro 98 million from its export of 320,660cu.m of wood products in the first nine months of 2009. This compares to 430,081cu.m for the same period in 2008.

Exports in 2009 (first nine months) fell 25.4% compared to 2008. This was largely the result of decreased export volumes in all trading products except air dried lumber, curls veneer, and plywood.

In the same period there was a 32% drop in revenue compared to the same period in 2008. The table below summarises the export performance for the first three quarters of 2009 compared to the same period in 2008.

PRODUCT	Vol (m3)	Value	% Change 2009 on 2008	
			Volume	Value
Sawn Timber	('000)	Euro mil.		
Lumber (AD)	64.4	12.57	12.5	-21.8
Lumber (KD)	49.73	17.93	-45.6	-50.2
Veneers :	-	-	-	-
Sliced Veneer	23.51	15.92	-25.3	-36.8
Rotary Veneer	8.05	2.04	-67.7	-66.4
Curls Veneer	0.06	0.32	49.1	-69.2
Plywood	110.74	31.72	5.5	4.5
Furniture Parts	-	-	-	-
Mouldings	10.73	5.33	-44.4	-39.1
Boules (AD+KD)	1.64	0.78	-49.4	-51.9
Parquet/Flooring	0.65	0.61	-66.8	-59.1
Others	51.15	10.58	-46.4	-40.4
TOTAL	320.66	97.79	-25.4	-32.3

Overland Export Trade

Ghana improved its overland trade performance to the ECOWAS market in the three quarters to September 2009.

The main products in this trade are air dried lumber and Plywood and the main markets are Nigeria, Senegal, Niger, Gambia, Mali, Benin, Burkina Faso and Togo.

These countries altogether absorbed about Eur36 million of Ghana's total wood export volumes to neighbouring African countries. Total trade with other African countries was worth Euro 42 million (for 168,390 cu.m).

Air dried lumber export by road in 2009 increased dramatically to 29,000cu.m, from the previous year figures of 2,514cu.m.

The main species were Chenchen, Mixed White Wood, Ceiba, Dahoma, and Wawa. The bulk of the exports were by Rahmusa Company Ltd and Moha-Tony Diasso Brothers among others.

Overland plywood exports increased by 11% in value for 2009 compared to 2008. Ceiba, Mahogany, Asanfina, Chenchen and Ofram plywood dominated this trade in 2009.

Inflation eases

The year on year inflation for Ghana fell to 16.92% in November 2009, as announced by the Ghana Statistical Service. In a statement, the Governor of the Central Bank said Ghana's inflation rate will "definitely" fall in December 2009 and will continue to ease throughout 2010. "Inflation is coming down and it will continue to come down in the next 12 months," the governor told reporters.

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	100-110	115-125
Chenchen	85-100	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	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up	855	-
Afrormosia	500	545
Asanfina	200	255
Ceiba	300	390
Dahoma	405	430
Edinam (mixed redwood)	330	400
Emeri	595	665
African mahogany (Ivorenensis)	520	580
Makore	490	620
Niangon	650	710
Odum	540	600
Sapele	250	285
Wawa 1C & Select		

Ghana sawnwood, domestic		US\$ per m ³
Wawa	25x300x4.2m	247
Emeri	25x300x4.2m	325
Ceiba	25x300x4.2m	215
Dahoma	50x150x4.2m	285↑
Redwood	50x75x4.2m	295
Ofram	25x225x4.2m	320

Ghana Veneer Prices

Rotary Veneer, FOB	€ per m ³	
	CORE (1-1.9mm)	FACE (<2mm)
Bombax	315	350
Ofram, Ogea & Otie	315	350
Chenchen	315	360
Ceiba	325	335
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 ³
Ceiba		260
Chenchen		290
Ogea		295
Essa		285
Ofram		300

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afrormosia	1.19	1.00
Asanfina	1.50	0.80
Avodire	1.20	0.90
Chenchen	1.20	0.54
Mahogany	1.42	0.89
Makore	1.40	0.85
Odum	1.80	1.15

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	300
9mm	365	305	290	275
12mm	300	295	280	270
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
Afromosia	13.72	18.22	17.82

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

Report from Malaysia

Optimism returns

Malaysian timber companies greeted the New Year in a positive mood now there seems some improvement in demand.

The global economic slowdown considerably weakened the demand for Malaysian timber products. In the worst of the crisis production in Malaysia fell almost 40%, with plywood and other panel product manufacturers being hardest hit.

The trade is anticipating growing demand for certified timber products which will give a boost to products from plantation timbers.

In addition to the modest improvements in demand for primary products, producers report that demand for Malaysian furniture seems to be picking up after a tough 2009.

International buyers are slowly returning to the Malaysian market after a one year absence it seems. The trade in Malaysia suggests that the main reasons for their return even in continuing difficult trading conditions is the high quality of workmanship and the ability of Malaysian companies to deliver on time.

Although furniture from China is competitive in terms of pricing, timely delivery remains a major problem for some overseas buyers who want just in time deliveries.

ASEAN FTA

The secretary-general of the Malaysian Ministry of International Trade and Industry (MITI) commented that the country is ready for the full implementation of the ASEAN-China free trade agreement (FTA).

Business in the country are ready to do business with the trading bloc of almost 2 billion consumers in ASEAN, with a combined gross domestic product (GDP) of around US\$5 trillion.

Beginning January 1, 2010, China and the Asean-6, (Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand), will ensure full implementation of the FTA by eliminating the duties on up to 90% of products according to the agreement.

China is Malaysia's fourth largest trading partner, after Singapore, the US and Japan, with trade in 2008 amounted to RM130 billion, or 11% of Malaysia's global trade in total. Malaysia's exports to China in 2008 amounted to RM63 billion, which accounted for almost one-tenth of global exports. In the first 3 quarters of 2009, trade with China amounted to RM89 billion, with exports standing at RM46.8 billion.

Log Prices

Sarawak log, FOB	US\$ per m ³
Meranti SQ up	227-251↑
Small	211-242↑
Super small	202-226↑
Keruing SQ up	216-228
Small	194-224↑
Super small	172-202↑
Kapur SQ up	206-231
Selangor Batu SQ up	183-220↑

Pen. Malaysia logs, domestic (SQ ex-log yard)	US\$ per m ³
DR Meranti	233-252↑
Balau	298-327↑
Merbau	323-355
Rubberwood	55-89↑
Keruing	216-232↑

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	281-311↑
Seraya Scantlings (75x125 KD)	432-445↓
Sepetir Boards	250-272↑
Sesendok 25,50mm	345-363↑
Kembang Semangkok	294-317

Malaysian Sawnwood, domestic	US\$ per m ³
Balau (25&50mm,100mm+)	325-345
Merbau	451-503
Kempas 50mmx(75,100 & 125mm)	261-301
Rubberwood	
25x75x660mm up	204-254↑
50-75mm Sq.	244-276↑
>75mm Sq.	266-295↑

Plywood Prices

Malaysia ply MR BB/CC, FOB	US\$ per m ³
2.7mm	404-466
3mm	384-414
9mm & up	330-402

Meranti ply BB/CC, domestic	US\$ per m ³
3mm	329-420
12-18mm	313-342

Other Panel Prices

Malaysia, Other Panels, FOB	US\$ per m ³
<i>Particleboard</i>	
Export 12mm & up	226-249
Domestic 12mm & up	212-229▲
<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	529-539▲
Red Meranti Mouldings	
11x68/92mm x 7ft up	
Grade A	544-557▲
Grade B	497-506▲

Furniture and Parts Prices

Malaysia, Rubberwood, FOB	US\$ per piece
<i>Semi-finished dining table</i>	
solid laminated top 2.5'x4', extension leaf	61-77▲
As above, Oak Veneer	68-82▲
Windsor Chair	50-62▲
Colonial Chair	58-63▲
Queen Anne Chair (soft seat)	
without arm	58-66▲
with arm	58-67▲
Chair Seat 27x430x500mm	46-51▲

Rubberwood Tabletop	US\$ per m ³
22x760x1220mm sanded & edge profiled	
Top Grade	563-596▲
Standard	547-566▲

Report from Indonesia

Competitive China

In contrast to the confident mood in Malaysia, the chairman of the Association of Indonesian Furniture and Handicraft Exporters (Asmindo), has reportedly said that the furniture industry in all ten member countries of ASEAN share a common appreciation of the challenges and risks of the ASEAN-China FTA.

In particular Asmindo thinks that furniture producers are not ready to face the competition from Chinese producers.

The fear expressed is that furniture imports into ASEAN countries from China could capture a major slice of the domestic market. Imports currently account for around 30% of the domestic market and this could grow as imports become cheaper as tariffs are removed.

Currently, there are 314 tariff items from eight sectors listed under the FTA. Asmindo is said to have been lobbying the Indonesian authorities to modify or suspend at least 5 of the 12 tariff items listed within the furniture sector.

Export performance

Exports of Indonesian timber products, especially sawnwood and plywood, have been on a decline since 2003, when exports were over 5 million cubic metre. However, exports in the following year fell to 4.5 million cubic metre; to 3.5 million cubic metre in 2005; 3 million cubic metre in 2006; 2.9 million cubic metre in 2007, and 1.68 million m³ in 2008.

Total exports for year 2009 only managed to reach 1.2 million cubic metres up to November 2009.

Indonesian timber companies have reportedly said that it is inappropriate government policies and the failure to grasp present day market realities had contributed to this decline. The trade says that while the size of the international timber market has expanded over the past decade, Indonesia's share of that market had declined.

They added that China trade model was good as the sector has diversified its products and improved its value-added production technology.

The industry also said that Malaysia is another good example to emulate; here industries manage pricing of timber products by spreading costs over a range of products including logs. Indonesian companies do not have this opportunity because of a log export ban in Indonesia.

Log Prices (domestic)

Indonesia logs, domestic prices	US\$ per m ³
<i>Plywood logs</i>	
Face Logs	187-230
Core logs	169-202
Sawlogs (Meranti)	178-239▲
Falcata logs	147-181▲
Rubberwood	50-74▲
Pine	160-199▲
Mahoni (plantation mahogany)	468-495▲

Sawnwood Prices

Indonesia, construction material, domestic	US\$ per m ³
<i>Kampar (Ex-mill)</i>	
AD 3x12-15x400cm	175-194▲
KD	197-231▲
AD 3x20x400cm	218-241▲
KD	222-249▲
<i>Keruing (Ex-mill)</i>	
AD 3x12-15x400cm	233-247
AD 2x20x400cm	220-238▲
AD 3x30x400cm	203-222▲

Plywood Prices

Indonesia ply MR BB/CC, FOB	US\$ per m ³
2.7mm	392-449
3mm	349-390
6mm	328-370

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		297-309↑
Red Meranti Mouldings 11x68/92mm x 7ft up		
Grade A		484-518↑
Grade B		440-461↑

Report from Myanmar

Myanmar Log Prices (natural forests)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)	
	Nov	Dec
<i>Veneer Quality</i>		
2nd Quality	-	-
3rd Quality		
4th Quality	3,348 (10 tons)	3,489 (10 tons)
<i>Sawing Quality</i>		
Grade 1 (SG-1)	2,368 (41 tons)	2,478 (34 tons)
Grade 2 (SG-2)	1,927 (42 tons)	2,002 (42 tons)
Grade 3 (SG-3)	-	-
Grade 4 (SG-4)	1,533 (221 tons)	1,500 (215 tons)
Grade 5 (SG-5) Assorted	1,494 (96 tons)	1,414 (150 tons)
Grade 6 (SG-6) Domestic	1,251 (87 tons)	1,186 (77 tons)
Grade 7 (ER-1)	898 (87 tons)	879 (89 tons)
Grade 8 (ER-2)	658 (29 tons)	- (-)
Short Logs 6 ft. / 7 ft.	nil	1,329 (13 tons)

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.

Monthly Teak sales

The monthly Teak sales involve a prior inspection by buyers and the submission of written tenders for logs. The logs are available for inspection at Myanmar Timber Enterprise (MTE) log-yards. These log yards are roughly within a maximum 30 mile radius from the ports.

Logs sold by tender are mostly shipped within two months from purchase, but there are instances where shipments may take longer. MTE may charge ground rent if the logs are not shipped at the end of three months.

The majority of the shipments made using containers. Containers are stuffed at MTE container yard and trucked

to the vessels. Buyers, singly or jointly with other buyers, may also ship using break bulk carriers. The mode of shipping is left to buyers' choice.

Hardwood log Prices (FOB)

	€ per hoppus ton
Pyinkado	-
Gurjan (keruing-exp)	181 (708 tons)
Tamalan (export reject)	732 (31 tons)
In-gujan	-
Yamane (export)	-

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

Report from India

Firmly on growth track

Indian exports grew 18% last month and industrial activity figures show a continuous improvement over the first three quarters of 2009 with an increase of 11% being noted in October 2009. This positive economic activity is helping enormously to create jobs in the country.

After coping with a tough 2009, progress is now seen on all fronts and as the global economy appears to be recovering GDP growth forecasts are optimistic. In December 2009 GDP stood at 7.5% and for 2010-11 it is expected to be around 9%.

Follow up on Copenhagen

India's minister for Environments and Forests, Mr. Jairam Ramesh, has announced that the country's action plan, as called for by the Copenhagen Accord, is ready.

India has shown preparedness to reduce emission by 20-25 percent of 2005 levels and that a low carbon growth strategy will be developed. The minister noted that India's per capita carbon emission is among the lowest globally.

Analysts report that builders and architects in India are considering how to make use of traditional building materials such as wood, bamboo, limestone and clay. Consideration is also being given to rainwater harvesting and the use of solar energy for lighting, water heating and other purposes.

Industrial plantations

For absorption of carbon dioxide greening programmes are being mooted. Currently, industrial plantations are being increasingly established by large private enterprises and on a small scale by farmers and other landowners.

The government is encouraging the planting of fast growing and high carbon dioxide absorbing species like bamboos which also provide raw materials for paper and rayon pulp and also for rural housing and handicrafts.

The indications are that the government will soon announce the constitution of an expert group to monitor low carbon growth strategies in the industrial, transport, agriculture, building, energy and forestry sectors

ASEAN FTA activated

As of the 1st January 2010 customs duties in India have been reduced on goods imported from ASEAN countries. The basic duty on logs has been reduced from 5% to 4%, on sawn timber from 10% to 7.5% and on MDF, particleboards, plywood, veneer sheets and soft boards from 10% to 7.5%.

Trade news

Sales of Teak and other hardwoods by auctions have continued in Gujarat, Central India and Kerala and reports are confirming firm prices and brisk sales of freshly felled timber that has been arriving post monsoon. Quality standards are being well maintained it is reported.

For past several months the trade has said that the quality of logs coming from Myanmar has not been very satisfactory so local manufacturers are opting to pay a little more and buy the local hardwoods.

Continuous PB line

Wood News in India has reported the awarding of a contract for first ever continuous Particleboard Production line by Star Panel Boards Ltd. Bangalore to Dieffenbacher of Germany.

The plant is apparently designed for a daily capacity of over 1000 cubic metres. Full commercial production is forecast to begin in 2011. This domestic production will narrow the gap between demand and local supply and reduce India's dependence on imports.

Wood sailing vessels

In other news, the Economic Times of India has reported brisk business for coastal sailing vessels being built at Mandvi Kutch, an area famous for this craft for centuries, because of the highly skilled local workforce and the proximity of the Teak forests of Dangs. Timbers from Malaysia are also used in the making of these boats which comes to Kandla

The size of vessels being built range from 150 to 1500 tones capacity and these vessels are used to carry goods the Middle Eastern and North African countries. Ship builders are saying that their order books are full up to 2012.

India Sawnwood Prices (domestic)

Sawnwood (Ex-mill)	Rs. per ft ³
Myanmar Teak (AD)	
Plantation Teak A grade	2000-3600
Plantation Teak B grade	1800-3000
Plantation Teak C grade	1250-1500

India Sawnwood Prices (imports)

Sawnwood, (Ex-mill) (AD)	Rs. per ft ³
Merbau	1400
Balau	1150
Kapur	1000
Red Meranti	650
Bilinga	650
Radiata Pine (AD)	375-400↑

Sawnwood, (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 sq.ft
4 mm	21.0
6 mm	30.5
12 mm	44.0
15 mm	53.0
18 mm	64.0

Locally Manufactured Plywood "Commercial Grade"	Rs per sq.ft	
	Rubberwood	Hardwood
6mm	Rs.12.00	-
8mm	Rs.15.00	Rs.23.00
12mm	Rs.18.50	Rs.24.00
18mm	RS.23.00	Rs.32.50
5mm		Flexible ply Rs.14.00

Report from Brazil

Exports Drop in Alta Floresta

Contrary to exports in Sinop, Sorriso, Lucas do Rio Verde and Nova Mutum, wood products export from the municipality of Alta Floresta, a major regional timber exporter, dropped between January and November 2009, compared to the same period of 2008.

The value of exports reportedly dropped from US\$ 12.7 million to US\$ 10.8 million. The non-conifers products trade was worth US\$ 9.6 million, a 6.8% reduction compared to 2008, when it reached US\$ 10.3 million.

As for the main export product, sawnwood wood with a thickness exceeding 6 mm, trade totaled US\$ 363,800 (-81% from Jan-Nov 2009 compared to the previous period); wood block, planks, veneer and wood frames/profiles, however were traded for US\$ 305,200 (+684%) and ipê wood products earned just US\$ 194,400 (-47%).

The main export destinations for products from Alta Floresta are the United States (US\$ 5.7 million), Canada (US\$ 1.7 million) and Spain (US\$ 1 million).

Wood furniture cheaper

A tax exemption scheme on furniture has been in force since November 27, 2009. The tax on such products varies between 5% and 10%. Some furniture companies had suggested that they could pass on to consumers a price reduction greater than the tax break. According to the Association of Furniture Industry of Rio Grande do Sul (Movergs), the main cluster of the furniture industry in the country, the measure may lead to a fall of about 20% in prices consumer pay.

According to furniture entrepreneurs, even though it is too early to analyze the impact, there are signs of a recovery in sales.

The Brazilian Furniture Manufacturers Association (ABIMÓVEL) says that the sector is facing a crisis as a result of the average drop of 10% in sales in 2009. The Association expects that between December 2009 and March 2010 it will be possible to recover about 25% of sales.

In the wood furniture clusters of Ubá, Linhares and Araongas, where there is a high proportion of exports, there was a drop of up to 25% in sales in recent months. With declining exports, the companies now began to depend more on the domestic market.

Fighting Illegal Logging

By November 2009 the Brazilian Federal Police had seized some 9,000 cubic metres of illegally transported and processed timber in Northern Mato Grosso. The police have mounted the longest operation to fight illegal logging activities in the region

The operations are coordinated by the Federal Police in Mato Grosso, and also implemented in the states of Pará, Rondônia and Maranhão, in the Brazilian Amazonia.

In Mato Grosso, there are two operational bases of the "Arco de Fogo" operation: one each in the municipalities of Juína and Sinop.

In this operation, 30 federal policemen and 30 officers from the National Force for Public Safety are working. In addition to the seized timber, 100 cubic metres of illegally-produced charcoal were seized and 221 furnaces destroyed.

The Brazilian Institute of Environment and Renewable Resources (IBAMA) will soon reveal the total amount of fines levied against companies in the "Arco de Fogo II Operation", carried out between January and April 2009.

The fight against illegal logging and timber smuggling in the Amazon has so far resulted in R\$31.3 million in fines. According to IBAMA, the majority of fines were imposed on timber companies for raw material storage or sale without license.

The Amazon Fund

The Brazilian Forest Service and the Chico Mendes Institute for Biodiversity Conservation (ICMBio) may receive Euro 15 million from the German government, through the KfW Development Bank. This money would be to develop the project 'Support Forest Management for Sustainable Production in the Amazon'.

The German donation would support activities in the forest concessions and will help the Forest Service to improve the infrastructure of regional units in Porto Velho (RO) and Santarém (PA), and to set up an additional four offices in the Amazon.

The funds would also support the demarcation of some national forests, preparation of management plans and implementation of advisory boards for national forests (FLONAs) by ICMBio, which are prerequisites for a forest concession.

In other news, the Government of Norway has announced an increase in its contribution to the Amazon Fund to US\$ 150 million in 2010, apparently after seeing evidence of deforestation reduction in the region.

The Fund was created by the Brazilian government in 2008 aimed at reducing deforestation in the region and the fund is managed by the National Development Bank (BNDES).

According to recent data, deforestation in the Brazilian Amazon between July 2008 and June 2009 was 65% less than the average recorded between 1996 and 2005 and over 40% below the deforestation rate of the previous year. These results are yet to be verified.

Brazil Log Prices (domestic)

Brazilian logs, mill yard, domestic	US\$ per m ³
Ipê	149
Jatoba	106
Guariuba	71
Mescla (white virola)	78

Brazil Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per m ³
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	701
Jatoba	539
<i>Southern Mills</i> (ex-mill)	
Eucalyptus (AD)	193
Pine (KD) 1st grade	249

Brazil Veneer Prices

Veneer, FOB (Belem/Paranagua Ports)	US\$ per m ³
White Virola Face 2.5mm	290
Pine Veneer (C/D)	205

Rotary cut Veneer, domestic	US\$ per m ³
(ex-mill Northern Mill)	
Face	262
Core	219
White Virola	

Brazil Plywood Prices

Plywood, FOB	US\$ per m ³
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	898
White Virola 15mm	657

Domestic prices include taxes and may be subject to discounts.

Other Brazil Panel Prices

Belem/Paranagua Ports, FOB	US\$ per m ³
Blockboard Pine 18mm 5 ply (B/C)	310
<i>Domestic Prices, Ex-mill Southern Region</i>	
Blockboard White Virola faced 15mm	573
Particleboard 15mm	362

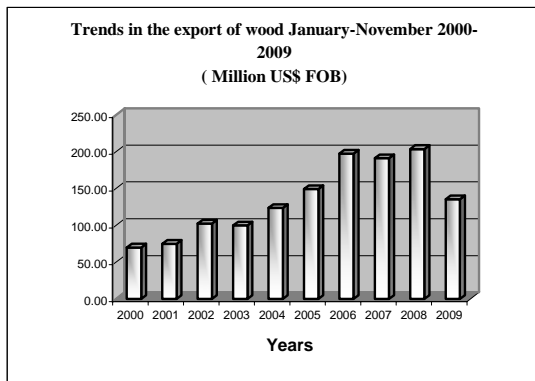
Brazil Added Value Products

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

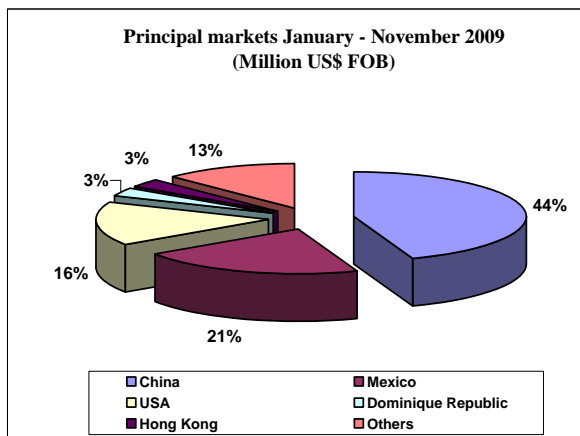
Report from Peru

2009 exports down 34%

According to data from the Export Association of Peru (ADEX), wood sector exports from January – November 2009 were of US\$135.09 million FOB, down 33.6% on the same period in 2008.



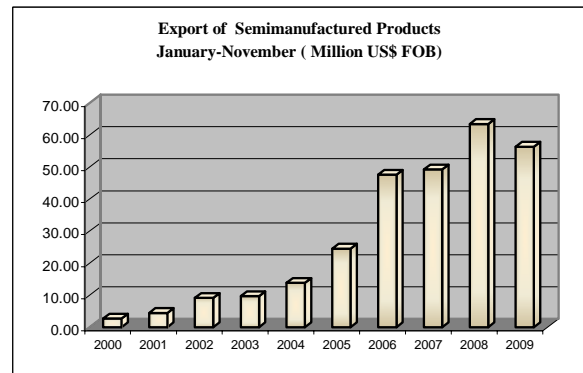
The three main export markets were China, Mexico and the United States, accounting for over 80% exports of wood products. The New Zealand market was significant in 2009 taking volumes of railway ties. On the other hand, the Mexican market remained subdued and imports from Peru fell over 60% and no exports of mouldings were recorded in 2009.



Peru’s export data up to November 2009 shows the weakening of Canadian demand (-65%) and a similar picture emerged for the Hong Kong market which fell 38% in 2009.

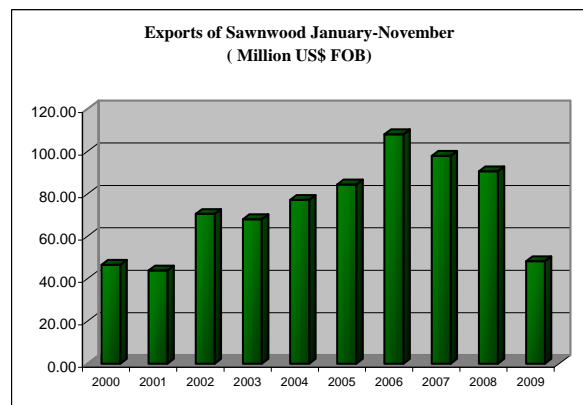
Semi-manufactured products accounted for 42% of exports from January to November 2009 and were worth US\$56.38 million FOB compared to US\$63.44 million FOB for 2008 (-11%).

The main market for semi-finished wood products was China represents 77% of the total. Chinese imports from Peru grew almost 50% in 2009.

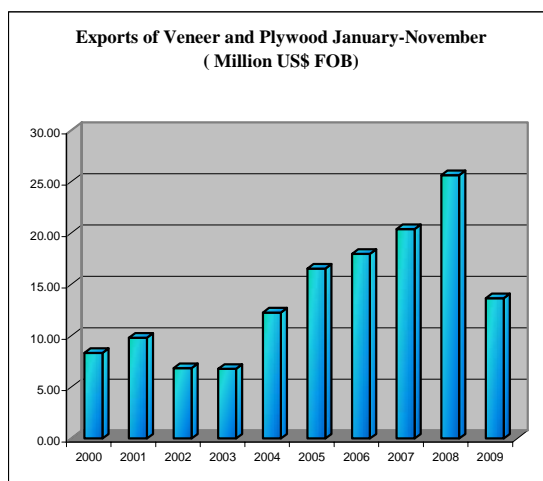


Sawnwood represented the second major wood product export item in 2009. The value of exports of sawnwood January – November 2009 was US \$ 49.29 million FOB down 46% on a year earlier.

The main market for sawnwood from Peru was China which took around 34% of the total sawnwood exports.

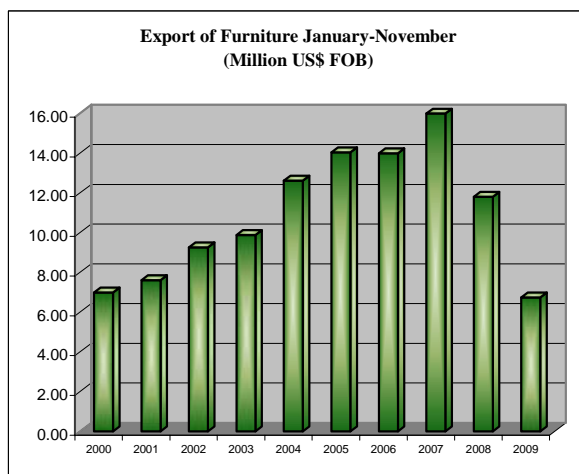


The value of veneer and plywood exports up to November 2009 stood at US\$13.67 million FOB but this was down 47% on a year earlier.



The main destination for veneer and plywood from Peru was Mexico (83% of total product exports). Mexican imports from Peru were affected by weak demand in the US for processed products and consequently Mexico's imports from Peru declined.

The exports of furniture and parts up to November 2009 were worth US\$6.74 million FOB compared to US\$11.81 million FOB in 2008 and this represents a fall 43%. The main market for exports in this sub-sector is the United States, accounting for 49% of all furniture and parts exports but up to November 2009 US imports had dropped 53%.



Peru Sawntwood Prices

Product	Market	US\$ per m ³
Peru Sawntwood, 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	501-539

*Cheaper and small-dimension sawntwood for this market.

Product	Market	US\$ per m ³
Peru Sawntwood, 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		801-838↓
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

Product	Market	US\$ per m ³
Peru Sawntwood, 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

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

Peru Veneer Prices

Product	Market	US\$ per m ³
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

Product	Market	US\$ per m ³
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

Product	Market	US\$ per m ³
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

Product	Market	US\$ per m ³
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

Product	Market	US\$ per m ³
Peru, strips for parquet		US\$ per m ³
Cabreva/estoraque KD12% S4S, Asian market		1348-1444
Cumaru KD, S4S		
Swedish market		760-856
Asian market		1011-1201
Cumaru decking, AD, S4S E4S, US market		898-1065↓
Pumaquiro KD # 1, C&B, Mexican market		423-511
Quinilla KD, S4S 2x10x62cm, Asian market		502-527↓
2x13x75cm, Asian market		721-798

Report from Guyana

Price movements

Prices for Greenheart logs remain were relatively stable. Purpleheart standard sawmill quality prices climbed while Mora log prices stayed firm.

Sawnwood prices were highly favourable over the past weeks. Prices for dressed local Washiba, internationally traded as Ipe, went as high as US\$1600 per cu.m. Non-dressed Greenheart prices recorded modest gains in the prime class while the select category experienced a decline in prices.

Only prices for Purpleheart select moved up to a fairly good average price while Mora prices remained stable. Dressed Greenheart average prices were favourable recently and dressed Purpleheart enjoyed buoyant prices. Plywood prices eased slightly for BB/CC qualities.

Value added products, mainly door and door sets as well as indoor furniture, mouldings and mouldings recorded higher average prices than in late 2009

Log tracking strengthened

The Guyana Forestry Commission recently reported on ITTO supported efforts to improve the detection and prevention of illegal harvesting and trade in the country.

Part of this work involved the improvement of Guyana's log tracking system. In 2001, a national log tracking system was implemented and was monitored through manual verification. Under this system, cut logs and stumps are identified using a plastic barcode tag that is attached immediately after logging or when logs are converted into pieces at timber collection points.

The manual implementation of this system however, did not allow for the full benefits of traceability and verification of origin, to be realized. This aspect of the work recently undertaken aimed at helping prevent illegal logging and trade in illegally harvested timber by utilizing a timber tracking system based on barcode utilization in the harvesting of tropical forests, shipment and exporting stages.

Forest carbon stock assessment

The Government of Guyana has embarked on a national programme that aims to continue to maintain the sustainable management of its forest as a contribution to climate change mitigation. It is anticipated that this effort will attract international resources to foster growth and development along a low carbon emissions path.

As an initial step to the implementation of a monitoring, reporting and verification (MRV) for Guyana, a road map for the development of a MRV system for REDD+ participation for Guyana was designed following a stakeholder participation session.

The Guyana Forestry Commission, on behalf of the Government of Guyana, has indicated that it requires the services of an experienced remote sensing and GIS

consultant to undertake comprehensive, consistent and transparent assessment of forest area change.

More information on this call for proposal can be found at the Guyana Forestry Commission's website at www.forestry.gov.gy

Guyana Log Prices

Logs, FOB Georgetown	SQ - \$ Avg unit value per m ³		
	Std	Fair	Small
Greenheart	160	-	-
Purpleheart	200-250▲	200	180
Mora	125-130	115-125	110-125

*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	
EU and US markets		Undressed	Dressed
Greenheart	Prime	636	-
	Standard	575-702▼	650-763▲
Purpleheart	Prime	702-740	-
	Select	-	-
	Sound	-	-
	Standard	-	700-1126
Mora	Prime	500	-
	Select	450	-
	Sound	400	-
	Merchantable	-	-

Guyana Plywood Prices

Plywood, FOB Georgetown Port			\$ Avg unit val. per m ³
Baromalli	BB/CC	5.5mm	-
		12mm	387▼
	Utility	5.5mm	-
		12mm	-

Report from Japan

Demand projections for N. American timber

In mid Dec the Japan Lumber Conference released projections of demand for 2010. Japan's demand for logs is expected to rise by around 3% while lumber demand is forecast to be up 7% for the year.

Promotion of legal timber

The JLR is reporting that the All Japan Federation of Lumber Associations ended 2009 with a symposium to promote procurement of legally certified wood. This was the 4th such symposium to deliver information on how the private sector in Japan is tackling the illegal timber issue. The Keynote speech at the year end meeting was delivered by the former Executive Director of ITTO Dr. B.C.Y. Freezailah.

Japan's green housing

In a recent economic stimulus package the Japanese government created incentives for sustainable homes. Home owners who opt for eco-friendly and thermally efficient homes will earn so-called eco-points which can be exchanged for gift certificates, prepaid cards for public transport or merchandise. New houses with double glazing and insulation can earn the so-called 'eco-points'.

Plywood market trends

The plywood market in Japan has seen tough times in 2009 and to end the year things got worse as the bottom fell out of the market for softwood plywood. In December prices were falling day after day. The JLR suggests it is too early yet to tell what the first quarter market is likely to be like.

Some Japanese manufactures have been cutting back production to try and stabilise the market but others have continued production and have been selling at very low prices.

The JLR is reporting that, despite the weak demand in Japan, some wholesalers have been seeking concrete formboard after reports emerged that Malaysian suppliers where cutting formboard shipments because of the low prices in Japan and profitable alternative markets in other countries.

Freight rates likely up

The JLR is speculating that freight rates may be increased substantially in the near future. The indications are that the availability of west bound containers on the west coast of N. America is becoming a problem. The weak dollar has resulted in a decline in west bound containers but an increase in eastbound cargo, hence the shortage.

For the full JLR report see: www.n-mokuzai.com/english.htm

Log and Sawwood Prices in Japan

Logs for Ply Manufacture, CIF Meranti (Hill, Sarawak)	Yen per Koku (Koku=0.278 m ³)
Medium Mixed	6,400
Standard Mixed	6,600
Small Log (SM60%, SSM40%)	6,400
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 Melapi (Sarawak) High Select	Yen per Koku 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)	Nov Dec	
		(¥ per sheet)	
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	560	560
11.5mm for sheathing (F 4star, type 2)	910 X 1820	880	880
12mm for foundation (F 4star, special)	910 X 1820	850	830
12mm concrete-form ply (JAS)	900 X 1800	790	780
12m coated concrete-form ply (JAS)	900 X 1800	890	880
11.5mm flooring board	945 X 1840	1070	1100
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

GDP Estimates

According to forecasts released by the Chinese Academy of Social Sciences, China's economy is expected to be healthy in 2010 with a growth in of GDP 9 percent. Investments in fixed assets in 2009 are estimated at Yuan 22.74 trillion representing a growth of around 32 percent, the highest in last sixteen years.

In terms of consumption, the 2010 sales of consumer goods are forecast to be close to Yuan 15 trillion up from the 12.5 trillion in 2009. Much of this growth is said to stem from grain subsidies and home appliances subsidies made to rural families.

Both imports and exports fell in first ten months of 2009. It is forecast that, as the global economy recovers, China's imports and exports will exceed 18 percent and 17 percent respectively in 2010.

According to the Director of Social Research Institute of the Chinese Academy of Social Science the objective of building an affluent society across China will be realised ahead of time.

Climate Change

Before the climate change conference in Copenhagen, Mr. Jia Zhibang, Administrator of State Forestry Administration (SFA), told media correspondents that to deal with climate change China's forestry sector will be one of the key development areas.

The SFA has adopted a series of measures in this regard. These include the setting up of a unit to manage work on carbon sequestration, construction of wood energy forests in cooperation with state owned enterprises and the implementation of 'carbon storage' forest plantations in Guangxi Autonomous Region in cooperation with the World Bank. Recently, the SFA prepared its "Forestry action plan to deal with climate change".

Mr. Jia Zhibang said that by carrying out tree planting and strengthening forest management, China's forests can absorb some 5 billion tons of carbon dioxide. At the recent climate change conference the Chinese Government undertook to increase its forest area by 40 million ha. by 2020.

Custom tariffs

Since joining the WTO, China has progressively adjusted customs regime. The general custom tariff has been reduced from 15.3 percent in 2002 to 9.8% in 2009. The average tariff of agricultural products dropped from 18.8 percent to 15.2 percent, while the average tariff on industrial goods fell from 14.7 percent to 8.9 percent. By 2010, China will completely fulfill its obligations to WTO in tariff reduction.

Survey in Shuifenhe

A survey of 70 large wood processing enterprises by the Bank of China revealed that, starting in August of 2009,

export orders have risen significantly. Statistics showed that production in about 60 percent of the enterprises recovered to the level before the global financial crisis.

Compared with the worst period in 2009, current orders in 30 percent of the enterprises rose considerably and in some by 100 percent. A gradual recovery was reported by 20 percent of the enterprises; 30 percent said orders had increased from 30-100 percent while another 40 percent said that orders had recovered or even exceeded previous levels.

During the worst period in the financial crisis, 30 percent of the enterprises were closed and the others were operating at below 20 percent of their capacity.

The survey also reported that prices of export products remain basically unchanged, 30 percent of enterprises indicated a 3-5 percent decrease and 70 percent reported a 3.5 percent increase. In terms of profits, 30 percent of enterprises reported no obvious change, 20 percent indicated a slight increase.

Russian Sawnwood

Statistics from Shuifenhe Customs show that a total of over 0.3 million cubic metres of sawnwood were imported in first ten months of 2009, valued at US\$62.2 million, up 201 percent and 162 percent respectively over the same period of last year.

With this significant increase in imports, Shuifenhe Port has become one of the largest distribution centres for sawnwood in China. Currently, sawnwood used in Dalian, Qingdao, Guangzhou, Shanghai and Beijing are mainly via this port.

It is understood that some of the wood processing enterprises in the city have adjusted their industrial strategies in the Far East and Siberia Areas of Russia. Previously they imported logs from these areas but now they principally import lumber and semi processed products. Some of the larger wood enterprises, such as Longjiang Commerce, Sanxia Wood Industry and Youyi Wood Industry, have set up their own wood processing mills in Russia and laid the foundation for imports of sawnwood.

China's imports and exports of wood-based panels in first ten months of 2009 were affected by the weak global economy as can be seen from the following tables

Imports	Volume			Value (US\$ million)			Unit price (US\$/m ³)		
	2008	2009	% change	2008	2009	% change	2008	2009	% change
Plywood (1000m ³)	258	141	-45	147	70	-52	572	500	-12
Particle board (1000 t)	206	241	17	79	73	-8	386	303	-21
Fiberboard (1000 t)	290	87	-70	135	46	-66	465	531	14

Imports	Volume			Value (US\$ million)		
	2008	2009	% change	2008	2009	% change
Plywood (1000m ³)	258	141	-45	147	70	-52
Particle board (1000 t)	206	241	17	79	73	-8
Fiberboard (1000 t)	290	87	-70	135	46	-66

Guangzhou City Imported Timber Market

Logs	Yuan per m ³
Lauan (50-60cm)	1900-2100↓
Kapur (up to 79cm)	1900-2100
Merbau 6m, (up to 79cm)	3500-4000
Teak	11000-16000
Wenge	5200-5300
Sawnwood	
Teak sawn grade A (Africa)	9300
US Maple 2" KD	7500-11500
US Cherry 2"	10000-13500
US Walnut 2"	14000-15500
Lauan	3500-4000
Okoume	3700-4200↑
Sapele	5400-5700↑

Shanghai Furen Wholesale Market

Sawnwood	Yuan per m ³
Beech KD Grade A	4800-4900
US Cherry, 25mm	7000-7500
US Red Oak, 50mm	9800-10050
Sapele 50mm FAS (Congo)	
KD (2", FAS)	6000-6100↑
KD (2", grade A)	5400-5500

Shandong De Zhou Timber market

Logs		Yuan per m ³
Larch	6m, 24-28cm diam.	1150
White Pine	6m, 24-28cm diam.	1200
Korean Pine	4m, 30cm diam.	1400
	6m, 30cm diam.	1500
Mongolian Scots Pine	6m, 30cm diam.	1200

Hebei Shijiazhuang Wholesale Market

Logs		Yuan per m ³
Korean Pine	4m, 38cm+ diam	1700
Mongolian Scots Pine	4m, 30cm diam.	1250↓
	6m, 30cm+ diam.	1350↓
Sawnwood		
Mongolian Scots Pine	4m, 5-6cm thick	1450
	4m, 10cm thick	1550↓

Zhejiang Jiashan Kaihua International Timber Market

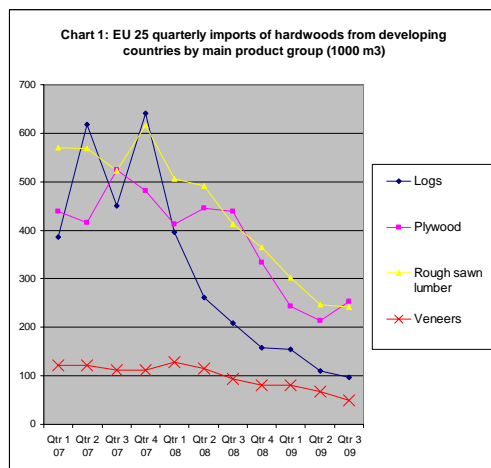
Logs	Yuan per m ³
Okoume 80cm+	2900-3400
Sapele 80cm+	6000-6600
Wenge 80cm+	13000-14500
Sawnwood	
Doussie	3600-4000
European beech boules	3200-3400
Radiata	800-1200
Plywood	
US Black Walnut 4x8x3 mm	6000-8000
Beech 4x8x3 mm	6000-8000
Teak 4x8x3 mm	6000-8000
Poplar (4x8x3-5 mm)	3000-4000

For more information on China's forestry see: www.forestry.ac.cn

Rebound in EU plywood imports

Analysis of the most recent Eurostat trade data indicates that European imports of hardwood-faced plywood from developing countries rebounded in the third quarter of 2009 after suffering four consecutive quarters of decline.

In the three months to end September 2009, the EU imported 252,000 cu.m of hardwood plywood from developing countries compared to only 211,000 cu.m in the previous 3 month period. This aligns with anecdotal reports of European plywood importers taking tentative steps to rebuild depleted stocks. Nevertheless, levels of European hardwood plywood imports during the third quarter of 2009 were only around 50% of levels recorded during the same period in 2008 and 2007 (Chart 1).

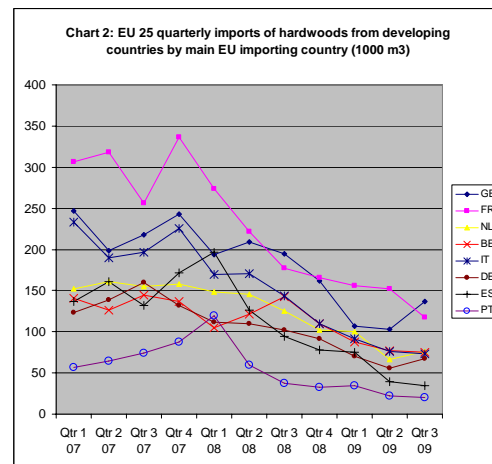


Source: Forest Industries Intelligence Ltd analysis of Eurostat data

EU imports of other hardwoods from developing countries continued to decline during the third quarter of 2009. European imports of hardwood logs and sawn lumber from these countries suffered seven straight quarters of decline between October 2007 and September 2009.

Hardwood log imports fell from over 600,000 cu.m in the fourth quarter of 2007, to less than 100,000 in the three months to end September 2009.

During the same period, EU imports of sawn lumber from developing countries declined from over 600,000 cu.m to around 250,000 cu.m. EU imports of hardwood veneer from developing countries fell for six consecutive quarters between January 2008 and September 2009, from 128,000 cu.m to 50,000 cu.m (Chart 2).



Source: Forest Industries Intelligence Ltd analysis of Eurostat data

Compared to the previous quarter, the three month period to end September 2009 saw a slight increase in total imports by the UK, Netherlands, and Germany of hardwood logs, lumber, veneers and plywood from developing countries. However, total imports of these commodities into all other major EU markets continued to fall during the third quarter of 2009 (Chart 2).

All the main developing-world suppliers of hardwoods to the EU with the exception of China and Malaysia experienced a decline in European sales during the third quarter of 2009.

EU imports of hardwood primary products from China and Malaysia (mainly plywood) showed marginal gains during the third quarter compared to the second quarter, although the volumes involved remained well below those of the previous year. During the third quarter of 2009, EU imports of hardwoods from most major developing-world supply countries were running at less than 50% of volumes achieved during the same period in 2007..

Weak growth prospect for 2010

The unprecedented fall in EU hardwood imports in 2008 and 2009 reflects the dramatic economic downturn across Europe. The sheer scale of the downturn took many economists by surprise.

EU GDP is expected to have fallen by around 4% in 2009 according to the most recent European Commission forecasts (in November 2009). This compares to a fall of only 1.8% predicted at the start of the year.

Signs that the European economy may have reached bottom began to emerge in the third quarter of 2009. The euro-area economy crawled out of recession in the three months to the end of September. GDP across the euro-zone rose by 0.4%, the first quarterly increase for more than a year. While the European economy is expected to return to growth in 2010, the indications are that the rebound will be very weak across the continent.

Prospects are dampened by a wide range of factors including: high and rising levels of unemployment; over-capacity in the construction sector following the bursting of property bubbles in several countries (notably Spain, Ireland and the UK); the strength of the euro which is undermining European competitiveness in export markets; and the continuing unwillingness of European banks to provide credit, particularly to smaller businesses and households.

To make matters worse, many European governments are having to deal with very high fiscal deficits, greatly reducing their ability to stimulate economic activity.

Governments now face a very difficult policy dilemma. Public debt may spiral out of control unless taxes are raised or spending cut. But if fiscal support is withdrawn too quickly, the economy could tip back into recession. To address this, European Union countries have agreed in principle to an “ambitious” tightening of fiscal policy, but only from 2011. By then, it is hoped, the economy will be strong enough to withstand it.

The bright spots

There are a couple of bright spots amidst the gloom for the hardwood industry. Activity in the European joinery sector, particularly windows, is receiving a boost from government stimulus measures focused on improving the energy efficiency of buildings in some countries, notably Germany and France. Furthermore, in those countries like the UK where the property bubble has burst and new residential building is in the doldrums, maintenance and renovation work is more stable as property owners are choosing to “improve rather than move”.

Growth prospects vary

While the economic downturn has been universally felt across Europe, its depth and the likely strength of the rebound varies between countries.

GDP in Germany shrank by 5% in 2009 and is expected to rebound only weakly in 2010. Unemployment is expected to jump this year from 3.1 million to 4.5 million, a painful rise that will dampen consumer confidence and spending. A wide range of government measures have been implemented in order to stimulate growth. One beneficiary of particular relevance to the tropical hardwood sector is the windows sector which is currently benefiting from government subsidies to boost energy efficiency.

Tax cuts, including a reduction in VAT scheduled for 2010, may help boost consumption this year. However stronger economic growth will be impaired as government support in other areas, including in the labour and car markets, comes to an end.

Due to high dependency on the financial sector, GDP fell particularly dramatically in the UK during 2009, by around 5.9% from peak to trough. The UK remained in recession in the three month period to September 2009, the most recent quarter for which data is available.

The expectation is that the UK economy dragged itself out of recession in the last quarter of 2009, and GDP is forecast to grow weakly in 2010, by around 0.4% according to The Economist. Unemployment is continuing to rise and is expected to peak at around 9% of the workforce in 2010. UK housing market statistics have improved somewhat at the beginning of 2010, for example there was a 45% rise in new house registrations in the 3 months to November 2009.

On the other hand, prospects in the UK for 2010 are dampened by wide expectations of rising interest rates together with higher taxes after a general election expected sometime between March and May 2010 as the new government tries to rein in the country’s burgeoning fiscal deficit.

Recent reports in the UK Timber Trades Journal suggest many timber traders expect the UK market to continue to “bump along the bottom” in 2010.

GDP in France is expected to grow by 0.9% in 2010. The French government has been spending freely in an effort to counteract the effects of the recession, supporting employment and bringing forward planned public investment projects. However this is at the cost of a burgeoning budget deficit. While the economy has stabilised there is unlikely to be any dynamism.

Tight fiscal policies in Italy leave little room for economic stimulus. There also appears to be little appetite for structural reform, suggesting Italy will not be well placed to benefit from the global upturn and its economic position in Europe will continue to weaken. Economic growth of only 0.4% is expected in 2010.

The strong euro will be a brake on Italian competitiveness in key export sectors, including furniture. Manufacturing in the Italian wood processing sectors is well down.

During late 2009, industries focused on exports, such as furniture, were reporting that sales had fallen by nearly 50% compared to the previous year. Traditionally Italian wood importers carried relatively high stocks, but during the current downturn companies have followed the trend to greatly run down stocks and minimise forward orders.

A home-grown property bubble meant Spain was hit early and very hard by the credit crunch. The construction sector has collapsed, feeding through into a dramatic decline in key wood processing and manufacturing sectors.

Spain’s large door manufacturing sector has suffered from widespread bankruptcies and production is believed to be down by more than 50%. Prospects for any improvement in Spain’s economy in the short to medium term seem poor. GDP is expected to decline by 0.8% in 2010, with no return to growth until at least the last quarter of the year. Unemployment and the budget deficit is expected to soar.

The Netherlands Sawnwood Prices

	US\$ per m ³
FOB (Rotterdam)	
Sapele KD	960
Iroko KD	1109
Sipo KD	1130
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	1377↑

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	300-320↑
Iroko 80cm+ LM-C	300-340↑
African Walnut 80cm+ LM-C	310-340

UK Sawnwood Prices

	GB Pounds per m ³
FOB plus Commission	
Framire FAS 25mm	440-450
Sipo FAS 25mm	610-630
Sapele FAS 25mm	545-555
Iroko FAS 25mm	630-650
Wawa No.1 C&S 25mm	320-330
CIF plus Commission	
Tulipwood FAS 25mm	250-260
Meranti Tembaga Sel/Btr (KD 2"boards)	480-500
Balau/Bangkirai Decking	810-850
White Oak	465-480

UK Plywood and MDF Prices

	US\$ per m ³
Plywood Panels 8x4", CIF	
Brazilian WBP BB/CC 6mm	500-520
Malaysian WBP BB/CC 6mm	480-500
China (hardwood face, eucalyptus core) 18mm	350-360
China (tropical hardwood face, poplar core) 18mm	310-330

Report from North America

Ready for the Lacey Act?

The Lacey Act prohibits the import, export or trade in illegally sourced wood and plant products. A raid of the US guitar manufacturing company Gibson Guitar in Tennessee in November 2009 was the first known enforcement carried out by the US Fish and Wildlife Service, according to the World Resources Institute.

The World Resources Institute and the Environmental Investigation Agency have published a factsheet that answers a number of questions US companies and their suppliers may have, including what risks do buyers, traders, and sellers of forest products face if they violate the Lacey Act, and what can companies do to avoid becoming the subject of a Lacey Act investigation.

See:

http://pdf.wri.org/factsheets/factsheet_are_you_ready_for_the_lacey_act.pdf

A list of steps that companies can take to show that "due care" has been taken to not use illegal wood can be found in the summer 2009 newsletter by the Oregon Wood Innovation Center.

It also recommends keeping a Lacey Act compliance file that should be updated at least once a year and revised as necessary to include new suppliers, products and shipment scenarios.

See:

<http://owic.oregonstate.edu/newsletter/Summer%202009.pdf>

Market outlook for 2010

Many US hardwood companies expect business in 2010 to be similar to that in 2009 in terms of market demand. Most companies surveyed for the Import/Export Purchasing News (December/January issue) agreed that the housing and commercial markets may improve in late 2010 or even later. Higher ocean freight rates will be a challenge for US importers and trading in general.

While some expect a slight improvement in business in 2010, the consensus is that if the market recovers faster than expected, hardwood suppliers would not be able to keep up with demand. Inventories are currently very low, which has helped keeping prices up. The US hardwood industry went through severe cost cutting measures in 2009, and many mills and businesses folded.

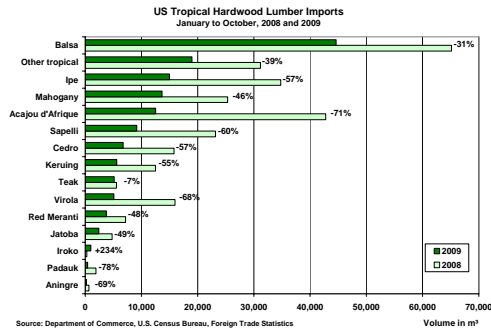
Since demand has been hard to predict, many hardwood lumber customers now wait for orders before sourcing lumber. As a result, distribution centres and concentration yards have had to adjust to demand for just-in-time delivery. Properly managing inventories and cash flow will remain a priority in 2010.

Once the US and European economies recover, companies will have to compete with Chinese manufacturers for raw material that is in some instances less available than before the recession. For tropical species in particular, the Lacey Act may reinforce a supply shortage and higher prices in the US market.

US tropical timber imports

Recently released trade statistics up to October 2009 show that import volumes of tropical hardwood lumber continue to be low. On average, tropical hardwood lumber imports are down -33% year on year. Only Teak imports have held up and are similar to last year's volumes, but most other species from both South America and Africa are at much lower levels. Import volumes and changes in the main species imported into the US are shown in the figure below.

Tropical veneer imports fared even worse according to the available October data. Compared with 2008, import volumes fell on average by more than 50% in 2009. Imports from China went down by 54%, from Ghana by 76% and from Cote d'Ivoire by 30%.



The Hardwood Review Weekly noted in its December 11, 2009 issue that more buyers purchase tropical hardwoods from Africa, while South America used to dominate supply. Sawmill closures in many parts of Africa may, however, cause hardwood supply shortages in 2010.

It remains difficult for manufacturers to sell to the US market at current asking prices, given the slow economic recovery and the weak US dollar. Exporters demand higher prices in line with the exchange rate development, but US buyers show reluctance to purchase. Inventories are so reduced that shortages are already emerging.

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.

Barclays Plc won Dubai's first foreclosure cases in court, clearing the way for lenders holding about \$16 billion of Dubai home loans to take action when borrowers don't pay. Islamic lender Tamweel PJSC, the emirate's biggest mortgage bank, has several of its own foreclosure claims pending and estimates about 3 percent of its mortgages are in default.

<http://www.bloomberg.com/apps/news?pid=20601109&sid=a4TwiSifjdM&pos=10>

China's exports ended a 13-month-long decline in December, boosted by improving external demand for its goods and services, while imports also improved sharply due to strong industrial demand for commodities, narrowing the country's trade surplus. December exports jumped 17.7% from the year-earlier month, trouncing the 4% rise expected by economists in a Reuters survey and marking a sharp rebound from the 1.2% fall in November.

<http://www.marketwatch.com/story/china-exports-rebound-strongly-while-imports-surge-2010-01-10?siteid=rss&rss=1>

The Chinese central government has vowed to demolish city slums and build more affordable or low-rent houses in a bid to solve the housing problem of 15.4 million low-income urban households by the end of 2012. Following a spate of moves late last year to cool the overheated property market, the State Council issued a notice ordering central government departments and local governments to take concrete moves to curb speculation and provide

affordable housing to the public, which has become increasingly desperate in the face of skyrocketing realty prices.

<http://english.peopledaily.com.cn/90001/90778/90862/6864486.html>

Contrary to United Nation's statistics asserting that Brunei's forest cover fell 11.8 per cent from 1990 to 2005, the Deputy Director of the Forestry Department reaffirmed that Brunei's forest cover has decreased by only five per cent from 1984 to 2005, arguing that Brunei's definition of "forest cover" is different to that used by the UN.

<http://brudirect.com/index.php/2010010813593/First-Stories/brunei-still-has-78-green-cover.html>

The government of Sierra Leone has placed an immediate ban on the transport and export of logs, in an effort to crackdown on a largely uncontrolled, multi-million-dollar industry. A statement from the office of the president said "illegal logging is having adverse effect on the country's environment and depleting the ozone layer and must be stopped with immediate effect". It warned that violations of the logging export ban could result in court fines and confiscation of property.

<http://allafrica.com/stories/201001090030.html>

Liberia is about to restart logging of its valuable tropical hardwood timber, but environmental activists warn that even with strict regulations the new commercial activity may cause terrible ecological damage. The United Nations placed an embargo on timber from Liberia in 2003. The international sanctions effectively prohibited the commercial logging or exporting of any timber products. Previously the export of hardwoods was estimated to make up 60 percent of Liberia's GDP.

<http://www.globalpost.com/dispatch/africa/091223/liberia-timber-logging-human-rights>

There is confusion on climate change as to what happens now given the narrow Copenhagen Accord leaves most areas of the UN negotiations up in the air. But amid the failure in Copenhagen to get agreement on all manner of issues needed for a new global climate agreement, the area that arguably saw the most progress towards a final outcome was REDD.

<http://www.carbonpositive.net/viewarticle.aspx?articleID=1786>

The Venezuelan government plans to build some 120,000 homes during 2010 with the aid of Brazil, Iran and China, the public works and housing minister said. "The construction of 120,000 homes this year is part of an agreement signed by Venezuela with countries like Brazil, Iran and China," Diosdado Cabello said.

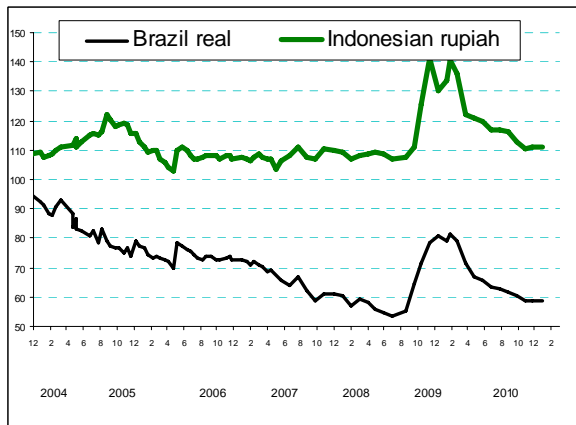
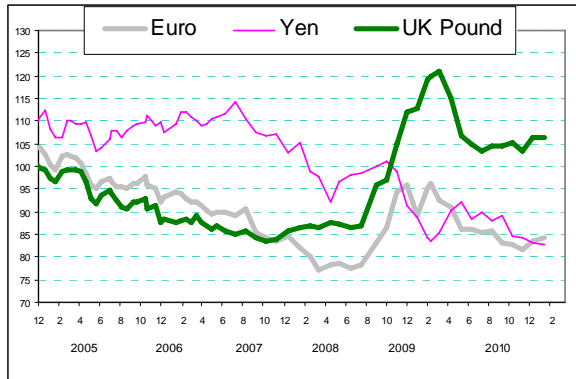
<http://www.laht.com/article.asp?ArticleId=350099&CategoryId=10717>

Main US Dollar Exchange Rates

As of 14th January 2010

Brazil	Real	1.7584
CFA countries	CFA Franc	438
China	Yuan	6.8270
EU	Euro	0.6897
Indonesia	Rupiah	9166
Japan	Yen	91.10
Malaysia	Ringgit	3.40
Peru	New Sol	2.8482
UK	Pound	0.6126

Exchange rates index (Dec 2003=100)



Abbreviations and Equivalences

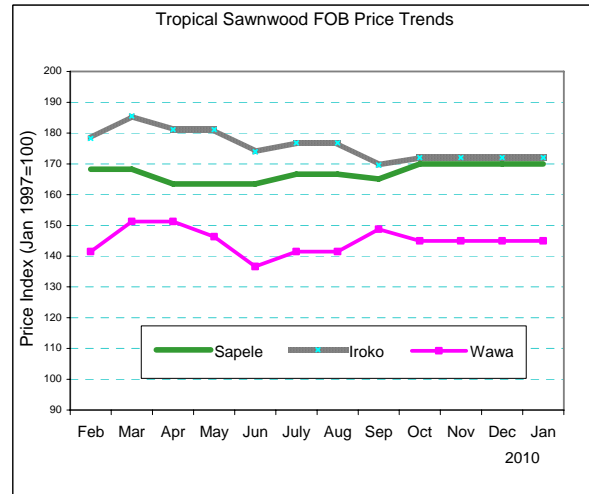
LM	Loyale Merchant, a grade of log parcel
QS	Qualite Superieure
CI, CE, CS	Choix Industriel, Economique or Supplimentaire
FOB	Free-on-Board
CIF; CNF	Cost, insurance and freight; Cost and freight
KD; AD	Kiln Dry; Air Dry
Boule	A log sawn through and through, the boards from one log are bundled together.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

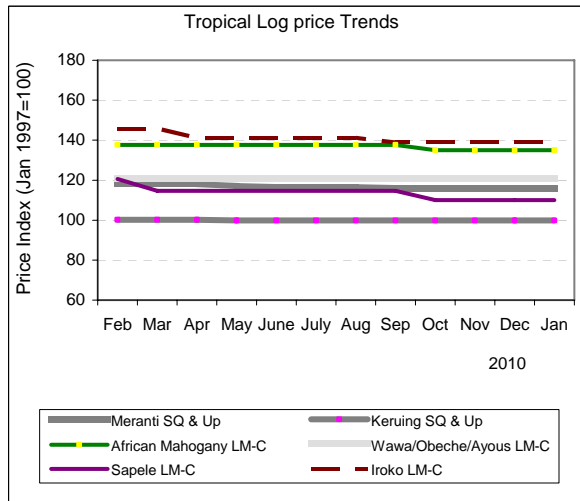


The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes. It is based on a 52,454 mt bulk carrier carrying commodities such as timber.

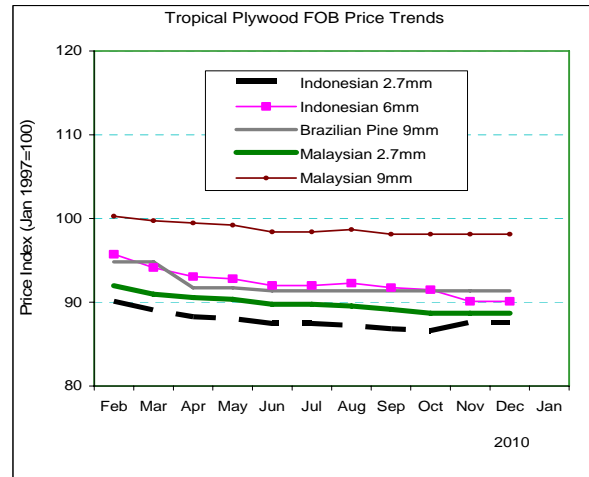
Tropical Sawwood Price Trends



Tropical Log Price Trends



Tropical Plywood Price Trends



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

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