

# Tropical Timber Market Report

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### **Sarawak raises royalty on timber**

In November 2008, the State Government of Sarawak announced its intention to introduce a single flat royalty rate for all logs at RM65 per cu.m to be effective from 1 January 2009. Following an appeal by the Sarawak Timber Association, the Government agreed to a step-by-step increase of the royalty rate: RM50 per cu.m in 2009, RM55 per cu.m in 2010 and RM65 per cu.m in 2011 and onwards.

However, due to the poor market situation in 2009 and 2010, the single flat royalty rate of RM50 per cu.m was also applied in 2010. The royalty rate has been increased to RM65 per cu.m for all logs effective from 1 January 2011.

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## Report from Central/West Africa

### Sustained China and India demand keeps log market stable

The West and Central African producers expect active timber trade in the first quarter of 2011, despite continuing slow demand from the European markets. The optimism among the producers is due to sustained demand of logs from China and India.

The on-going stability in timber trade is attributed to the decision by Cameroon to re-impose log export quota while the Gabon log export ban still holds. Producers' efforts to match supply with demand also contribute to price stability.

Demand for and prices of some prime species have been fluctuating with okume log prices moving up currently while those for sapele and sipo logs are expected to trend downwards. Bubinga log prices jumped as demand for large diameters picked up for the Indian and Chinese markets. Export demand for iroko logs is also good, pushing prices up. Iroko sawnwood prices are also in an upward trend.

### Gabon log export ban remains in place

Following the appointment of a new Forest Minister in Gabon, the government has instructed log producers to remove old logs from the port and export storage areas. Any logs that have remained in the areas more than 6 months from the felling date will be confiscated by the government. This reinforces the view that the log export ban will remain in place, says an analyst.

Consequently, log producers without sufficient processing capacity of their own are contracting other mills to saw and process high density prime species. According to reports, at least a proportion of these logs have been sawed into boules.

### Positive prospects for sawnwood exports

Prospects for sawnwood exports from the West and Central Africa are positive. Sawmills are reportedly having orders in hand for deliveries up to the end of the first quarter and enquires for forward deliveries beyond the first quarter have been received.

Demand for iroko continued to strengthen, with prices showing moderate increase. Okume sawnwood prices also gained slightly as demand rebounded from the slower period experienced in the fourth quarter of 2010 during which sales fell below expectations and some mills stopped cutting okume in favour of premium, higher density species.

Overall, prime species attract higher prices which have held firm except for sapele and sipo. European buyers are still reluctant to commit any major forward shipments and continue to buy only small volumes. However, this just-in-time strategy will make it difficult for the European buyers as most mills in the region have full order books and will not be able to respond to prompt shipments. There are reports of new investment in existing mills in order to

expand sawnwood production, buoyed by confidence of producers of continuing good demand throughout the coming months.

### West Africa Log Prices

West Africa logs, FOB	LM	B	BC/C
<u>Asian market</u>			
Acajou/ Khaya/N'Gollon	205	205	153
Ayous/Obeche/Wawa	190↓	190↓	145
Azobe & Ekki	205	205	122
Belli	210	210	-
Bibolo/Dibétou	145	130	
Bubinga	720↑	600↑	440↑
Iroko	265↑	260↑	195↑
Okoume (60% CI, 40% CE, 20% CS) (China only)	240↑	-	-
Moabi	280	280↑	190
Movingui	180	150	140
Niove	145	145	-
Okan	320	320	-
Padouk	380↑	345↑	235
Sapele	245	235↓	170
Sipo/Utile	275↑	250	190↓
Tali	270↓	270↓	-

### West Africa Sawnwood Prices

West Africa sawnwood, FOB	€ per m <sup>3</sup>
Abura KD	560
Ayous FAS GMS	300
Bilinga FAS GMS	430
Okoumé FAS GMS	380↑
FAS, fixed sizes	360↑
Std/Btr GMS	300↑
Sipo FAS GMS	420↓
FAS fixed sizes	-
FAS scantlings	480↓
Padouk FAS GMS	600↑
FAS scantlings	620↑
Strips	320
Sapele FAS Spanish sizes	390
FAS scantlings	435↓
Iroko FAS GMS	590↑
Scantlings	600↑
Strips	380↑
Khaya FAS GMS	415↑
FAS fixed	400↑
Moabi FAS GMS	505↑
Scantlings	440
Movingui FAS GMS	360↑

## Report from Ghana

### Value of timber product exports increased despite lower export volume

According to the report released by the Timber Industry Development Division of Ghana, timber product exports in December 2010 amounted to 30,200 cu.m worth Euro 10 million compared to 37,600 cu.m and Euro 9.8 million in December 2009. Timber product exports thus fell 20% in volume, but gained 2% in value.

The total value of timber products exported from January to December 2010 was Euro 138 million compared to Euro 128 million in 2009.

However, the export value of primary products including poles and billets in 2010 was Euro 6.8 million compared to Euro 12.6 million earned in 2009.

Exports of tertiary timber products were valued at Euro 10.2 million in 2010 increasing from Euro 8.1 million

registered in 2009, while exports of secondary timber products fetched Euro 121 million in 2010 compared to Euro 107 million in 2009.

According to the report, exports to other African countries were 191,000 cu.m in volume and Euro 53.5 million in value in 2010. The ECOWAS countries including Nigeria, Senegal, Niger, Gambia, Mali, Benin, Burkina Faso and Togo accounted for Euro 49.1 million of the total exports to African countries. Plywood and air-dried sawnwood including ofram and ceiba continue to be in favour of buyers in Nigeria and Niger.

Timber product exports to Europe in 2010 amounted to 85,000 cu.m worth Euro 40 million, with the main destinations being Italy, France, Germany, the UK, Belgium, Spain, Ireland and the Netherlands.

Emerging markets for Ghanaian timber products seem to be in Asia and Far East including India, Malaysia, Taiwan P.o.C, China, Singapore and Thailand. The value of timber product exports to these countries was Euro 23.8 million in 2010. India continues to be the major importer of Ghanaian teak poles, billets and sawnwood.

The value of timber product exports to the Middle East countries including Saudi Arabia, Lebanon, United Arab Emirate and Israel together was Euro 10.5 million in 2010.

#### Ghana Log Prices

Ghana logs, domestic	US\$ per m <sup>3</sup>	
	Up to 80cm	80cm+
Wawa	133-145	152-165
Odum Grade A	160-170	175-185
Ceiba	107-114	120-140
Chenchen	90-100	105-120
Khaya/Mahogany (Veneer Qual.)	100-115	120-145
Sapele Grade A	135-150	160-175
Makore (Veneer Qual.) Grade A	125-135	140-166

#### Ghana Export Sawnwood Prices

Ghana Sawnwood, FOB	€ per m <sup>3</sup>	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up		
Abura/Subaha	410	480
Afrosmosia	855	-
Asanfina	500	560↑
Ceiba	215	262
Dahoma	309	385
Edinam (mixed redwood)	400	450
Emeri	350	430↑
African mahogany (Ivorenensis)	568	650↓
Makore	520	585
Niangon	518↑	590
Odum	625	690↓
Sapele	545	600↑
Wawa 1C & Select	260	285↓

Ghana sawnwood, domestic		US\$ per m <sup>3</sup>
Wawa	25x300x4.2m	268↑
Emeri	25x300x4.2m	307↑
Ceiba	25x300x4.2m	230↑
Dahoma	50x150x4.2m	292
Redwood	50x75x4.2m	315
Ofram	25x225x4.2m	313↑

#### Ghana Veneer Prices

Rotary Veneer, FOB	€ per m <sup>3</sup>	
	CORE (1-1.9mm)	FACE (<2mm)
Bombax	315	350
Ofram, Ogea & Otie	318	355
Chenchen	315	350
Ceiba	320↑	350↑
Mahogany	415	450

The above prices are for full sized panels, smaller sizes minus 15%. Thickness below 1mm would attract a 5% premium.

Rotary Veneer, FOB Core Grade 2mm & up	€ per m <sup>3</sup>
Ceiba	274
Chenchen	305
Ogea	300
Essa	290
Ofram	310

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afrosmosia	1.19	1.00
Asanfina	1.50↑	1.00↑
Avodire	1.12	0.60↓
Chenchen	1.27	0.60↓
Mahogany	1.25	0.96↑
Makore	1.20	0.60↓
Odum	1.80	1.40↑

#### Ghana Export Plywood Prices

Plywood, FOB	€ per m <sup>3</sup>		
	Ceiba	Ofram	Asanfina
BB/CC			
4mm	370	546	597
6mm	367	540	575
9mm	307	384	436
12mm	290↓	381	397
15mm	281	327	334
18mm	270↑	320	330

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

#### 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	10.18	11.00
Hyedua	13.67	13.93	17.82
Afrosmosia	13.72	18.22	17.82

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

Mouldings (FOB export)	€ per m <sup>3</sup>
Dahoma grade 1	492
Denya grade 1	516
Hotrohotro grade 1	580
Wawa grade 1	500
Wawa grade 2	428
Ekki grade 1	475
Wawabimba Laminated grade 1	750

## Report from Malaysia

#### Sarawak raises royalty on timber

In November 2008, the State Government of Sarawak announced its intention to introduce a single flat royalty rate for all logs at RM65 per cu.m to be effective from 1 January 2009. Following an appeal by the Sarawak Timber Association, the Government agreed to a step-by-step increase of the royalty rate: RM50 per cu.m in 2009, RM55 per cu.m in 2010 and RM65 per cu.m in 2011 and onwards.

However, due to the poor market situation in 2009 and 2010, the single flat royalty rate of RM50 per cu.m was also applied in 2010. The royalty rate has been increased

to RM65 per cu.m for all logs effective from 1 January 2011.

#### More foreign workforce needed to meet export target

The value of timber and timber product exports from January to November 2010 totalled RM18.8 billion, up 6.5% over the same period in 2009. Timber product exports are projected to reach RM20.5 billion in 2010. In 2011, exports are forecast to further increase to RM21 billion - RM22 billion.

The National Timber Industry Policy (NATIP) sets an export target of RM53 billion by 2020 for timber and timber products. The target requires an annual export growth of 6.4% with 60% of exports to be derived from value-added products. The current share of value-added products to timber product exports is 40%.

According to the Ministry of Plantation Industries and Commodities, the Malaysian timber industry needs 50,000 more workers in order to meet the export target. In addition, the furniture sector is experiencing a shortfall of 23,000 workers.

The current shortage of workers is attributed to several restrictions imposed by the federal government to promote the employment of local population as the global economic slowdown continues. However, the Malaysian timber industry is dependent on foreign labour. The booming furniture sectors in Vietnam and China compete with the Malaysian timber industry for foreign workforce.

According to a recent study conducted by the Malaysian Timber Industry Board (MTIB), Forest Research Institute of Malaysia (FRIM) and Malaysian Timber Council (MTC), the production of value-added timber products generated RM24 billion to the Malaysian economy in 2009.

#### Concern over increasing costs

The Sarawak Timber Association (STA) expressed concern over the recent increases in fuel prices, freight charges and cargo insurance costs. In addition, the STA hopes that the federal government would be able to provide more incentives for forest plantation projects as well as for the use of lesser-known-species.

The industry is taking a break for the Chinese Lunar New Year, with many of the workers returning to their respective hometowns for the celebration.

#### Log Prices

	US\$ per m <sup>3</sup>
Sarawak log, FOB	
Meranti SQ up	248-273
Small	234-264
Super small	234-255
Keruing SQ up	233-245
Small	221-249
Super small	206-232
Kapur SQ up	224-250
Selangan Batu SQ up	217-251

	US\$ per m <sup>3</sup>
Pen. Malaysia logs, domestic (SQ ex-log yard)	
DR Meranti	257-276
Balau	312-341
Merbau	341-373
Rubberwood	90-124
Keruing	233-249

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

#### Sawnwood Prices

	US\$ per m <sup>3</sup>
Malaysia Sawnwood, FOB	
DR Meranti	402-438
White Meranti A & up	294-324
Seraya Scantlings (75x125 KD)	441-454
Sepetir Boards	263-285
Sesendok 25,50mm	353-371
Kembang Semangkok	315-338

	US\$ per m <sup>3</sup>
Malaysian Sawnwood, domestic	
Balau (25&50mm,100mm+)	333-353
Merbau	465-517
Kempas 50mmx(75,100 & 125mm)	270-310
Rubberwood	
25x75x660mm up	226-276
50-75mm Sq.	265-297
>75mm Sq.	287-316

#### Plywood Prices

	US\$ per m <sup>3</sup>
Malaysia ply MR BB/CC, FOB	
2.7mm	424-486↑
3mm	404-434↑
9mm & up	352-424↑

	US\$ per m <sup>3</sup>
Meranti ply BB/CC, domestic	
3mm	347-438
12-18mm	330-359

#### Other Panel Prices

	US\$ per m <sup>3</sup>
Malaysia, Other Panels, FOB	
<i>Particleboard</i>	
Export 12mm & up	241-264
Domestic 12mm & up	229-246↑
<i>MDF</i>	
Export 15-19mm	295-326
Domestic 12-18mm	285-303

#### Added Value Product Prices

	US\$ per m <sup>3</sup>
Malaysia, Mouldings, FOB	
Selagan Batu Decking	554-565
Red Meranti Mouldings	
11x68/92mm x 7ft up	
Grade A	569-582
Grade B	523-533

#### Furniture and Parts Prices

	US\$ per piece
Malaysia, Rubberwood, FOB	
Semi-finished dining table	
solid laminated top 2.5'x4', extension leaf	71-87
As above, Oak Veneer	78-92
Windsor Chair	70-72
Colonial Chair	68-73
Queen Anne Chair (soft seat)	
without arm	69-76
with arm	68-77
Chair Seat 27x430x500mm	56-61
Rubberwood Tabletop	US\$ per m <sup>3</sup>
22x760x1220mm sanded & edge profiled	
Top Grade	607-637
Standard	588-607



## Report from Indonesia

### Germany is the largest market in Europe for Indonesian rattan products

The largest furnishing exhibition in Germany, the imm Cologne 2011, was held on 18 - 23 January 2011. The Indonesian rattan industry made a comeback to the exhibition after an absence of more than 25 years. Altogether 12 Indonesian companies participated in the exhibition.

At the exhibition, the Association of Furniture and Handicraft Rattan of Indonesia (AMKRI) signed two cooperation agreements: an exhibition cooperation agreement with the Köln Messe and an agreement for rattan design development programme with the German Furniture Design and Marketing Development Institution.

Germany is the largest market in Europe for Indonesian rattan products with Euro 18.5 billion of exports recorded in 2008. In 2010, Indonesian rattan product exports to Germany grew 2.7% following the economic growth of 2.5% recorded from January to October 2010 in Germany.

### Concern over raw material supply

As it was reported earlier, the 2-year moratorium planned to be implemented on 1 January 2011 in Indonesia has been postponed. Companies with logging permits obtained before 2010 are allowed to continue harvesting in primary forests. The level of harvesting is expected to be finalised during 2011.

However, the Indonesian Ministry of Forestry has recently ordered some timber companies to stop log harvests in natural forests with immediate effect. The Ministry of Forestry stresses the need to reorganise the management of the pulp and paper industry in order to meet the new conditions. Timber companies violating the order will have their permits revoked.

Concerns have been expressed whether relying solely on plantation forests for raw material supply is going to be enough for the Indonesian timber industry to maintain and develop its production. It is estimated that 50% to 60% of raw material supply for the Indonesian timber industry comes from natural forests.

The Indonesian timber industry is estimated to be worth US\$16 billion and employing annually around 240,000 workers. In 2010, the industry contributed US\$4 billion to state revenue, accounting for 6.1% of the total.

### Log Prices (domestic)

Indonesia logs, domestic prices	US\$ per m <sup>3</sup>
Plywood logs	
Face Logs	207-250
Core logs	189-222
Sawlogs (Meranti)	201-262
Falcata logs	165-199
Rubberwood	81-85
Pine	180-221
Mahoni (plantation mahogany)	489-518

### Sawnwood Prices

Indonesia, construction material, domestic	US\$ per m <sup>3</sup>
Kampar (Ex-mill)	
AD 3x12-15x400cm	194-213
KD	212-246
AD 3x20x400cm	233-256
KD	235-264
Keruing (Ex-mill)	
AD 3x12-15x400cm	247-261
AD 2x20x400cm	235-253
AD 3x30x400cm	217-236

### Plywood Prices

Indonesia ply MR BB/CC, FOB	US\$ per m <sup>3</sup>
2.7mm	412-469▲
3mm	369-410▲
6mm	348-390▲

MR Plywood (Jakarta), domestic	US\$ per m <sup>3</sup>
9mm	268-279
12mm	260-270
15mm	250-264▲

### Other Panel Prices

Indonesia, Other Panels, FOB	US\$ per m <sup>3</sup>
<i>Particleboard</i> Export 9-18mm	230-239
Domestic 9mm	209-221
12-15mm	203-214
18mm	195-207
<i>MDF</i> Export 12-18mm	263-276
Domestic 12-18mm	245-257

### Added Value Product Prices

Indonesia, Mouldings, FOB	US\$ per m <sup>3</sup>
Laminated Boards	
Falcata wood	312-325
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	503-537
Grade B	459-481

## Report from Myanmar

### Mixed market outlook

The market situation for teak is reportedly good but the Chinese Lunar New Year holidays have eased trading towards the end of the month. With the arrival of fresh and good quality logs, prices at Myanmar Timber Enterprise (MTE) tender sales were favourable in January. Buying in MTE tender sales was aggressive especially for the Indian market.

The market situation for pyinkado has also improved. However, buyers say that the export market for kanyin-gurjan (*Dipterocarpus* spp) logs is still extremely slow. Lower grade kanyin logs are processed for construction timber in the domestic market.

Trade in eng (*Dipterocarpus tuberculatus*) for the Indian market has been active but prices are lower than for kanyin-gurjan (*Dipterocarpus* spp).

The Myanmar Kyat has appreciated against the US dollar from about Kyat 1000/US\$ to Kyat 850/US\$ currently. As a result, MTE tender prices in US dollars have attracted local saw millers. In addition, with the strong Kyat, processed products in the domestic market fetch higher prices compared to export prices.

In general, log trade is similar to the previous year. However, according to an analyst, grades and girths of logs from natural forests have declined over the years.

**Purchases of Myanmar teak by country in January**

Purchases of Myanmar teak logs by country during January 2011 were as follows: India (4 buyers, 257 Hoppus tons), Singapore (3 buyers, 214 Hoppus tons), and Hong Kong (1 buyer, 63 Hoppus tons). In the domestic markets there were four buyers, with timber sales totalling 80 Hoppus tons in volume.

**Myanmar log prices (natural forest logs)**

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)	
Veneer Quality	Dec	Jan
2nd Quality	nil	nil
3rd Quality	nil	6,650 (5 tons)
4th Quality	4,519 (10 tons)	4,727 (10 tons)
Sawing Quality		
Grade 1 (SG-1)	3,129 (34 tons)	3,122 (37 tons)
Grade 2 (SG-2)	2,531 (43 tons)	2,572 (40 tons)
Grade 4 (SG-4)	1,806 (216 tons)	2,100 (208 tons)
Grade 5 (SG-5) Assorted	1,179 (85 tons)	1,323 (130 tons)
Grade 6 (SG-6) Domestic	1,031 (137 tons)	1,136 (101 tons)
Grade 7 (ER-1)	783 (82 tons)	754 (82 tons)

Hoppus ton=1.8m<sup>3</sup>; All grades, except SG-3/5/6, are length 8' x girth 5' & up. SG-3/4/6 are girth 4' & up. SG-3 grade is higher than SG-4 but with lower girth and price. Prices differ due to quality or girth at the time of the transaction.

**Report from India**

**Sharp jump in exports helps trim down trade deficit**

Exports from India grew 36.4% in December 2010 year-on-year to US\$22.5 billion, the highest level in 33 months. Imports to India stood at US\$25.1 billion in the same month, resulting in the narrowing of trade deficit to US\$2.6 billion.

**Increasing demand for industrial wood**

India's consumption of paper and paper products of 5 kg per person per year is among the lowest in the world. For comparison, levels of consumption per capita of paper and paper products in the USA, UK and China are 300 kg, 200 kg and 45 kg respectively.

However, improved education and continuing economic growth are expected to contribute to a rapid increase in consumption of paper products in India. Companies are intensifying agro-forestry activities to meet increasing demand for pulp-wood.

In social forestry, there are efforts to plant more fruit bearing trees as well as neem, eucalyptus, casuarina, poplar and rubber wood. In the district of Gujarat in western India, rubberwood plantations are being promoted on an experimental basis, helping in the greening of the country and providing employment to local communities. According to an analyst, wastelands can contribute to alleviating the shortage of raw materials if the government allows for the growing of industrial woods and bamboos in these areas.

**Red sandalwood seized**

The smuggling of red sandalwood (*Pterocarpus santalinus*) out of India appears to be continuing. However, Indian Customs have been successful in seizing illegal shipments. Red sandalwood is mainly shipped to China, Taiwan and Japan for the manufacture of medicine and musical instruments. Extracts of red sandalwood are also used as effective coolants in nuclear reactors and this has created a new market in China. The total seizure of red sandalwood in 2010 amounted to 230 metric tonnes worth Rs.210 million.

**Active auction sales in government depots**

Timber auction sales in Central and Western Indian Government depots continue to be active with steady demand and prices. Sales have amounted to over 10,000 cu.m of hardwood logs.

Long length quality teak logs fetched Rs.2100-2200 per cu.m, medium sawing quality teak logs were at Rs.1700-1800 per cu.m, long length medium girth at Rs.1500-1600 per cu.m, and lower grades were priced at Rs.900-1000 per cu.m.

Hardwoods like adina, laurel and kinowood (*Pterocarpus marsupium*) fetched Rs.800 for select qualities and Rs.400 for lower grades. Demand is good for these species, but supplies are inadequate.

**Timber market outlook**

Timber and wood products are in good demand in the Indian market and prices are firming. The shortfall of supply of non-teak hardwoods is met through imports of Malaysian hardwood logs.

Teak trade is active and prices trend upwards due to continuing demand from Europe, the USA and Middle East. Higher log prices are pushing sawnwood prices up.

Demand for plywood is also steady. Local production costs are rising but imports of plywood and other panel products from China make it difficult for Indian producers to pass these costs to the consumers.

**CNF Plantation Teak**

	US\$ per m <sup>3</sup>
Tanzania Teak sawn	450-775
Côte d'Ivoire logs	500-650▲
PNG logs	500-550
El-Salvador logs	415-550
Guatemala logs	400-500▲
Nigeria squares	360-450▲
Ghana logs	350-550▼
Guyana logs	350-450
Benin logs	450-650▼
Benin sawn	475-600▼
Brazil squares	475-600▲
Burkina Faso logs	350-450
Columbia logs	365-600
Togo logs	350-500
Ecuador logs	350-400
Costa Rica logs	350-500
Panama logs	315-400
Sudan logs	500-600
Venezuela logs	460-500▲

Variations exist based on lengths and average girths of logs in a parcel. Prices also vary with measurement allowances given for bark and sap in different countries of origin.

**India Sawnwood Prices (domestic) Myanmar Teak (imports)**

	Rs. per ft <sup>3</sup>
Sawnwood (Ex-mill)	
Myanmar Teak (AD)	
Export Grade F.E.Q.	5200-7500▲
Plantation Teak A grade	3000-3800▲
Plantation Teak B grade	2500-2800▲
Plantation Teak C grade	1800-2000▲

**India Sawnwood Prices (imports)**

Sawnwood, (Ex-mill) (AD)	Rs. per ft <sup>3</sup>
Merbau	1300
Balau	1250
Kapur	900
Red Meranti	650
Bilinga	650
Radiata Pine (AD)	340-350
Sawnwood, (Ex-warehouse) (KD)	Rs. Per ft <sup>3</sup>
Beech	1100
Sycamore	1250
Oak wood	1400
American Walnut	1850
Hemlock clear grade	1000
Hemlock AB grade	850
Western Red Cedar	1350

**India Plywood Prices**

Plywood, (Ex-warehouse) (MR Quality)	Rs. per sq.ft
4 mm	30.8
6 mm	43.4
12 mm	58.6
15 mm	70.0
18 mm	84.4

Locally Manufactured Plywood "Commercial Grade"	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	Rs.11.00▲	Rs.18.00
6mm	Rs.16.00▲	Rs.26.30
8mm	Rs.20.00▲	Rs.29.40
12mm	Rs.24.00▲	Rs.31.60
19mm	RS.31.50▲	Rs.42.50
5mm Flexible ply	Rs.19.50	Rs.23.50

**Report from Brazil****Timber product prices on an upward trend**

The average price of timber products in Brazil in BRL increased by 2.1% from the previous fortnight. Prices in US dollars also gained 0.59% due to the slight appreciation of the Brazilian currency against the US dollar.

**Mixed performance of wood product exports in last two months of 2010**

In November 2010, the value of timber product exports (excluding pulp and paper) increased 7.6% to US\$204 million from US\$189 million in November 2009. Exports of timber products continued to improve in December showing 2.5% increase compared to December 2009, from US\$219 million to US\$224 million.

In November, exports of tropical sawnwood rose in terms of both volume and value, from 48,400 cu.m worth US\$25.7 million recorded in November previous year to 53,200 cu.m worth US\$28 million. However, exports declined in December from 49,100 cu.m worth US\$25.5 million recorded in December previous year to 42,300 cu.m worth US\$23.1 million.

Exports of tropical plywood plunged 28% year-on-year in November, from 9,900 cu.m to 7,100 cu.m, but increased 11% year-on-year in December, from 8,100 cu.m to 9,000 cu.m. In value terms, a 28.6% decline was recorded year-on-year in November, from US\$5.6 million to US\$4.0 million, followed by a rebound of 16.3% in December, from US\$4.9 million to US\$5.7 million.

Pine sawnwood exports surged 35% year-on-year in November, from 40,900 cu.m to 55,300 cu.m, but slid 17.1% year-on-year in December, from 65,900 cu.m to 54,600 cu.m. In value terms, a 62% jump was recorded year-on-year in November, from US\$7.8 million to US\$12.6 million, followed by a 3.8% decline in December, from US\$13 million to US\$12.5 million.

Pine plywood exports increased 0.8% year-on-year in November, from 85,000 cu.m to 85,700 cu.m and advanced further in December by 13% year-on-year, from 83,300 cu.m to 94,400 cu.m. In value terms, a 15% increase was recorded year-on-year in November, from US\$26.4 million to US\$30.3 million, and a further surge of 23% in December, from US\$27.1 million to US\$33.4 million.

In contrast, the value of wooden furniture exports slipped 0.2% in November and 3.4% in December year-on-year to US\$46.6 million and US\$51.4 million respectively.

### **Authorities monitor inflationary trends in economy**

According to the Brazilian Institute of Geography and Statistics (IBGE), the Consumer Price Index (IPCA) rose 0.83% in November and 0.63% in December year-on-year. The accumulated IPCA for the year 2010 was 5.91%, 1.6 percentile points above the 2009 rate (4.31%)

In November 2010, the average exchange rate for BRL to the US dollar was BRL1.71/US\$ compared to BRL 1.73/US\$ during the same month of 2009. In December 2010, the average exchange rate stood at BRL 1.69/US\$, compared to BRL 1.75/US\$ in December 2009. This shows that BRL has further strengthened against the US dollar over the period.

The Copom (Economic Policy Committee) has kept the prime interest rate (Selic) at 10.75% since July 2010.

### **Brazilian Forest Service aims at expanding national forests (FLONAS)**

It was reported earlier that the area available for forest concessions in the Brazilian Amazon exceeded 1 million hectares. Recently the Brazilian Forest Service (SFB) announced its intention to increase forest concession areas for logging companies and forest areas for community management. Furthermore, SFB will speed up the forest concession approval process.

According to SFB, there are 50 million hectares of forests which can potentially be turned into national managed forests (FLONAS). At least 35 million hectares of national managed forests would be required in order to meet current timber demand.

In addition, part of the future timber supply will come from community forest management projects aimed at offering sustainable economic alternatives to illegal logging. SFB believes that community forest management projects are among those likely to receive international funds in the coming years.

### **New export strategy for furniture manufacturers in 2011**

According to the Chamber of Furniture Industry Development of FIESC (Federation of Industries of the state of Santa Catarina), the furniture manufacturers of Santa Catarina will focus on selling more furniture in the domestic market. The strategy change is due to the weakening of US dollar against the Brazilian Real. Santa Catarina is the major state in Brazil exporting furniture.

In 2009, furniture sales in the domestic market grew 5.2% compared to 2008. In October 2010, the accumulated furniture sales were up by 20% over the same period in 2009.

The value of furniture exports from Santa Catarina was US\$260 million in 2009, accounting for 31% of the total Brazilian furniture exports. In the period from January to November 2010, furniture exports totalled US\$248 million in value. The main export destinations were the US, France, the UK, the Netherlands, Spain and Germany.

### **Brazil stands out in furniture production**

According to the Italian Research Institute (CSIL), Brazil is the world's 13th largest furniture supplier and its industry is growing. The institute predicts that the Brazilian furniture industry will grow by 3% – 4% in 2011 and 2012.

According to CSIL, besides the economic growth in Brazil, the expansion of the furniture industry is due to several other factors, such as the significant expansion in civil construction, growing middle class, and the country's competitive position in the international market. In the next two years, furniture consumption will be much greater in emerging economies than in developed economies.

A large share of furniture production and sales is concentrated in the Southern and Southeast regions of Brazil. The furniture cluster consists of about 15,000 micro and small-sized companies. The annual panel production capacity is expected to grow from 6 million cu.m to 10.3 million cu.m by 2012.

Brazilian furniture sales hit a record high in 2008. In 2009, sales went down due to the global economic crisis and stiff competition from Asian products. However, according to CSIL, furniture consumption increased in the Southern and Southeast regions of Brazil in 2010.

### **IBAMA introduces new timber export control**

The Document of Forest Origin (DOF) used since 2006 to control the trade in forest products in the Brazilian domestic market has been adapted to be used for the export markets. The new module called "DOF Export" commenced operation on 10 January 2011 with the aim of improving transparency of the public administration and reducing bureaucracy.

DOF Export will be integrated to the state forest control system. Under the previous system, an entrepreneur had to register a timber courtyard in every export warehouse. With the new system, these warehouses are already pre-registered and thus duplication is avoided.

DOF can be also used as a REDD (Reducing Emissions from Deforestation and Degradation) tool to evaluate the legality of wood products originating from Brazil. The new system includes also a government database consisting information about foreign buyer companies. With these features, a foreign buyer is guaranteed of the legality of wood products, thereby improving and enhancing the competitiveness of Brazilian forest products in the international markets.

IBAMA has received delegations from several tropical forest countries, such as Indonesia, Ghana and Bolivia, which have shown their interest in adopting the Brazilian technology to control the forest products flow.



### Brazil Log Prices (domestic)

	US\$ per m <sup>3</sup>
Brazilian logs, mill yard, domestic	
Ipê	158↑
Jatoba	114↑
Guariuba	74↑
Mescla (white virola)	81

### Brazil Export Sawnwood Prices

	US\$ per m <sup>3</sup>
Sawnwood, Belem/Paranagua Ports, FOB	
Jatoba Green (dressed)	867↑
Cambara KD	509↑
Asian Market (green)	
Guariuba	276↑
Angelim pedra	662↑
Mandioqueira	244↑
Pine (AD)	201↑

	US\$ per m <sup>3</sup>
Brazil sawnwood, domestic (Green)	
<i>Northern Mills</i> (ex-mill)	
Ipê	766↑
Jatoba	588↑
<i>Southern Mills</i> (ex-mill)	
Eucalyptus (AD)	201
Pine (KD) 1st grade	258↑

### Brazil Veneer Prices

	US\$ per m <sup>3</sup>
Veneer, Export (Belem/Paranagua Ports) FOB	
White Virola Face 2.5mm	298↑
Pine Veneer (C/D)	209

	US\$ per m <sup>3</sup>
Rotary cut Veneer, domestic	
(ex-mill Northern Mill)	
Face	273
Core	225↓
White Virola	

### Brazil Plywood Prices

	US\$ per m <sup>3</sup>
Plywood, FOB	
White Virola (US Market)	
5.2mm OV2 (MR)	452↑
15mm BB/CC (MR)	392↑
White Virola (Caribbean market)	
4mm BB/CC (MR)	523↑
12mm BB/CC (MR)	420↑

	US\$ per m <sup>3</sup>
Pine Plywood EU market, FOB	
9mm C/CC (WBP)	280↑
15mm C/CC (WBP)	260↑
18mm C/CC (WBP)	248↑

	US\$ per m <sup>3</sup>
Plywood, domestic (ex-mill Southern mill)	
Grade MR (B/BB)	
White Virola 4mm	962
White Virola 15mm	699↓

Domestic prices include taxes and may be subject to discounts.

### Other Brazil Panel Prices

	US\$ per m <sup>3</sup>
Belem/Paranagua Ports, FOB	
Blockboard Pine 18mm 5 ply (B/C)	312
<i>Domestic Prices, Ex-mill Southern Region</i>	
Blockboard White Virola faced 15mm	588↓
Particleboard 15mm	382↓

### Brazil Added Value Products

	US\$ per m <sup>3</sup>
FOB Belem/Paranagua Ports	
Edge Glued Pine Panel	
Korean market (1st Grade)	625
US Market	494↑
Decking Boards	
Cambara	622↑
Ipê	1,646↑

## Report from Peru

### Appeal for Congress to pass Forestry and Wildlife Law

The Peruvian Exporters' Association (Adex), the National Society of Industries (SIN) and the National Forest Chamber have appealed to the Congress to pass the Forestry and Wildlife law in March. According to these bodies, an adequate legal framework would help the sector to boost exports and create jobs.

### Call for integrated policies for the forestry sector

The export performance of wood and timber products in 2011 is expected to be lower than in 2010 if the next government does not commit to support the sector, said Eric Fischer, Chairman of the Wood Committee, Peru Exporters Association.

According to Fischer, the regional governments are lacking in resources and integrated State policies to support and promote the forestry sector in Peru.

### Significant losses from deforestation

An impact analysis of deforestation in Pichis-Palcazú of the Pasco region shows a loss of some US\$750 - US\$811 million in revenue in the next 30 years period due to deforestation.

The analysis considered the losses in opportunities and revenues from sustainable forest management, involving a total area of 1,4 million hectares. According to estimates, some 269,000 hectares were deforested in 2007, with 57% of the deforested area turned into pastureland and the remaining 43% into shifting cultivation.

### Peru Sawnwood Prices

	US\$ per m <sup>3</sup>
Peru Sawnwood, FOB Callao Port	
Mahogany S&B KD 16%, 1-2" random lengths (US market)	1655-1702
Spanish Cedar KD select	
North American market	918-922
Mexican market	897-921
Pumaquiro 25-50mm AD	532-586

	US\$ per m <sup>3</sup>
Peru Sawnwood, FOB Callao Port (cont.)	
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	319-370↑
Grade 2, Mexican market	269-279↑
Cumarú 4" thick, 6'-11' length KD	
Central American market	831-855
Asian market	798-866
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	509-549
Dominican Republic	558-569
Marupa (simarouba) 1", 6-11 length Asian market	359-382

	US\$ per m <sup>3</sup>
Peru Sawnwood, FOB Iquitos	
Spanish Cedar AD Select Mexican market	887-909
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	324-344↑
Grade 2, Mexican market	264-275↑
Grade 3, Mexican market	139-156
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	216-235

	US\$ per m <sup>3</sup>
Peru sawnwood, domestic	
Mahogany	879-911
Virola	51-69
Spanish Cedar	259-311
Marupa (simarouba)	59-72

### Peru Plywood Prices

	US\$ per m <sup>3</sup>
Peru plywood, FOB (Mexican Market)	
Copaiba, 2 faces sanded, B/C, 15x4x8mm	318-347
Virola, 2 faces sanded, B/C, 5.2x4x8mm	396-402
Cedar fissilis, 2 faces sanded 4x8x5.5mm	733-744
Lupuna, treated, 2 faces sanded, 5.2x4x8mm	363-385
Lupuna plywood	
B/C 15x4x8mm	353-365
B/C 9x4x8mm	345-350
B/C 12x4x8mm	350-360
B/C 8x4x15mm	396-408
C/C 4x8x4mm	380-388
Lupuna plywood B/C 8x4x4mm Central Am.	368-388

### Peru Veneer Prices

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

Lupuna Plywood BB/CC, domestic (Iquitos mills)	US\$ per m <sup>3</sup>
122 x 244 x 4mm	433
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 <sup>3</sup>
1.83m x 2.44m x 4mm	282
1.83m x 2.44m x 6mm	230
1.83m x 2.44m x 12mm	204

### Peru Added Value Product Prices

Peru, FOB strips for parquet	US\$ per m <sup>3</sup>
Cabreuva/estoraque KD12% S4S, Asian market	1277-1376
Cumarú KD, S4S Swedish market	797-920
Asian market	933-998
Cumarú decking, AD, S4S E4S, US market	949-1098↓
Pumaquiuro KD # 1, C&B, Mexican market	423-511
Quinilla KD, S4S 2x10x62cm, Asian market	477-503
2x13x75cm, Asian market	708-768

## Report from Bolivia

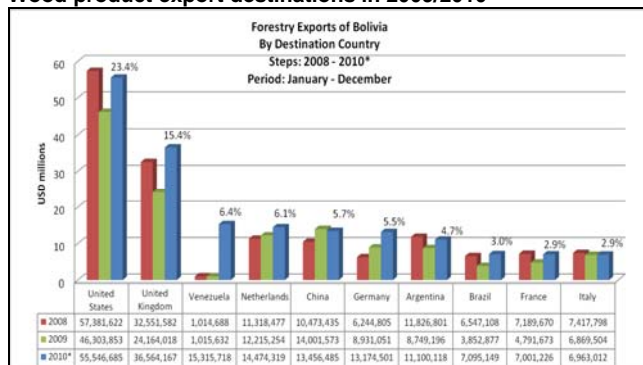
### Forest product exports surged in 2010

Forest product exports from Bolivia totalled US\$237 million in 2010, up 33% from US\$178.8 million in 2009.

Furniture, doors, panels, decking (as well as peeled chestnut and canned palm hearts) accounted for 82% (US\$195.4 million) of the total forest product exports, while the remaining 18% (US\$42.4 million) consisted of primary processed wood products, such as sawnwood and poles.

The US remains the major market for Bolivian forest products taking some US\$55.5 million, which accounted for 23.4% of the total forest product exports from Bolivia. Other major export destinations were the UK (US\$36.6 million), Venezuela (US\$15.3 million), the Netherlands (US\$14.5 million), and China (US\$13.5 million).

### Wood product export destinations in 2009/2010



### Bolivia Sawnwood Prices

Sawnwood 1-3"x3x5"x7-19', FOB Arica Port	US\$ per m <sup>3</sup>
Morado / Caviuna (Japan, US and France Market)	1510-2000
Roble / Oak (Indonesia Market) (AD)	700
Quina Quina / Santos Mahogany (China)	846
Cuta (French Market) (FSC)	700-780
Cambará / Jaboty (Belgium Market) (AD)	780

### Bolivia Added Value Product Prices

Doors 13/4"x36"x96", FOB Arica Port	Avg \$ per piece
Yesquero / Jequitiba (US Market)	120-305
Ochoó / Hura, Possumwood, Assacu (US Market)	231
Yesquero / Jequitiba (US Market)	55-100

Chairs FOB Arica Port	\$ Avg Per piece
Ipe (US market)	47-178
Roble/Oak (UK market)	49-83

Parquet Flooring 3/4"x3-5"x1-7', FOB Arica Port	\$ Avg un. val. Per m <sup>3</sup>
Jatobá (US and China Market) (KD)	1260-1385
Ipé (Germany Market) (AD)	1888
Cumarú (US and Germany Market) (KD)	1350

## Report from Japan

### Softening Yen pushes imported log prices higher

The market for tropical logs in Japan is firm, reports Japan Lumber Reports (JLR). Prices of imported logs continue to climb gradually as log suppliers remain bullish on prices and the Yen eases marginally against the US dollar.

Plywood mills in Japan utilising imported tropical hardwood logs are maintaining reduced production levels at around 70% of full capacity. However, plywood manufacturers' log inventories are low and some mills were trying to rebuild stocks ahead of the Chinese Lunar New Year, but are facing difficulties in sourcing preferred species and grades.

In Japan, CIF prices gained Yen 200 from December to Yen 7,400-7,500 per koku for Sarawak meranti regular logs. Small meranti logs are now priced at Yen 6,600-6,700 per koku, but JLR anticipates that prices will shortly reach Yen 7,000 per koku. Sabah kapur log prices stood at Yen 9,500 per koku, unchanged from last November.

FOB log prices in January continued to be bullish. With the low log supply continuing coupled with steady demand from Chinese and Indian buyers, prices are not expected to retreat during the next six months, says JLR.

### Plywood supply falls short of demand

Tropical plywood inventories are down in all major ports in Japan. With higher export prices and firm demand for plywood, port prices in Japan are inching up, reports JLR. Plywood manufacturers' bullish stance on prices and the shortage of log supply have pushed plywood prices up. In particular, prices for thin panels and floor base are strong due to the shortage of quality logs. Arrivals of plywood will remain low for sometime as production in mills dropped under the Chinese Lunar New Year.

Prices for imported 3x6 concrete formboard are now at Yen 900-910 per sheet delivered and 12mm panel for

foundations fetches Yen 930-950 per sheet delivered, both up Yen 10-20 per sheet compared to December 2010.

The JLR reports that the market share of thin and medium panels has been reduced and replaced by substitutes especially MDF.

#### November 2010 housing starts higher than in previous year

Total housing starts in Japan in November 2010 were 72,838, up 6.8% from November in the previous year. The number of housing starts has increased for the sixth consecutive month in 2010, reports JLR. However, November 2010 starts were still the second lowest ever recorded for the month of November. Owner's units and units built for sale showed some improvement compared to the previous year, but housing starts for rental units have continued to fall.

The seasonally adjusted housing starts rose 4.2% from October to 847,000 in November 2010. Wood frame units were up by 1.6% over November 2009 and these accounted for about 57% of the total housing starts in November 2010.

#### November housing starts

	Nov-10	% Change to Nov-09
Total	72,838	6.8
Owner's units	27,235	7.1
Rental units	26,703	-9.5
Built for sale	18,549	46.3
Wood frame units	41,454	1.6
Prefabricated units	11,676	-1.2
2x4 units	9,191	-3.6

Source: JLR

#### Housing start forecast for 2011

JLR reports on the Japan Forest Product Journal's housing starts survey on 13 major house builders in Japan. According to the survey, the projected housing start growth for 2011 is around 10%, from 813,126 units in 2010 to 874,000 units in 2011.

In 2009, housing starts stood at 751,429 units, the lowest since 1964. Housing starts recovered to 813,126 units in 2010, thanks to government initiatives including tax breaks, low mortgage interest, the introduction of eco-point system etc. In 2010, the units for sale led the recovery with an increase of almost 20% over the previous year.

#### Wood demand for 2011

JLR reports on wood demand projections for 2011 released at the Japan Foreign Timber General Supply and Demand Liaison Conference. The forecast is for an improvement in housing starts benefiting the building and construction sectors. As a result, the total wood demand in 2011 is expected to increase 3.2%, from 11.160 million

cu.m in 2010 to 11.522 million cu.m. The wood demand in 2010 was 8.3% higher than 10.31 million cu.m in 2009.

Demand for North American logs and sawnwood is expected to improve in line with the recovering housing starts for wood frame units in Japan. In addition, more North American logs will be used in plywood production replacing larch log imports from Russia. However, sawnwood imports from Russia are expected to increase. European sawnwood imports are expected to remain steady and slightly increase.

#### Wood demand for 2011 (1,000 cu.m)

	2009	2010 (estimates)	2011 (projections)	% Change to 2010
<b>Logs</b>				
South Sea	501	561	545	-2.9
North America	2,486	2,899	3,060	5.6
Russia	860	507	480	-5.3
NZ/Chile	595	710	740	4.2
Europe	12	12	12	-
<b>Total</b>	<b>4,454</b>	<b>4,689</b>	<b>4,837</b>	<b>3.2</b>
<b>Sawnwood</b>				
South Sea	545	571	550	-3.7
North America	2,333	2,687	2,780	3.2
Russia	679	609	660	8.4
NZ/Chile	264	334	355	6.3
Europe	2,036	2,273	2,340	2.9
<b>Total</b>	<b>5,857</b>	<b>6,474</b>	<b>6,685</b>	<b>3.2</b>
<b>Grand total</b>	<b>10,311</b>	<b>11,163</b>	<b>11,522</b>	<b>3.2</b>

Source: JLR

#### Log and Sawnwood Prices in Japan

Logs for Ply Manufacture, CIF	Yen per Koku (Koku=0.278 m <sup>3</sup> )
Meranti (Hill, Sarawak)	7,200▲
Medium Mixed	7,400▲
Standard Mixed	7,200▲
Small Log (SM60%, SSM40%)	8,000
Taun, Calophyllum, others (PNG)	-
Mixed light hardwood, G3/4 grade (PNG)	10,500
Keruing MQ & up (Sarawak)	9,600
Kapur MQ & up (Sarawak)	

Logs for Sawmilling, CIF	Yen per Koku
Melapi (Sarawak) High Select	11,500
Agathis (Sarawak) High Select	-

Lumber, FOB	Yen per m <sup>3</sup>
White Seraya (Sabah) 24x150mm, 4m, Grade 1	135,000
Mixed Seraya, Sangi 24x48mm, 1.8-4m, S2S	53,000

#### Wholesale Prices (Tokyo)

Indonesian & Malaysian Plywood	Size (mm)	Dec Jan	
		(¥ per sheet)	
2.4mm (thin plywood, F 4star, type 2)	920 X 1830	320	320
3.7mm (med. Thickness, F 4star, type2)	910 X 1820	450	450
5.2mm (med. Thickness, F 4star, type 2)	910 X 1820	560	560
11.5mm for sheathing (F 4star, type 2)	910 X 1820	910	910
12mm for foundation (F 4star, special)	910 X 1820	930	940
12mm concrete-form ply (JAS)	900 X 1800	890	900
12mm coated concrete-form ply (JAS)	900 X 1800	1030	1040
11.5mm flooring board	945 X 1840	1280	1280
3.6mm baseboard for overlays (OVL)	1230 X 2440	740	740
<b>OSB (North American)</b>			
12mm foundation of roof (JAS)	910 X 1820	-	-
9mm foundation for 2 by 4 (JAS)	910 X 2440	-	-
9mm conventional foundation (JAS)	910 X 2730	-	-
9mm conventional foundation (JAS)	910 X 3030	-	-

### China announces stipulation on re-export permits for sawnwood processed from imported logs

On 31 December 2010, the Ministry of Commerce announced the authorities responsible for the issuance of re-export permit licenses in 2011. Re-export permit licenses are issued for sawnwood processed from imported logs. Licensed enterprises shall apply for re-export permits from one of the authorised institutions:

Heilongjiang Department of Commerce is responsible for issuing permit licenses for exporting enterprises in the Province covering the clearance ports of Dalian and Suifenhe Customs.

Inner Mongolia Autonomous Region Department of Commerce is responsible for issuing permit licenses for export enterprises in the Province with the clearance ports of Manzhouli, Erlianhot, Dalian, Tianjin and Qingdao Customs.

Xinjiang Uygur Autonomous Region Department of Commerce is responsible for issuing permit licenses for export enterprises in the Province with the clearance ports of Alashankou, Tianjin and Shanghai Customs.

Fujian Department of Foreign Economy and Trade is responsible for issuing permit licenses for export enterprises in the Province with the clearance ports of Fuzhou, Xiamen, Putian and Zhangzhou Customs.

### SFA forecast steady growth in China's consumption of wood-based panels

According to the Twelfth Five Year Plan for the Forest Industry compiled by the State Forest Administration (SFA), China's consumption of wood-based panel will continue to grow. In 2015, consumption of wood-based panels is projected to be 146 million cu.m, accounting for one-third of the world's total. Her annual consumption of plywood, fiberboard, particleboard and blockboard in 2015 will reach 48 million cu.m, 48 million cu.m, 19.5 million cu.m and 21.5 million cu.m respectively.

In the Twelfth Five Year Plan for the Forest Industry, consumption of laminated veneer and oriented strand board is also forecast to increase steadily. Investments in improved production technologies will support the development of wood-based panel production in China. Flat-press production line is anticipated to become the dominant technology for producing fiberboard and particleboard. The fiberboard production capacity for continuous flat-press production line will account for 30% of the total production capacity in 2015.

### Linyi City is crowned the Capital of China Wood Panel Production

Linyi City in Shangdong Province, Pizhou City in Jiangsu Province, Jiashan City in Zhejiang Province and Wen'an City in Hebei Province are the four major wood-based panel production bases in China. Linyi City was recently named the "Capital of China Wood Panel Production" by the China Forestry Product Industry Association.

In Linyi City, there are more than 18,000 wood panel processing enterprises which have shifted production from common single particleboard, fiberboard and plywood production to concrete form panels, high-end furniture panels and multi-layer plywood. These products are sold to 25 countries and regions around the world. In 2010, the value of total annual production in Linyi City was RMB7.55 billion and 6.995 million cu.m in volume, up 26% from 2009. Production of wood-based panels in Linyi City makes up 34% of the national total.

The development of the China's forest product industry has been rapid during the Eleventh Five Year Plan period. The output of forest product industry in China in 2005 was only RMB840 in value and increased to RMB1 trillion in 2006. For 2010, the output of forest product industry is expected to exceed RMB2 trillion. The output of Chinese wood-based panel, wooden furniture and wood flooring industries is ranked first in the world.

### Sanmenxia City gets RMB4.5 billion investment in furniture base

The government of Sanmenxia City in Henan Province and China Min'nan Investment Group (Hong Kong) Co. Ltd signed a cooperation framework agreement on 15 December 2010.

According to the agreement, China Min'nan Investment Group (Hong Kong) Co. Ltd will invest RMB4.5 billion to establish a large scale furniture production base in Sanmenxia City. Upon completion, it will be the largest furniture base in Middle China. The establishment of the furniture base will play an active role both in promoting down-stream timber processing and introducing the latest technologies in furniture manufacturing.

### Guangzhou City Imported Timber Market

Logs	Yuan per m <sup>3</sup>
Lauan (50-60cm)	1900-2100
Kapur (up to 79cm)	2000-2100
Merbau 6m, (up to 79cm)	3500-4000
Teak	11000-13000
Wenge	5000-5200
<b>Sawnwood</b>	
Teak sawn grade A (Africa)	9500
US Maple 2" KD	7500-10000
US Cherry 2"	10000-13000
US Walnut 2"	14000-16000
Lauan	4000-4200
Okoume	4000-4500
Sapele	6000-6400

### Shanghai Furen Wholesale Market

Logs	Yuan per m <sup>3</sup>
Teak (Myanmar, all lengths)	7500-8500
<b>Sawnwood</b>	
Beech KD Grade A	4800-5000
US Cherry, 1 inch	9500-10000
US Red Oak, 50mm	6500-7000
Sapele 50mm FAS (Congo)	
KD (2", FAS)	6300-6500
KD (2", grade A)	5700-5800



### Shandong De Zhou Timber market

Logs		Yuan per m <sup>3</sup>
Larch	6m, 24-28cm diam.	1200
White Pine	6m, 24-28cm diam.	1350
Korean Pine	4m, 30cm diam.	1350
	6m, 30cm diam.	1450
Mongolian Scots Pine	6m, 30cm diam.	1480

### Hebei Shijiazhuang Wholesale Market

Logs		Yuan per m <sup>3</sup>
Korean Pine	4m, 38cm+ diam	1700
Mongolian Scots Pine	4m, 30cm diam.	1700
	6m, 30cm+ diam.	1750
<i>Sawnwood</i>		
Mongolian Scots Pine	4m, 5-6cm thick	1700
	4m, 10cm thick	1750

### Zhejiang Jiashan Kaihua International Timber Market

Logs		Yuan per m <sup>3</sup>
Okoume	80cm+	2900-3400
Sapele	80cm+	6000-6600
Wenge	80cm+	13000-14500
<i>Sawnwood</i>		
Doussie		3600-4000
European beech boules		3200-3400
Radiata		800-1200
<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](http://www.forestry.ac.cn)

## Report from Europe

### Economic signals remain mixed

Economic prospects are very mixed across the European continent. On the upside, business confidence has improved and economic growth in Germany and France is picking up. On the downside, economic data in most other European countries remains disappointing and inflation is rising. The latter is reducing spending power and putting pressure on central banks in the EU to raise interest rates at a time when the economic recovery still looks fragile.

European indices of business confidence and activity have turned upwards in recent months. The latest data on industrial orders across the Euro-zone showed a 2.1% jump in November 2010 compared with October. Similarly, the Euro-zone purchasing managers' index released at the end of January showed private sector activity expanding at its fastest rate in six months. The composite Euro-zone index, covering manufacturing and services and regarded as an up-to-date indicator of growth trends, rose from 55.5 in December to 56.3 in January (a figure over 50 indicates an expansion in activity). According to Markit, the agency that compiles the index, this recent increase is consistent with Euro-zone gross domestic product expanding at a quarterly rate of 0.7% – a substantial improvement on the 0.3% GDP rise reported in the third quarter of last year.

Economic conditions vary widely across Europe and individual Euro-zone countries are, if anything, diverging further. While the German economy continues to rebound strongly and more positive trends are beginning to emerge in France, conditions in several countries on the periphery of the Euro-zone, including Spain, Portugal, Ireland and

Greece continue to look bleak. In these countries, companies' orders books and employment are falling, especially in the austerity-hit service sector.

Germany's economy, the Europe's largest, has been expanding at its fastest rate since June 2006. Its acceleration has been powered by service sector companies, which in the January purchasing managers' survey were more optimistic about the 12 months ahead than at any time in the past seven years. Germany's Ifo business confidence index also reached a record high in the last week of January.

The French economy appears to have closed the year strongly in the 4th quarter, fuelled partly by robust private consumption. While growth in 2011 may be constrained by austerity measures and rising inflation, there is increasing confidence that this will be offset by rising business investment and stronger exports.

The recovery in Spain this year is expected to be very sluggish, similar to last year. Continuing structural changes following collapse of the overheated real estate sector will continue to constrain growth.

Economic conditions in the important Dutch market for tropical wood remain uncertain. Consumer confidence is very weak with many people pessimistic about the general economic situation and their own financial situation. On the other hand, business confidence climbed sharply in December last year, the first clear expression of positive sentiment in the Netherlands since the start of the crisis in 2008.

Outside the Euro-zone, some very disappointing economic statistics have been posted in the UK recently. Contrary to expectations and following two successive quarters of stronger-than-expected growth, GDP in the UK shrank by 0.5% in the last quarter of 2010. The government blamed the downturn on the severe winter weather which hit the country in December. However government critics claim that public spending cuts designed to balance the budget have been pushed through too quick and too hard, putting the recovery at risk. The GB pound posted substantial losses at the end of January against other internationally traded currencies on the back of the news.

### Good market prospects in Germany, but still weak elsewhere

The German trade journal EUWID reports that Central European buying of bangkirai decking products for the coming spring garden season is already well advanced. Most importers placed their advance orders with Southeast Asian mills in the last quarter of 2010, with particularly strong buying in November and the first two weeks of December. This buying pattern is described by EUWID as a return to "normal" trading conditions – during the previous two years most importers delayed their purchases until after the European new year – and may reflect more confidence in market demand this year. Volumes ordered this year are also likely to have exceeded last year's level and some importers have built up significant stocks.

However, EUWID suggests that remaining stocks in the Far East are now much reduced so that importers that have delayed purchasing may now have difficulty sourcing product. Although FOB prices of bangkirai decking have remained stable in recent months, supply constraints suggest that price hikes are more likely in the future.

EUWID also reports that availability of meranti lumber grades favoured by German importers is now restricted and that some importers would be willing to order larger volumes if more wood were made available. On the hand, weakening in the Euro exchange rate against the US dollar during the last two months has dampened the enthusiasm of some buyers.

### **Tropical hardwood faces mounting competition from heat treated wood**

The German trade journal EUWID has reported on the development of European production capacity for thermally modified wood. In recent years, a widening range of heat-treated softwood and temperate hardwood products have been marketed as alternatives to tropical hardwood in the external joinery and furniture sectors. The recent economic downturn has had an impact on the development of this sector. Some companies that expanded too fast just before the downturn have suffered from low and declining sales and have been reducing capacity. Others have made it through the downturn largely unscathed and are pushing ahead with plans to expand capacity. There are also joinery manufacturing companies that have plans in place to develop thermal treatment plants to supply raw material for their own product lines.

Overall EUWID identifies 30 companies across Europe operating thermal treatment plants with a total capacity of around 300,000 cu.m. Around 40% of this capacity is in Finland, 13% in Germany, 12% in the Netherlands, and 8% in Estonia. The remainder is distributed in France, Croatia, Austria, Switzerland, Sweden and Turkey.

Current production capacity may seem relatively insignificant when considered against the total EU imports of tropical sawn hardwood of 2.3 million cu.m per year in 2007 before the economic downturn. However, 300,000 cu.m of potential production takes on a whole new significance when considered in relation to the total tropical hardwood sawn imports in the EU of only around 1.2 million cu.m per year in the last two years.

Although there are still technical challenges associated with thermal treatment of some softwood and temperate hardwood species, and prices for these products can be very high, it is hard to escape the conclusion that thermally modified wood now has real potential to take a large share of the existing European market for hardwood in external applications.

### **Cologne furniture fair exceeds all expectations**

The Milan furniture fair held in Italy during April every year tends to be regarded as the world's premier event for furniture design. However, in recent years the Cologne

imm fair has forged a reputation as Europe's leading event when it comes to the business side of the industry. By all accounts this year's show, which ended on 23rd January, considerably reinforced this reputation.

The imm Cologne show, alongside the LivingKitchen show held at the same time, drew around 138,000 visitors to Cologne - an increase of 38% on the previous year. The show this year played host to 1,213 exhibitors from 48 countries.

These results are testament not only to the increasing prominence of the Cologne fair within the wider European and International furniture business, but also to the rising mood of optimism that now pervades the German furniture sector.

According to Dirk Uwe Klaas, Chief Executive of the Association of the German Furniture Industry (Verband der Deutschen Möbelindustrie), "it was by far the best furniture fair we've had in the last 10 years: more visitors, more contracts signed and an excellent mood. An excellent start to the 2011 furniture year for our national furniture industry".

There was particularly good news for the wood furniture sector at the show. According to show organiser Koelnmesse, the trend towards increased emphasis on sustainable furniture design has meant that "wood is becoming more and more popular, not only for storage and kitchen furniture but for comfortable chairs and loungers and as a visible component of sofas". Koelnmesse go on to note that "wood is reclaiming its former status in the furniture sector. One striking development: the many items featuring untreated oak, sometimes even complete with bark".

These comments lend credence to anecdotal reports by market participants that the German market for solid wood furniture developed better than the rest of the German furniture industry during 2010.

### **Oak continues to dominate at Domotex**

The Domotex flooring show held in Hanover during January was less upbeat than the Cologne furniture fair, a reflection of continuing high levels of uncertainty in the European flooring sector. There was at least a feeling amongst participants that the market stabilised during 2010 after the 20% decrease in sales during 2009, but few were willing to predict a stronger rebound during 2011. Market commentary at the show indicated that flooring demand in Germany has been picking up this year - in line with broader economic trends - while demand remains weak in many other European markets.

Reports from the show suggest that the level of visitors was quite low again this year and there were some large industry players absent from the exhibitor list. On the other hand, those visitors that did attend seemed intent on doing business. Overall there were 1,350 flooring-covering exhibitors from 70 countries and around 40,000

visitors from 87 countries including 60% outside Germany.

Oak remained very dominant within the wood flooring section, an observation well aligned with data produced by the European Parquet Flooring Association (FEP) which indicates that oak now accounts for nearly two thirds of all wood flooring production in Europe. Considerable efforts have been made in recent years to broaden the range of looks available in oak by means of various treatments including staining, scarifying, oiling, and charring. This year at Domotex there was a particularly strong focus on looks which appear “natural” and “used”.

According to FEP, tropical hardwood now accounts for only around 10% of European production. Tropical hardwoods were not widely displayed at the show and there was a feeling amongst some participants that these species are on a downward trend in the European flooring sector. This is partly due to oak continuing to consolidate its leading market position, partly to sustainability concerns, and partly to a growing preference for more readily available local sources of raw material supply.

The trend observed in previous shows towards wider and longer boards was again in evidence at this show. In addition, there seems to be a continuing shift away from solid products in favour of engineered wood flooring. Suppliers of laminated products with artificial non-wood surfaces were out in force, some with large high-profile stands and exhibiting products of such technical quality that it is becoming increasingly difficult to differentiate from real wood.

#### Russia agrees to reduce log export taxes

The Russian government made a formal commitment to reduce log export taxes at a meeting with European trade representatives on 7 December 2010. Russia made the commitment – alongside various other trade measures - in exchange for EU agreement to end its veto of Russian membership of the World Trade Organisation (WTO). The agreement removes the last significant obstacle in the way of Russia’s formal accession to the WTO.

The announcement of the decision to reduce log export taxes seems to represent a major reversal of policy by the Russian government which had previously aimed to introduce swingeing tax levels so as to eradicate the log export trade and help boost domestic processing.

Russian log export taxes currently stand at 25% of the invoice value or at least Euro 15 per cu.m on softwood and birch logs with a diameter of greater than 15 cm (birch logs with diameters below 15 cm are currently free of duty). Duties of 10% of the invoice value or at least Euro 5 per cu.m apply to poplar, eucalyptus and other hardwood logs.

Taxes had been due to rise to 80% of invoice value or at least Euro 50 per cu.m in January 2011. This increase will no longer be imposed and taxes will remain at their current

level at least until Russia has acceded to the WTO, now expected some time before the end of 2011.

The level of taxes after Russia’s accession to the WTO is still not clear. Drawing on conversations with representatives of the Finnish Forest Industries Federation, EUWID reports that the Russia-EU agreement provides for halving of the present duty on softwood logs and a 75% reduction in the present duty on hardwood logs.

Other observers of the Russian market are more sceptical of the reality of the apparent policy change. Bob Flynn, Editor of the RISI Wood Biomass Markets newsletter (rflynn@risi.com), comments that “certainly there has been no change in Russia's policy to push greater domestic processing for its timber – Prime Minister Putin was in the Russian Far East on December 6 [2010], where he stated that in ‘seven or eight years’ all of the timber harvested in the region would be processed within the country”. Flynn also points out that Canada and the USA, both long-term WTO members, have restrictions on log exports and there is in fact nothing to stop Russia from imposing a ban on log exports even after it joins the WTO.

#### The Netherlands Sawntwood Prices

	US\$ per m <sup>3</sup>
FOB (Rotterdam)	
Sapele KD	903▲
Iroko KD	1115▲
Sipo KD	1095▲
DRM Bukit KD	918▼
DRM Seraya KD	925▼
DRM Meranti KD Seraya MTCC cert.	939▼
Merbau KD	1208
Sapupira (non FSC) KD	946
Sapupira (FSC) KD	1483
Anti-slip decking AD C&F Rotterdam	
Selangan batu	1497

#### UK Log Prices

	€ per m <sup>3</sup>
FOB plus commission	
N'Gollon (khaya) 70cm+ LM-C	350-380
Ayous (wawa) 80cm+ LM-C	250-270
Sapele 80cm+ LM-C	320-340
Iroko 80cm+ LM-C	410-450
African Walnut 80cm+ LM-C	340-370

#### UK Sawntwood Prices

	GB Pounds per m <sup>3</sup>
FOB plus Commission	
Framire FAS 25mm	495-505
Sipo FAS 25mm	680-715
Sapele FAS 25mm	570-590
Iroko FAS 25mm	695-715
Wawa FAS25mm	290-310
CIF plus Commission	
Tulipwood FAS 25mm	375-400
Meranti Tembaga Sel/Btr (KD 2"boards)	565-585
Balau/Bangkirai Decking	935-970
White Oak	640-680

#### UK Plywood and MDF Prices

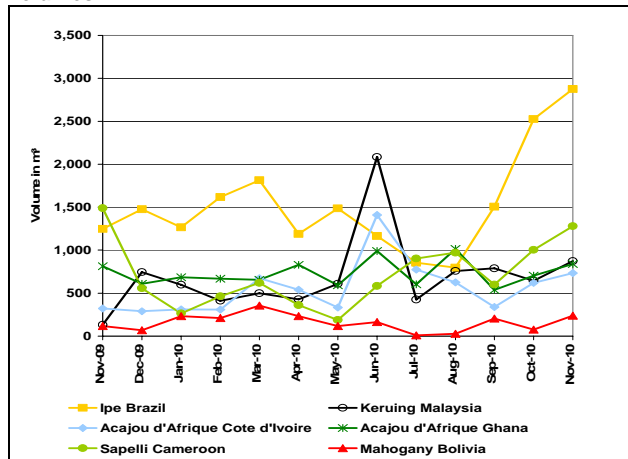
	US\$ per m <sup>3</sup>
Plywood Panels 8x4", CIF	
Brazilian WBP BB/CC 6mm	560-580
Malaysian WBP BB/CC 6mm	555-575
China (hardwood face, eucalyptus core) 18mm	370-380
China (tropical hardwood face, poplar core) 18mm	350-365

**US tropical timber imports**

**Sawn hardwood imports rose in November**

November 2010 imports of sawn tropical hardwood were 21,765 cu.m., up by 21% from 17,941 cu.m in August. Sapelli was the top species imported in November (4,667 cu.m) followed by balsa (3,641 cu.m) and ipe (3,071 cu.m). Imports of most species increased from October with the exception of virola, balsa, acajou d'Afrique, padauk, aningre and iroko. Ipe imports from Brazil soared to 2,876 cu.m in November.

**US tropical hardwood sawnwood imports. Monthly import volumes**

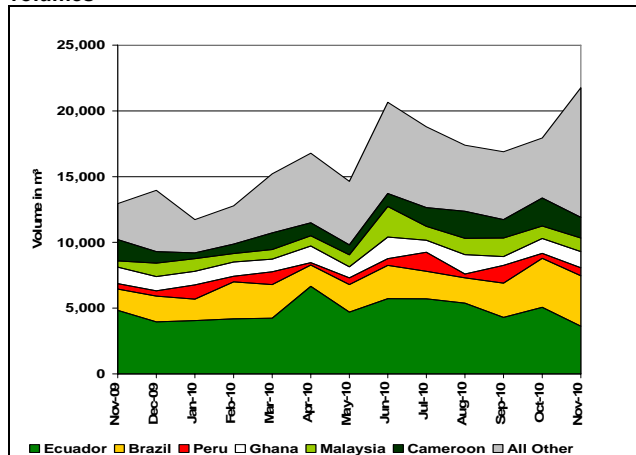


Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

While the main exporting countries (Ecuador, Brazil, Peru, Ghana, Cameroon and Malaysia) shipped less sawn hardwood to the US in November, other countries more than made up for it by sharply increasing exports, among them Europe (Germany, Italy) and the Congo Brazzaville.

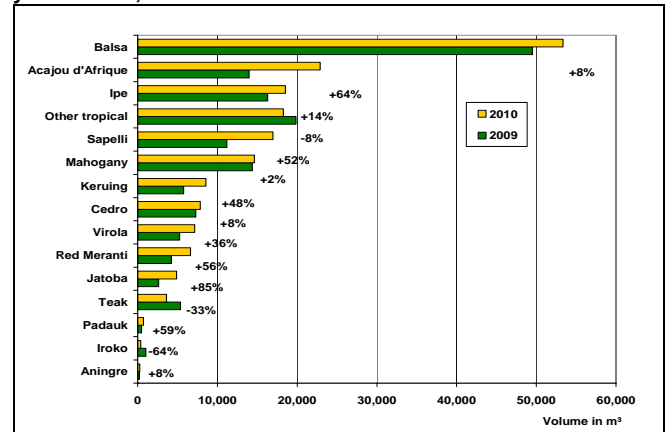
Year-to-date, import volumes of tropical sawnwood increased by 17% compared with 2009. Among the species that gained significantly in the period to November 2010 are acajou d'Afrique (+64%), red meranti (+56%), sapelli (+52%) and keruing (+48%).

**US tropical hardwood sawnwood imports. Monthly import volumes**



Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

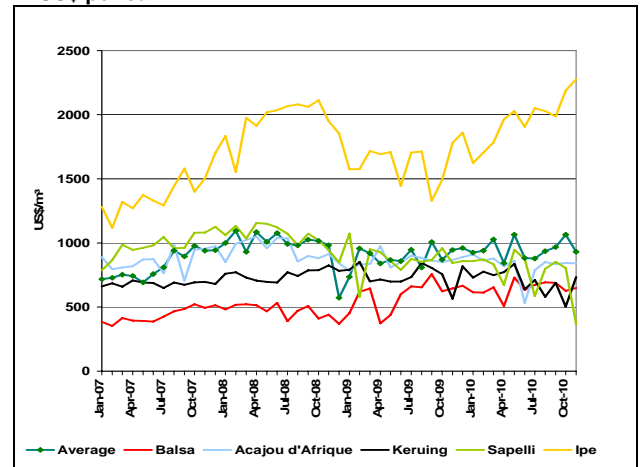
**Us tropical hardwood sawnwood imports. Import volumes year-to-date, November 2009 and 2010**



Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

The average unit value of imported tropical sawn hardwoods (in US\$ per cu.m) has not changed dramatically over the past two to three years, but when looking at unit values by species a few trends emerge. The unit value of ipe sawnwood has been more volatile than of any other major imported species. Throughout 2010 it went up considerably, while it remained stable or declined for most other species. Imports from Africa such as sapelli and acajou d'Afrique showed a declining trend in 2009 and 2010. Monthly unit values of the major imported species up to November 2010 are shown below.

**US tropical hardwood sawnwood imports. Monthly unit values in US\$ per cu.m**



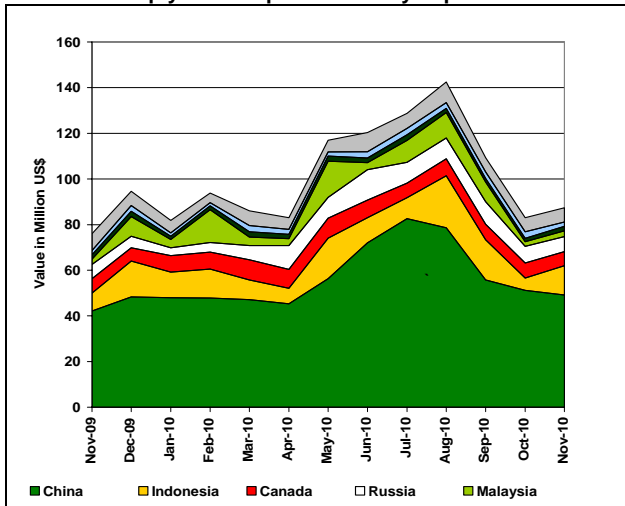
Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

**Hardwood plywood imports set to exceed 2009 volumes**

US imports of hardwood plywood are set to exceed 2009 volumes by about 30%, based on year-to-date November imports of US\$1.1 billion. Shipments from Malaysia and Indonesia saw the highest growth rates, while China accounts for 56% or US\$634 million of total imports year-to-date. In November 2010, imports from China were US\$49.1 million (+27% year-to-date) and from Indonesia US\$12.8 million (+79% year-to-date). November imports from Malaysia were US\$2.48 million (+134% year-to-date), from Ecuador US\$1.92 million (+45% year-to-date), and from Brazil US\$1.88 million (-3% year-to-date).



**US hardwood plywood imports. Monthly import values**



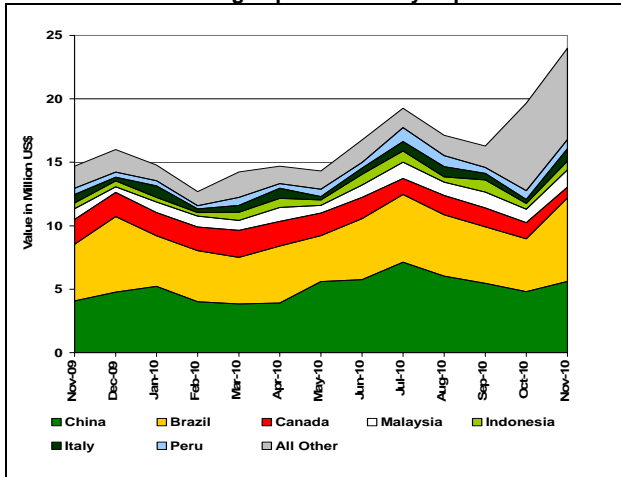
Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

**Hardwood moulding imports surge**

Imports of hardwood moulding imports increased to US\$18.4 million in November, an impressive +24% from October. Year-to-date imports increased by +8% to US\$173.4 million compared to 2009. Brazil was the largest supplier in November 2010 at US\$6.6 million (+2% year-to-date). Imports from China were US\$5.6 million (+23% year-to-date). Malaysia supplied US\$1.4 million (+24% year-to-date) and Indonesia US\$704,000 (+30% year-to-date).

November imports from Brazil of jatoba moulding were US\$2.3 million (-13% year-to-date), of cumaru moulding US\$557,000 (+1% year-to-date), and of ipe moulding US\$778,000 (+2% year-to-date). Supplies of cumaru mouldings from Peru went up in November to US\$389,000 (+259% year-to-date). Mahogany moulding imports from Peru were US\$154,000 in November (-21% year-to-date). Jatoba continues to account for the bulk of tropical hardwood moulding imports, although the value of imports year-to-date is down by -7% compared to 2009. Cumaru moulding imports are up by +41%, while ipe and mahogany moulding imports are down compared to the same period last year.

**US hardwood moulding imports. Monthly import values**

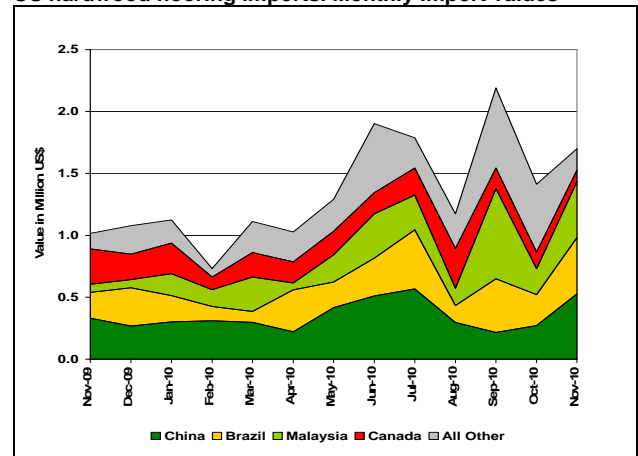


Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

**Hardwood flooring imports far below 2009 levels**

Hardwood flooring imports recovered from yet another drop in October 2010. In the year to November, US hardwood flooring imports totaled US\$15.5 million, -32% compared to the same period in 2009. However, most tropical suppliers were able to increase flooring exports during the same time frame. In November, shipments from all major suppliers increased with the exception of Canada. Hardwood flooring imports from China were US\$528,000, from Brazil US\$452,000 and from Malaysia US\$454,000. On a year-to-date basis, imports from Brazil increased by +8% from 2009, Malaysian exports increased by 28%, Indonesian exports increased by +17%, while Chinese exports to the US are down by -63%.

**US hardwood flooring imports. Monthly import values**



Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

**Canadian bill for wood use in public buildings fails vote**

The bill (C-429) was introduced to amend the Public Works Act in Canada so that wood becomes the preferred material in the construction or repair of federal public buildings. The bill was brought in by a Member of Parliament from Quebec where the forest industry has suffered greatly from the US housing market crash and the strong Canadian dollar. Similar government initiatives exist in Quebec, British Columbia and other countries, such as Japan and Sweden. However, the proposed changes faced opposition from the construction industry and in the end, the bill was defeated in parliament in December 2010.

**US Timber prices**

	Nov-10 US\$ per cu.m	Nov-10 US\$ per cu.m
Ipe (Brazil) Decking Premium Grade AD, 1x6, FOB Belem	2450	2550
Ipe (Brazil) Decking Premium Grade AD, 5/4x6, FOB Belem	2475	2600
Jatoba (Brazil) No.1 Common & Better AD, FOB Belem	-	-
Jatoba (Brazil) No.1 Common & Better KD, FOB Belem	-	-
Khaya (Côte d'Ivoire) FAS KD, FOB Abidjan	790	790
Khaya (Ghana) FAS KD, FOB Takoradi	850	850
Sapele (Cameroon) FAS AD, FOB Douala	770	770
Sapele (Cameroon) 4/4 to 8/4 FAS KD, FOB Douala	870	870

## 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.**

Long-term, Chinese wood fiber demand is expected to grow by 10% annually and the current domestic production shortfall is approx 40%. This gap is met through imports of wood fiber, logs, and finished lumber. Over the next several years, domestic wood fiber production will increase, but not sufficiently to fill the gap. In volumes, there is currently a 100 million cu.m shortfall that is anticipated to grow to 150 million cu.m in four years.

<http://seekingalpha.com/article/248630-sino-forest-s-lush-outlook-higher-fiber-yields-faster-growing-trees-more-land>

China's central government, to rein in property buying frenzy, raised the minimum down payment requirement for the purchase of a second home to 60% of a property's value, from previously 50%. The decision, announced in a statement released after an executive meeting of the State Council presided over by Premier Wen Jiabao, is expected to cool down the red hot housing market. Recently, spurred by a few local governments' decision to levy property tax on new housing, such as in Shanghai, residents there have rushed to purchase homes, and pushed local housing prices to new highs, which has drawn increasing complaints from the public.

<http://english.peopledaily.com.cn/90001/90778/90862/7273739.html>

A new study issued by some of the world's top experts on forest governance finds fault with common international understanding, and helps explain their failure to stop rampant destruction of the world's most vulnerable forests. The report suggests that global efforts have too often ignored local needs, while failing to address the most fundamental challenge to global forest management that deforestation usually is caused by economic pressures imposed from outside the forests.

<http://www.biosciencetechnology.com/News/Feeds/2011/01/industries-new-study-suggests-global-pacts-like-redd-ignore-p/>

Wood panels in the last few years have gained mileage as preferred materials used for decorative purposes in claddings, floorings, roof sheathing, internal linings, ceilings and construction purposes. Diverse types of wood based panels are accessible for interior and exterior treatments. Wood panels find extensive application in the construction sector, which accounts for over 60% of consumption. Use of panels in cabinets, doors and windows witnessed robust growth until 2008.

<http://www.sfgate.com/cgi-bin/article.cgi?f=/g/a/2011/01/12/prweb8058152.DTL>

Researchers from Germany's Fraunhofer Institute for Wood Research are hot on the trail of a new mineral-based formula that would enable plywood walls, cabinets, and other building elements to "eat" their own formaldehyde emissions. The breakthrough could help bring an end to indoor air quality issues, such as the health problems that beset survivors of Hurricane Katrina, who were housed in new trailer homes filled with fume-emitting composite wood products.

<http://cleantechnica.com/2011/01/11/new-plywood-will-clean-the-air-instead-of-polluting-it/>

In the worldwide poll of 1,201 CEOs, 48% said they were "very confident" of growth in the next 12 months. That's a major shift from the 31% last year who were "very confident" last year and approaches the 50% reached in 2008 before the onslaught of the economic crisis. In total, 88% of CEOs said they now have some level of confidence for prospects in the next 12 months, up from 81% last year. Longer term, 94% now are confident of growth three years from now, an increase of two percentage points.

<http://www.businessweek.com/main.php?id=50586&t=1&c=5&cg=3&mset=1021>

2K Manufacturing, the Luton based company that has pioneered the environmentally-friendly EcoSheet, has commenced full production. The first orders amounting to over 8,000 sheets have been placed.

[http://www.mhwmagazine.co.uk/LatestNews/2K\\_Manufacturing\\_commence\\_full\\_production\\_of\\_environmentally\\_friendly\\_EcoSheet-8264.html](http://www.mhwmagazine.co.uk/LatestNews/2K_Manufacturing_commence_full_production_of_environmentally_friendly_EcoSheet-8264.html)

Booming Vietnamese export turnover of furniture sector in 2010 and the recovery of key markets encouraged local exporters to set this year's target at US\$4 billion, an increase of 30% from last year. First, sales in key markets are all on the rise, with the US increasing 15% and the Europe rising 8% last year. Local furniture makers are also entering new potential markets including Russia and Middle East.

<http://www.saigon-gpdaily.com.vn/Business/Economy/2011/1/89230/>

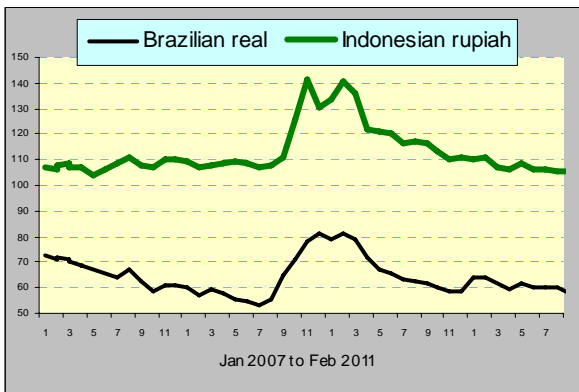
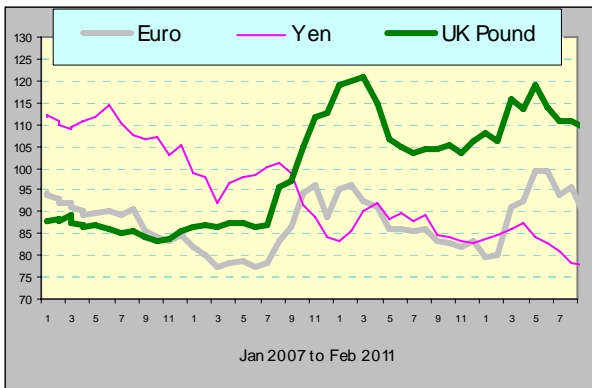
*Disclaimer: Though efforts have been made to keep prices near to accurate, these are published as a guide only. ITTO does not take responsibility for the accuracy of this information.*

## Main US Dollar Exchange Rates

As of 04th February 2011

Brazil	Real	1.6734
CFA countries	CFA Franc	481
China	Yuan	6.5585
EU	Euro	0.7358
India	Rupee	45.5789
Indonesia	Rupiah	8993
Japan	Yen	82.20
Malaysia	Ringgit	3.0432
Peru	New Sol	2.7685
UK	Pound	0.6212

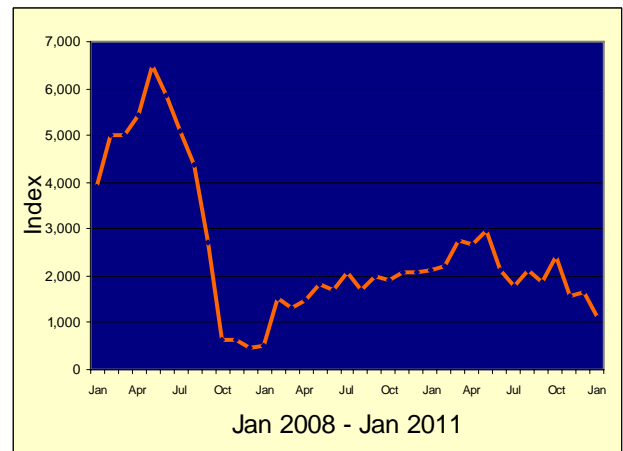
Exchange rates index (Dec 2003=100)



## Abbreviations and Equivalences

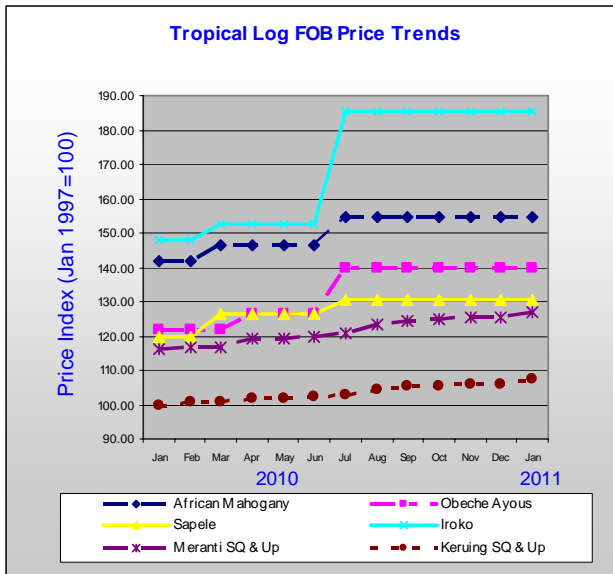
LM	Loyale Merchant, a grade of log parcel
QS	Qualite Superieure
CI, CE, CS	Choix Industriel, Economique or Supplimentaire
FOB	Free-on-Board
CIF; CNF	Cost, insurance and freight; Cost and freight
KD; AD	Kiln Dry; Air Dry
Boule	A log sawn through and through, the boards from one log are bundled together.
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
TEU	Twenty-foot equivalent unit
Hoppus ton	1.8 m <sup>3</sup>
Koku	0.278 m <sup>3</sup> or 120 BF
SQ; SSQ	Sawmill Quality; Select Sawmill Quality
FAS	Sawnwood Grade First and Second
GMS	General Market Specifications
GSP	Guiding Selling Price
MR; WBP	Moisture Resistant; Water and Boil Proof
OSB	Oriented strand board
MDF	Medium Density Fibreboard
PHND	Pin hole no defect grade
Ⓢ; Ⓢ↑Ⓢ↓	US dollar; Price has moved up or down

## Ocean Freight Index

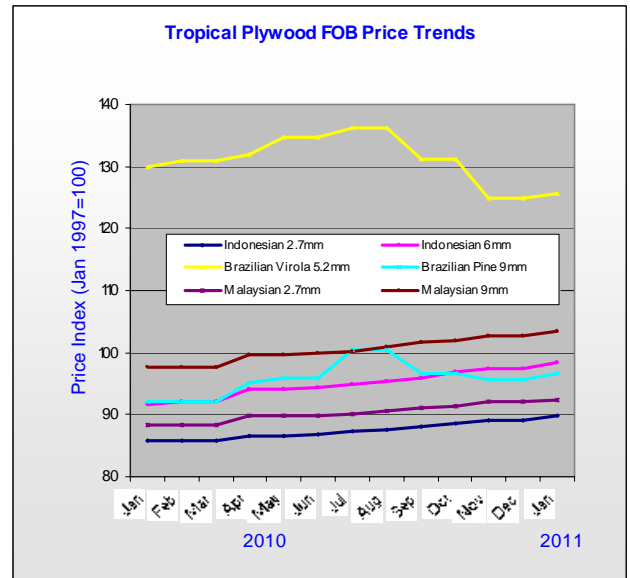


The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes. It is based on a 52,454 mt bulk carrier carrying commodities such as timber.

## Tropical Log Price Trends

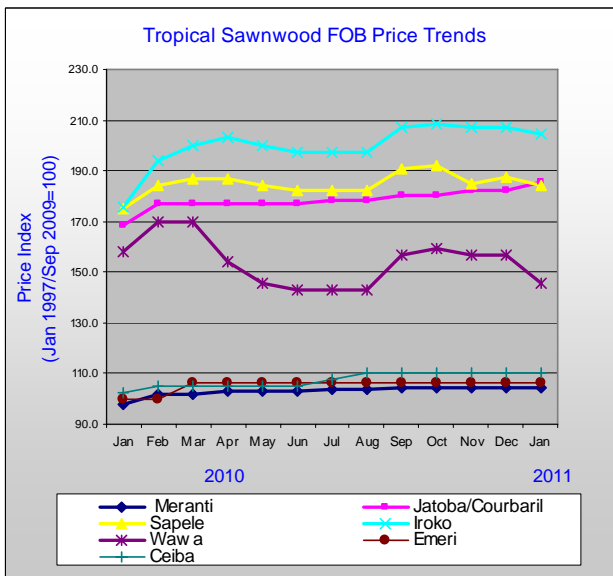


## Tropical Plywood Price Trends



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

## Tropical Sawnwood Price Trends



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