

# Tropical Timber Market Report

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## Top Story

### Indian industry switching to automation

In India today wood raw materials and labour are in short supply. Because of the previously available low cost labour in India the timber industry developed using labour intensive production processes.

Today however the situation is different, low cost labour is no longer readily available and many factories face labour shortages and because of this are running below capacity.

To overcome this problem the industry now prefers to have as much automation as possible and is retooling production plant accordingly.

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## Headlines

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## Report from Central/West Africa

### Prices holding for premium species

Producers and exporters in West and Central Africa continue to consolidate the price levels following the recent substantial increases achieved for sawnwood of the major export species.

As noted in the mid-June report, prices seem to have reached a plateau and up to the end of the month log and lumber prices remained unchanged.

When long running supply contracts for export logs are completed there may be some room for negotiating new log contracts at higher prices, not least because producers can now realise higher margins from exporting sawn wood.

### Firm prices for SE Asian logs supporting African timber price levels

Currently, for premium species there is little incentive to export logs as the demand for sawnwood shows no sign of any downturn.

Producers also note the reports of tight supply conditions and the very firm prices for competing logs from S.E. Asian sources as well as the ongoing shift away from log imports to increasing imports of sawn wood especially by China.

### Strong demand for boules and 'clean sawn' logs

There is strong demand growth reported in export markets for boules and the now increasingly popular 'clean sawn' logs, the manufacture of which, say producers, results in less waste and improved returns.

Because these products are more profitable to producer mills, it is reported that many are currently little interested in cutting square-edged and graded FAS sawn wood to the very high standards needed for European markets.

Exporters say that if European buyers wish to ensure a supply of this product they will have to accept prices rises for fully graded lumber.

European markets are currently stable but not as busy as normal for the time of year. Exporters have work to complete existing contracts for two months or more and there are more active buyers in markets outside of Europe such as China and India so the situation for buyers in Europe is becoming more difficult.

### Investors want guarantees before committing to timber processing zone

Gabon is looking for investors for the new tax and duty free timber processing zone project.

Potential investors are saying that the current asking price for land in the zone is too high and that they would want some form of guarantee that the tax free and TVA free status within the zone would be maintained for the promised 10 year period.

## West Africa Log Prices

West Africa logs, FOB	LM	B	BC/C
Asian market			
Acajou/ Khaya/N'Gollon	205	205	165
Ayous/Obeche/Wawa	195	190	145
Azobe & Ekki	205	205	122
Belli	210	210	-
Bibolo/Dibétou	145	130	
Bubinga	770	615	470
Iroko	285	280	215
Okoume (60% CI, 40% CE, 20% CS) (China only)	250	-	-
Moabi	280	280	190
Movingui	185	150	140
Niove	150	150	-
Okan	320	320	-
Padouk	380	345	235
Sapele	245	235	170
Sipo/Utile	275	250	190
Tali	275	275	-

## West Africa Sawnwood Prices

West Africa sawnwood, FOB	€ per m <sup>3</sup>
Ayous FAS GMS	300
Bilinga FAS GMS	485
Okoumé FAS GMS	440
Merchantable	290
Std/Btr GMS	330
Sipo FAS GMS	500
FAS fixed sizes	-
FAS scantlings	415
Padouk FAS GMS	790
FAS scantlings	760
Strips	340
Sapele FAS Spanish sizes	370
FAS scantlings	430
Iroko FAS GMS	640
Scantlings	650
Strips	410
Khaya FAS GMS	415
FAS fixed	430
Moabi FAS GMS	530
Scantlings	525
Movingui FAS GMS	410

## Report from Ghana

### Commercial bank interest rate investigation

A storm has been brewing in parliament over the official inflation figures. The figures from the Ghana Statistical Service put May inflation at around 8.% (down on the previous month) but some prominent members of parliament have questioned how inflation is reportedly dropping while there is ample evidence of price inflation.

Part of the problem stems from the disparity between the Bank of Ghana (BOG) base rate and the average interest rate charged by commercial banks. The BOG's current base rate is around 13 percent but the average interest rate of commercial banks is said to be around 25 percent.

The country's lawmakers have decided to probe the issue of the difference between the BOG's base rate and the interest rates of the various commercial banks operating in the country as it seems that high interest rates are hindering development of small enterprises especially in the agriculture and forestry sectors.

### Highway construction discussed with Chinese banks

Officials from the Economic Community of West African States (ECOWAS) have started talks with China seeking investors for the agricultural and industrial sectors and for investments in physical infrastructure.

The ECOWAS delegation is scheduled to hold talks with representatives of the Export-Import Bank of China and the China Development Bank on possible support for infrastructure projects seen as supporting the economic integration of West African states.

Media reports indicate that Ghana and Sierra Leone are asking the Export-Import Bank of China for an investment of US\$320 million for the construction of a highway network linking the countries.

### Call to guard against forest Degradation.

The National Forestry Forum of Ghana (NFF) has stated that the time has come for government, to curb forest degradation by taking tough action to combat illegal logging and illegal mining activities in the country's forests.

In an address the vice president of the NFF, Mr. Kwame Asamoah-Dwomoh, called on the government to tighten procedures for the allocation of land for mining and also put in place new strategies to curb illegal logging before the situation gets out of hand.

The NFF advised government to do more to reverse the loss of forest cover through sustainable forest management and to prevent forest degradation.

### Log Domestic Prices

Ghana logs, domestic	US\$ per m <sup>3</sup>	
	Up to 80cm	80cm+
Wawa	140-150	157-170
Odum Grade A	160-170	175-185
Ceiba	115-124	128-143
Chenchen	90-100	105-120
Khaya/Mahogany (Veneer Qual.)	107-120	125-145
Sapele Grade A	145-155	160-185
Makore (Veneer Qual.) Grade A	128-135	140-166

### 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	855	-
Afrormosia	500	560
Asanfina	215	269
Ceiba	320	385
Dahoma	400	450
Edinam (mixed redwood)	350	430
Emeri	568	685▲
African mahogany (Ivorenensis)	530	585
Makore	515	590
Niangon	625	690
Sapele	545	615
Wawa 1C & Select	260	285

### Domestic Sawnwood Prices

		US\$ per m <sup>3</sup>
Wawa	25x300x4.2m	296
Emeri	25x300x4.2m	310
Ceiba	25x300x4.2m	233
Dahoma	50x150x4.2m	303
Redwood	50x75x4.2m	332
Ofram	25x225x4.2m	332

### Export Veneer Prices

Rotary Veneer, FOB	€ per m <sup>3</sup>	
	CORE (1-1.9mm)	FACE (<2mm)
Bombax	315	350
Ofram,	320	355
Ogea & Otie	315	350
Chenchen	315	350
Ceiba	330	353
Mahogany	415	450

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

### Export Rotary Veneer Prices

Rotary Veneer, FOB Core Grade 2mm & up	€ per m <sup>3</sup>
Ceiba	270
Chenchen	305
Ogea	305
Essa	290
Ofram	310

### Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afrormosia	1.19	1.00
Asanfina	1.50	1.00
Avodire	1.12	0.69
Chenchen	1.10	0.68
Mahogany	1.25	0.99
Makore	1.25	0.63
Odum	1.80	1.40

### Ghana Export Plywood Prices

Plywood, FOB	€ per m <sup>3</sup>		
	Ceiba	Ofram	Asanfina
BB/CC			
4mm	380	556	597
6mm	367	540	575
9mm	310	384	436
12mm	290	390	397
15mm	285	327	334
18mm	275	320	333

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
Afrormosia	13.72	18.22	17.82

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

### Export Moulding Prices

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

### New homes out of reach for young workers

Prices of residential housing in Malaysia have increased to a point where they are almost beyond the reach of many young working adults, says an analyst.

Increased ferrous and non-ferrous commodity prices and increases in the costs of other construction materials such as cement and roofing tiles over recent years is one of the main contributory factors. Estimates put the cost of construction at around 70% of the total cost of a property with land cost accounting for the balance 30%.

Construction grade sawn mixed hardwood prices have risen and formboard plywood for poured concrete work costs RM1,290 per cubic metre, up from the RM820 per cubic metre seen in the recent past.

Steel bars could constitute up to 20% of construction cost, while concrete account for 15% and other masonry works account for 10% of the cost. The cost of construction materials has increased by no less than 70% in the last 5 to 6 years in Malaysia.

Analysts suggest that the price difference between domestic and export quality sawnwood and panel products such as plywood will continue to narrow substantially over the rest of the year.

Some timber traders are of the opinion that selling to the local construction industry may now be more attractive and profitable than exporting, especially as the EU debt crisis and economic uncertainty in the US continues to bear on the market.

### Latex prices steady so no change in rubberwood prices

The price of rubberwood sawnwood is unchanged as the prices of crude rubber latex remains stable so there is no incentive for plantation owners to fell and replant rubber plantations. The main market for latex is the automobile and aircraft tyre industry. Both industries are still very much in the doldrums due to weak global demand.

### Clearing of redundant oil palm plantations underway

The current dry weather is providing oil palm plantation owners the opportunity to replant. The clearing of redundant and old oil palm trees is also creating much needed raw material for panel product manufacturers.

Analysts report that the trade is not expecting export prices of plywood and other panel products to vary much over the next few months.

### Log Prices

	US\$ per m <sup>3</sup>
Sarawak log, FOB	256-283
Meranti SQ up	247-277 ↑
Small	247-269 ↑
Super small	241-253
Keruing SQ up	232-264
Small	221-245
Super small	232-258
Kapur SQ up	230-263
Selangau Batu SQ up	

	US\$ per m <sup>3</sup>
Pen. Malaysia logs, domestic (SQ ex-log yard)	
DR Meranti	269-286 ↑
Balau	322-352
Merbau	360-391
Rubberwood	102-136 ↑
Keruing	243-259 ↑

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	409-445
DR Meranti	304-334
White Meranti A & up	449-461
Seraya Scantlings (75x125 KD)	274-303
Sepetir Boards	361-379
Sesendok 25,50mm	332-359
Kembang Semangkok	

	US\$ per m <sup>3</sup>
Malaysian Sawnwood, domestic	
Balau (25&50mm,100mm+)	343-363 ↑
Merbau	475-527 ↑
Kempas 50mmx(75,100 & 125mm)	284-324 ↑
Rubberwood	
25x75x660mm up	237-287
50-75mm Sq.	275-307
>75mm Sq.	297-327

### Plywood Prices

	US\$ per m <sup>3</sup>
Malaysia ply MR BB/CC, FOB	440-500
2.7mm	420-450
3mm	372-442
9mm & up	

	US\$ per m <sup>3</sup>
Meranti ply BB/CC, domestic	363-453
3mm	346-375
12-18mm	

### Other Panel Prices

	US\$ per m <sup>3</sup>
Malaysia, Other Panels, FOB	
<i>Particleboard</i>	
Export 12mm & up	254-277
Domestic 12mm & up	246-260
<i>MDF</i>	
Export 15-19mm	307-338
Domestic 12-18mm	298-317

### Added Value Product Prices

	US\$ per m <sup>3</sup>
Malaysia, Mouldings, FOB	565-575
Selangau Batu Decking	
Red Meranti Mouldings	
11x68/92mm x 7ft up	
Grade A	580-593
Grade B	534-544

### Furniture and Parts Prices

Malaysia, Rubberwood, FOB	US\$ per piece
Semi-finished dining table solid laminated top 2.5'x4', extension leaf	76-92
As above, Oak Veneer	83-97
Windsor Chair	75-77
Colonial Chair	73-78
Queen Anne Chair (soft seat) without arm	73-82
with arm	74-84
Chair Seat 27x430x500mm	61-66

Rubberwood Tabletop 22x760x1220mm sanded & edge profiled	US\$ per m <sup>3</sup>
Top Grade	622-652
Standard	606-622

## Report from Indonesia

### Bali furniture exports edge up

The Indonesian province of Bali, better known for tourism, reported that its furniture exports had edged up to US\$13.4 million for the first four months of 2011.

Furniture exports accounted for around 8% of Bali's total exports for the period. The export of furniture is one of the 14 major export products for the province.

### Competition eating into Indonesia's market share

The Indonesian Chamber of Commerce has expressed concern that Indonesia is losing market share in its trade with the EU. It added that stiff competition from China, India, Thailand and Vietnam is cutting into Indonesia's market share in the EU market.

Meanwhile, on the same note, Indonesia and the EU have agreed to commence negotiations that will lead to a free trade agreement (FTA) between the two.

The EU is currently undertaking similar negotiation with several other Asian countries, including Japan, Singapore and has just concluded an FTA with South Korea.

The EU negotiating team has handed a list of recommendations to Indonesia for the negotiation of a Comprehensive Economic Partnership Agreement (CEPA). The FTA is expected to cover up to 95% of tariff lines and trade values over a period of nine years.

### Log Prices (domestic)

Indonesia logs, domestic prices	US\$ per m <sup>3</sup>
Plywood logs	
Face Logs	217-260
Core logs	202-231
Sawlogs (Meranti)	211-271
Falcata logs	181-216▲
Rubberwood	91-95
Pine	190-233▲
Mahoni (plantation mahogany)	494-524

### Sawnwood Prices

Indonesia, construction material, domestic	US\$ per m <sup>3</sup>
Kampar (Ex-mill)	
AD 3x12-15x400cm	203-222▲
KD	218-253▲
AD 3x20x400cm	239-262▲
KD	240-269
Keruing (Ex-mill)	
AD 3x12-15x400cm	254-268▲
AD 2x20x400cm	242-260▲
AD 3x30x400cm	225-244▲

### Plywood Prices

Indonesia ply MR BB/CC, export FOB	US\$ per m <sup>3</sup>
2.7mm	426-482
3mm	384-425
6mm	363-405

MR Plywood (Jakarta), domestic	US\$ per m <sup>3</sup>
9mm	282-293
12mm	274-243
15mm	264-278

### Other Panel Prices

Indonesia, Other Panels, FOB	US\$ per m <sup>3</sup>
<i>Particleboard</i> Export 9-18mm	240-249
Domestic 9mm	220-232
12-15mm	214-226
18mm	210-221
<i>MDF</i> Export 12-18mm	270-285
Domestic 12-18mm	254-266

### Added Value Product Prices

Indonesia, Mouldings, FOB	US\$ per m <sup>3</sup>
Laminated Boards	
Falcata wood	322-335
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	515-546
Grade B	470-493

## Report from Myanmar

### Brisk trade in Gurjan

The demand for Pyinkado remains very subdued while, as was the situation last month, demand for Gurjan (Kanyin) is very brisk.

Trade analysts suggest this is, in part, due to price factors. Because of its popularity Pyinkado prices have been rising steadily over the past months whereas prices for Gurjan have not moved up at the same rate.

The Teak market remains generally stable despite the past price increases.

### Strong Kyat not helpful to the timber industry

The timber industry, along with other sectors of the economy, has had to adjust to the recent upsurge in the value of the Myanmar Kyat against the US Dollar.

The highest and lowest Kyat values against the Dollar are as follows:

Year	Highest	Lowest
2007	1370	1263
2008	1270	1120
2009	1100	1000
2010	1000	960
2011	873	780

A strong Kyat is not helpful to the timber industry in exporting wood products however, as analysts point out, this may not effect in the resale of teak logs in the export markets as this is all effected in hard currencies.

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

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)	
<i>Veneer Quality</i>	<u>May</u>	<u>June</u>
2nd Quality	nil	nil
3rd Quality	nil	nil
4th Quality	4,250 (11 tons)	4,412 (10 tons)
<i>Sawing Quality</i>		
Grade 1 (SG-1)	3,180 (34 tons)	3,128 (37 tons)
Grade 2 (SG-2)	2,773 (44 tons)	2,943 (23 tons)
Grade 4 (SG-4)	2,143 (219 tons)	2,188 (231 tons)
Grade 5 (SG-5) Assorted	1,362 (180 tons)	1,376 (159 tons)
Grade 6 (SG-6) Domestic	1,357 (72 tons)	1,299 (47 tons)
Grade 7 (ER-1)	991 (61 tons)	970 (115 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.

**Hardwood log prices**

Pyinkado export quality Euro478 (228 tons)  
Gurjan export quality Euro343 (60 tons)

Prices are in Euro per hoppus ton FOB

**Report from India**

**Indian industry going for automation**

In India, both wood raw materials and now labour are now in short supply. Because labour was cheap in India the timber industry developed using labour intensive production processes.

Today however, the situation is different and because low cost labour is no longer readily available many factories are running at around only 60% of their capacity.

To overcome this persistent problem the industry now prefers to have as much automation as possible and is retooling production plant accordingly. This change is driving up demand for high tech wood processing equipment.

**Trade levels continue to surge**

Exports from India surged over 50% during May reaching as high as US\$25.9 billion at the same time imports were also up over 50% reaching US\$ 40.9 billion compared to the level in May last year.

**Renewed licenses for closed sawmills**

With a view to conserving and rationalising the consumption of wood, the Supreme Court of India had issued rules and guidelines on forest harvesting and the State governments had strictly followed these. As a result, many companies which did not meet the requirements of the new rules had to close with the loss of many jobs.

The good news from Gujarat is that 265 mills producing lumber and veneers which had to cease operation because of the State rules have been granted new operating licenses.

**Scheme to increase imports of timber through Kochi**

The supply and distribution of logs to processing mills is satisfactory and this has supported the market demand in Mumbai, Kandla, Mangalore and Tuticorin.

Efforts are being made to increase imports of timber through Kochi and the Port Trust Authorities of Kochi have introduced schemes offering discounts on timber in storage.

Presently, Kochi is reported to be handling 60,000 tonnes of timber as against 550,000 tonnes being handled by Tuticorin.

The news that Kochi port will be further developed is a good for the timber industry and could increase the handling of teak logs and other wood products at Kochi.

**Satisfactory break of monsoon aids tree planting programmes**

The South West Monsoon is the major lifeline for Indian agriculture and for re-forestation programmes undertaken by all states in the country. The uniform end of this year's monsoon across the country is seen as foretelling good crops and steady prices.

Reports of massive tree planting pouring in. Karnataka had made ready 10 million saplings to be planted during this season. Gujarat is next with roughly the same number of saplings being made available.

All states and environmental and community organizations have ambitious programmes to plant trees on a large scale. This is good news for the environment and large scale plantations are needed by industry as there is a chronic shortage of wood raw materials in the country.

Plantation teak prices C&F Indian ports remain unchanged.

#### CnF Plantation Teak Prices

	US\$ per m <sup>3</sup>
Tanzania Teak sawn	450-800
Côte d'Ivoire logs	550-750
PNG logs	500-600
El-Salvador logs	475-550
Guatemala logs	400-500
Nigeria squares	375-475
Ghana logs	350-600
Guyana logs	350-450
Benin logs	500-650
Benin sawn	475-600
Brazil squares	500-600
Burkina Faso logs	350-450
Columbia logs	400-600
Togo logs	350-500
Ecuador logs	450-500
Costa Rica logs	350-500
Panama logs	350-450
Sudan logs	500-700
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.

Demand from Europe, USA and Middle East for teak and other hardwoods remains steady.

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

	Rs. per ft <sup>3</sup>
Sawnwood (Ex-mill)	
Myanmar Teak (AD)	
Export Grade F.E.Q.	6500-9000
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	1450
Balau	1550
Kapur	1000
Red Meranti	850
Bilinga	750
Radiata Pine (AD)	425-475
Sawnwood, (Ex-warehouse) (KD)	Rs. Per ft <sup>3</sup>
Beech	1200
Sycamore	1200
Red Oak	1300
American Walnut	2150
Hemlock clear grade	1000
Hemlock AB grade	850
Western Red Cedar	1350
Douglas fir	1000

Domestic demand for plywood is firm.

#### India Plywood Prices

Plywood, (Ex-warehouse) (MR Quality)	Rs. per sq.ft
4 mm	36.25
6 mm	51.00
12 mm	66.50
15 mm	79.60
18 mm	95.00

Locally Manufactured Plywood "Commercial Grade"	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	Rs.13.00	Rs.22.50
6mm	Rs.19.00	Rs.32.60
8mm	Rs.23.50	Rs.36.40
12mm	Rs.26.50	Rs.39.00
19mm	RS.37.00	Rs.52.50
5mm Flexible ply	Rs.22.50▲	Rs.29.00▲

#### Report from Brazil

##### Only pine sawnwood exports expand

In May 2011, exports of timber products (except pulp and paper) fell 2.7% compared to values in May 2010, from US\$ 226 million to US\$ 220 million.

Exports of tropical sawnwood declined both in volume and in value, from 44,400 cu.m in May 2010 to 33,100 cu.m in May 2011 and from US\$ 21.2 million to US\$ 17.5 million, respectively, over the same period. This performance corresponds to a 17.5% decline in export value and a decline of 25.5% in export volume.

Exports of tropical plywood dropped from 9,300 cu.m in May 2010 to 6,500 cu.m in May 2011, representing a 30% decline. In value terms a 20% decrease was registered as exports fell from US\$ 5 million to US\$ 4 million.

In contrast pine sawnwood exports increased 22.4% in value in May 2011 compared to the same month in 2010, from US\$ 13.4 million to US\$ 16.4 million. In volume terms, exports increased 17.8%, from 59,500 cu.m to 70,100 cu.m over the period.

Pine plywood exports dropped 2.4% in value in May 2011 compared to the same month of 2010, from US\$ 37.2 million to US\$ 36.3 million. Export volumes fell 5.2% during the same period, from 100,300 cu.m to 95,100 cu.m.

The value of exports of wooden furniture dropped from US\$ 52.2 million in May 2010 to US\$ 44.2 million in May 2011, representing a 15.3% drop.

##### Real continues to appreciate against dollar

The average exchange rate in May 2011 was BRL1.61 per US dollar whereas it was BRL1.81 to the dollar in May 2010 illustrating the sharp appreciation of the Brazilian currency against the US currency.

The Brazilian Consumer Price Index (IPCA) of May fell 0.3% compared to the level in April and the accumulated IPCA for the first five months of the year was 3.71%, a 0.62% increase compared to the same period in 2010 (3.09%).

##### Inflation risk drives up interest rates

Brazil's Central Bank increased the prime interest rate (Selic) by 0.25% bringing the rate to an annualized

12.25%. This increase was anticipated as inflation has been rising and could breach the inflation target of 4.5% for if no action was taken.

However, forecasts suggest that inflation, as measured by the Consumer Price Index (IPCA) shows a yearly trend close to 6. % plus.

**Workshops to strengthen community forest management**

Natural forests can generate profits and based on this premise the Brazilian Forest Service (SFB) has arranged a capacity-building workshop (the first of the four scheduled) for participants from civil society and community leaders involved in community forestry in the regions of Transamazonian and Xingu River.

The forest management practices of today are adequate to maintain the potential of the forest generating income for local populations but, say the SFB, many are not aware of this.

One of the biggest problems in the Amazon region is that of land tenure. Many of the social, environmental and ownership conflicts that occur in the region stem from problems relating to land titles.

The goal of the SFB workshops is to help participants in the evaluation of community organizations such as cooperatives and associations to identify where they can be improved.

The objective of SFB is to help strengthen the region's forest economy, valuing its resources and providing technical capacity that these communities need to achieve their goals.

According to the SFB, in case of the Altamira region, efforts have been concentrated on the forest valuation and sustainable harvesting.

**Timber movement control technology transfer to other countries**

The Brazilian computerised system for data recording in timber operations and trade called “Document of Forest Origin” (DOF) will be shared with other Latin American countries and also with South Africa, China and Russia according to the Brazilian Institute of Environment and Natural Resources (IBAMA).

This technology has replaced the former Forest Products Transport Permits (ATPF) in Brazil which were frequently falsified.

The Brazilian system is considered a world best and if the interest of various countries is confirmed, Brazil will transfer the system through technical cooperation to those interested.

According to IBAMA, the advantage of the DOF system is decentralised monitoring of the entire chain of custody of timber from the forest to first processing.

The legal timber trade in Brazil amounts to around BRL 15 billion annually with most production originating in Para, Mato Grosso, Rondônia and Maranhão states.

The Amazon Cooperation Treaty Organization (ACTO) is encouraging its member states, such as Peru, Ecuador, Colombia, Venezuela, Guyana and Suriname to adopt the DOF system. Reports indicated that Bolivia has already signed a cooperation agreement with Brazil for use of the system.

**Mechanisms to promote development of forestry sector**

The Heads of State and governments of tropical forest basins of the world agreed on June 3 to continue strengthening relationships to emphasize their common interests in regional and multilateral fora on forests, biodiversity and climate change.

The decision is part of the "Brazzaville Declaration" adopted at the end of the summit of member countries of forest basins of the Congo (Africa), the Amazon (Central America) and Borneo-Mekong (Southeast Asia) held in the Republic of Congo.

Having analysed the relationship between deforestation, forest degradation and socio-economic problems the participating countries recommend cooperation to eliminate actions that encourage destructive exploitation of the forest.

They agreed to establish mechanisms to promote development of the forestry sector, encouraging the green economy for development of low carbon and reducing poverty in member countries. They also advocate additional funding, sustainable and transparent to allow countries to meet the challenges of sustainable forest management and to respect their commitments on forests.

The creation of new public-private partnerships was recommended to facilitate investment in the forestry sector oriented towards development.

Brazil participated in the summit with other Latin American parties such as Bolivia, Colombia, Ecuador, French Guiana, Guyana, Peru, Surinam and Venezuela.

**Brazil Log Prices (domestic)**

	US\$ per m <sup>3</sup>
Brazilian logs, mill yard, domestic	
Ipê	168
Jatoba	121
Guariuba	80
Mescla (white virola)	86

**Brazil Export Sawnwood Prices**

	US\$ per m <sup>3</sup>
Sawnwood, Belem/Paranagua Ports, FOB	
Jatoba Green (dressed)	915
Cambara KD	525
Asian Market (green)	
Guariuba	284
Angelim pedra	687
Mandioqueira	251
Pine (AD)	204

### Brazil Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green)	US\$ per m <sup>3</sup>
<i>Northern Mills</i> (ex-mill) Ipé	827
Jatoba	629
<i>Southern Mills</i> (ex-mill) Eucalyptus (AD)	212
Pine (KD) 1st grade	267

### Brazil Veneer Prices

Veneer, Export (Belem/Paranagua Ports) FOB	US\$ per m <sup>3</sup>
White Virola Face 2.5mm	305
Pine Veneer (C/D)	212

Rotary cut Veneer, domestic	US\$ per m <sup>3</sup>
(ex-mill Northern Mill)	Face Core
White Virola	289 240

### Brazil Plywood Prices

Plywood, FOB	US\$ per m <sup>3</sup>
White Virola (US Market)	
5.2mm OV2 (MR)	458
15mm BB/CC (MR)	400
White Virola (Caribbean market)	
4mm BB/CC (MR)	533
12mm BB/CC (MR)	426

Pine Plywood EU market, FOB	US\$ per m <sup>3</sup>
9mm C/CC (WBP)	289
15mm C/CC (WBP)	269
18mm C/CC (WBP)	256

Plywood, domestic (ex-mill Southern mill)	US\$ per m <sup>3</sup>
Grade MR (B/BB) White Virola 4mm	993
White Virola 15mm	724

Domestic prices include taxes and may be subject to discounts.

### Other Panel Prices

Belem/Paranagua Ports, FOB	US\$ per m <sup>3</sup>
Blockboard Pine 18mm 5 ply (B/C)	318
<i>Domestic Prices, Ex-mill Southern Region</i>	
Blockboard White Virola faced 15mm	637
Particleboard 15mm	417

### Brazil Added Value Products

FOB Belem/Paranagua Ports	US\$ per m <sup>3</sup>
Edge Glued Pine Panel	
Korean market (1st Grade)	637
US Market	502
Decking Boards Cambara	638
Ipê	1,705

## Report from Peru

### Approved Forestry and Wildlife law

The Congress of the Republic overwhelmingly approved the new draft Forestry and Wildlife law which establishes the legal framework for the conservation, protection and sustainable use of forests in the country.

In emphasising the importance of this step for the sustainable development of forest resources and wildlife in the country, the president of the Agrarian Commission, Anibal Huerta, said the new draft was prepared after meetings and public consultations between the government and rural and indigenous communities.

The latest ruling approved the creation of a new the authority called the Forest and Wildlife Service (Serfor), which replaces the current Forest and Wildlife Department.

### FTA with neighbours about to be concluded

Peru is currently negotiating free trade agreements with Panama, Guatemala and Costa Rica, three of the five Central American countries with which the country trades.

Reports suggest that it is possible that agreement will be reached soon but this depends on completing the work that remains to be done in the DOHA round of negotiations.

The outstanding issue to be resolved to achieve the completion of negotiations involve the exclusion of some agricultural relief programmes amongst other issues.

Panama is currently the fourth largest importer of wood from Peru and the main importer of wooden furniture from the country.

### Peru Export Sawnwood Prices

Peru Sawnwood, FOB Callao Port	US\$ per m <sup>3</sup>
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 Mexican market	532-586

Peru Sawnwood, FOB Callao Port (cont.)	US\$ per m <sup>3</sup>
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	355-394
Grade 2, Mexican market	286-312
Cumaru 4" thick, 6'-11' length KD	
Central American market	825-844
Asian market	798-871
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

Peru Sawnwood, FOB Iquitos	US\$ per m <sup>3</sup>
Spanish Cedar AD Select Mexican market	887-909
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	352-381
Grade 2, Mexican market	282-299
Grade 3, Mexican market	161-176
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	244-254

### Peru Domestic Sawnwood Prices

Peru sawnwood, domestic	US\$ per m <sup>3</sup>
Mahogany	867-911
Virola	59-79
Spanish Cedar	264-305
Marupa (simarouba)	62-76

### Peru Export Veneer Prices

Veneer FOB Callao port	US\$ per m <sup>3</sup>
Lupuna 3/Btr 2.5mm	198-223
Lupuna 2/Btr 4.2mm	212-222
Lupuna 3/Btr 1.5mm	211-221

### Peru Export Plywood Prices

Peru plywood, FOB Callao (Mexican Market)	US\$ per m <sup>3</sup>
Copaiba, 2 faces sanded, B/C, 15x4x8mm	318-347
Virola, 2 faces sanded, B/C, 5.2x4x8mm	399-406↑
Cedar fissilis, 2 faces sanded 4x8x5.5mm	738-749↑
Lupuna, treated, 2 faces sanded, 5.2x4x8mm	363-385
Lupuna plywood B/C 15x4x8mm	358-375
B/C 9x4x8mm	345-350
B/C 12x4x8mm	350-360
B/C 8x4x15mm	396-408
C/C 4x8x4mm	384-396
Lupuna plywood B/C 8x4x4mm Central Am.	368-388

### Peru Domestic Plywood Prices

Lupuna Plywood BB/CC, domestic (Iquitos mills)	US\$ per m <sup>3</sup>
122 x 244 x 4mm	438↑
122 x 244 x 6mm	397
122 x 244 x 8mm	415↑
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 Domestic 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 Export Added Value Product Prices

Peru, FOB strips for parquet	US\$ per m <sup>3</sup>
Cabreuva/estoraque KD12% S4S, Asian market	1287-1388↑
Cumaru KD, S4S Swedish market	797-920
Asian market	930-979
Cumaru decking, AD, S4S E4S, US market	938-1006↑
Pumaquiro KD # 1, C&B, Mexican market	423-511
Quinilla KD, S4S 2x10x62cm, Asian market	477-503
2x13x75cm, Asian market	708-768

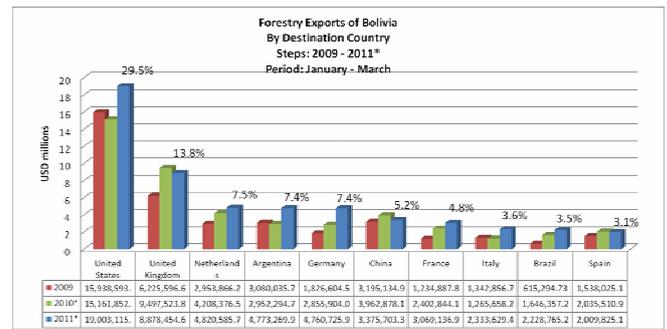
## Report from Bolivia

### Forest product exports increase

Forest products exports comprising timber and non-timber items from January to April increased by 8.4% compared with the same period last year.

Export earnings rose from US\$ 64 million in 2010 to US\$ 69.7 million this year. Manufactured wood products and Brazil nuts accounted for around 83% of the total exports of forest products. The balance of exports was made up of semi-finished wood products.

The U.S. market remains the main buyer of Bolivian wood products accounting for US\$ 19 million or almost 30% of the total. The United Kingdom followed with trade amounting to US\$ 8.9 million (14% share) and the Netherlands with US\$ 4.8 million (7.5%). Other major markets were Argentina and China



## Report from Guyana

### Greenheart log prices reverse direction

For the period under review log prices were very favourable. Greenheart logs of all sawmill qualities secured price increases during the past two weeks, in sharp contrast to the situation some weeks ago.

Purpleheart log prices were stable except for small sawmill quality logs which saw a rise in price as against prices in the previous fortnight.

Mora log prices also improved slightly over the two week period under review.

### Sawnwood prices slip marginally

Sawn lumber prices were mixed. Some items, including undressed Greenheart (select) quality recorded a marginal decline in its top-end price from US\$ 848 to US\$ 740 per cubic metre and undressed Mora (merchantable) quality also saw a decline in prices for this fortnight period.

On the other hand, prices for undressed Purpleheart (select) rose from US\$ 750 to US\$ 875 per cubic metre.

Dressed Greenheart prices fell slightly from US\$ 890 to US\$ 818 per cubic metre; similarly dressed Purpleheart also recorded a marginal decrease in price from US\$ 975 to US\$ 912.

Splitwood prices remain firm and reached as high as US\$976 per cubic metre on the export market for this fortnight period.

Roundwood piles attracted buyers in Europe and North America and fetched good prices.

Prices for Guyana's Ipe (Washiba) continue to hold firm at around US\$ 2,350 per cubic metre on the export market.

### Plywood exports resume

Plywood was exported during the period under review with BB/CC grades fetching as much as US\$640 per cubic metre. The main destination for this plywood was neighbouring countries in South America.

**Guyana and Republic of Congo to cooperate on forestry**

Guyana has signed an agreement with the Republic of Congo to increase cooperation between the two countries in the fields of forestry and wood industries.

The Memorandum of Understanding, covering a five year period, was signed by Guyana’s Agriculture Minister Robert Persaud and Congolese Minister of Forestry and Sustainable Development Henri Djombo.

This agreement will see the two countries establishing and developing cooperation to address sustainable forest management, REDD+ initiatives and the enhancement and development of processed wood and wood-based construction industries.

Recognising the importance of sustainable utilisation of forest resources for the economic and social development of the two countries which boast large areas of pristine rainforest, bilateral cooperation in technical, industrial and managerial aspect of the forest industry will significantly enhance the development of the two countries.

Other initiatives will include exchange visits by delegations from the two countries and exchange of information on science and technology relating to forest, tree seedlings, genetic material and other forest resources.

It will also see other group studies and human resource training and collaboration in research and production and joint surveys. The two countries will also explore trading in timber and other forest products and the training of technicians and other experts in forestry related disciplines.

**Guyana Log Export Prices**

Logs, FOB Georgetown	SQ - \$ Avg unit value per m <sup>3</sup>		
	Std	Fair	Small
Greenheart*	285	275	265↑
Purpleheart	250-290↑	280	150-270↓
Mora	160↑	115-150	120↑

\*Small SQ is used for piling in the USA and EU. Price depends on length. In the case of no price indication, there is no reported export during the period under review.

**Guyana Sawnwood Export Prices**

Sawnwood, FOB Georgetown		\$ Avg unit val. per m <sup>3</sup>	
EU and US markets		Undressed	Dressed
Greenheart	Prime	-	-
	Standard	-	615-818↓
	Select	573-740↓	-
	Sound	679	-
	Merchantable	-	-
Purpleheart	Prime	-	-
	Standard	-	689-912↓
	Select	650-850↑	-
	Sound	-	-
	Merchantable	550-594↑	-
Mora	Prime	-	-
	Select	500↓	-
	Sound	450	-
	Merchantable	400-450↓	-

In the case of no price indication, there is no reported export during the period under review.

**Guyana Plywood Export Prices**

Plywood, FOB Georgetown Port			\$ Avg unit val. per m <sup>3</sup>
Baromalli	BB/CC	5.5mm	No export
		12mm	530-640
Utility	Utility	5.5mm	"
		12mm	"

In the case of no price indication, there is no reported export during the period under review.

**Report from Japan**

**Seihoku plywood mills repaired**

The Seihoku plywood mills on the east coast of Japan which were badly damaged by the March 11 tsunami are under repair.

The Japan Lumber Reports (JLR) is saying that the Ishinomaki number 3 plant will start producing veneer in July.

Number 1 and 2 plants will use the veneer from plant number 3 to manufacture plywood. Output is expected to be around 250,000 sheets of structural plywood in July. Seihoku hopes to have all three plants operating by the end of August.

Prior to the crisis total production from all mills was 1.7 million sheets but the company is saying that by the autumn this year it should have capacity up to around 60% of that prior to the March disaster.

The operation of the particleboard and MDF mills will not be possible before November this year as both factories suffered extensive damage.

In other news the JLR is reporting that Hokuyo Plywood is saying that its Miyako plant will be able to begin operations in July. This plant produces softwood plywood.

**Surge in April plywood supply**

The total supply of plywood in the Japanese market in April was 533,100 cu.m, some 28% more than in April last year and 19% more than in March this year.

There was a sharp increase in imports and domestic mills that were unaffected by the earthquake and tsunami increased production by almost 20%.

April imports amounted to 337,100 cu.m, 12% more than in April 2010. This was the highest monthly import level since October 2008 and over 75,000 cu.m more than the average monthly volume for last year.

## April and Jan-April plywood imports

	April 000 cu.m	Jan-Apr 000 cu.m	% change on Jan-Apr 2010
Malaysia	151	535	8
Indonesia	86	330	12.7
China	80	255	34.2
NZ	6	18	47.7
Canada	3	4	na
Others	11	85	na
total imports	337	1227	15.9

## Tropical log demand projections

The Japan South Sea Lumber Conference held a regular meeting to assess the likely demand for tropical timber in 2011.

The forecast demand for logs in 2011 is 529,000 cu.m., 5.5% less than in 2010. The forecast for plywood demand is 440,000 cu.m., almost 6% down on the level in 2010 while for sawnwood the forecast is for a demand level of 89,000 cu.m, 3% less than in 2010.

The demand for tropical logs is forecast to be less than last year because so many plywood mills have been damaged. Even if the unaffected mills increase production as expected their consumption will not be sufficient to bring production up to 2010 levels.

## Sarawak log prices levelling out

Weather conditions have been improving in Sarawak allowing logging operations to get back to normal and log production is increasing.

As log supply has improved, and as the orders for plywood are levelling off, log prices seem to have reached their peak reports the JLR.

Sarawak Meranti regular is selling at US\$350-360 per cu.m FOB, unchanged now for two months. Meranti small logs are priced at US\$320-330 per cu.m and super small priced at between US\$300-310 per cu.m.

In contrast to the situation in Sarawak, the JLR is reporting that the situation is rather different for log exporters in Sabah as they have strong order books, because of this log prices remain firm.

Kapur prices are at US\$400 per cu.m FOB (floaters and sinkers).

## Slow plywood market

Sales of tropical plywood in Japan are slow says the JLR because a large quantity of plywood arrived this month. The domestic mills are still struggling to increase wholesale prices to compensate for the high cost of imported logs.

Current prices of Sarawak Meranti regular logs in the Japanese market are Yen 9,300 per koku CIF, Yen 1,000 per koku higher than in December last year.

## JLIA gets new chairman

The Japan Lumber Importers Association held its general meeting in early June and elected Mr. M. Ogawa of Sojitz Corporation as its new chairman.

The JLR reports that Mr. Ogawa said that the Association will continue to build a strong relationship with forest products groups in SE Asia, Russia, N. America and Europe to establish a steady import of wood products.

The meeting heard that in the year to March 2011 imports of certified wood accounted for 41% of all imports up 5% on the previous year.

## Samco makes plantation plywood

The Indonesian group Samco has been developing the use of plantation logs for plywood production. The group apparently uses plantation *Pinus merkusii*, the Sumatran Pine and falcata for cores and Meranti for the face and back.

The JLR reports that, currently, about 70% of the mill output is marketed domestically with the balance 30% being shipped to Japan.

## Log and Sawnwood Prices in Japan

Logs for Ply Manufacture, CIF	Yen per Koku (Koku=0.278 m <sup>3</sup> )
Meranti (Hill, Sarawak)	9,200▲
Medium Mixed	9,400▲
Standard Mixed	9,300▲
Small Log (SM60%, SSM40%)	8,000
Taun, Calophyllum, others (PNG)	-
Mixed light hardwood, G3/4 grade (PNG)	12,000▲
Keruing MQ & up (Sarawak)	11,500▲
Kapur MQ & up (Sarawak)	

Logs for Sawmilling, CIF	Yen per Koku
Melapi (Sarawak) High Select	12,500
Agathis (Sarawak) High Select	-

Lumber, FOB	Yen per m <sup>3</sup>
White Seraya (Sabah) 24x150mm, 4m, Grade 1	150,000▲
Mixed Seraya, Sangi 24x48mm, 1.8-4m, S2S	60,000▲

## Wholesale prices (Tokyo)

Indonesian & Malaysian Plywood	Size (mm)	May	June
		(¥ per sheet)	
2.4mm (thin plywood, F 4star, type 2)	920 X 1830	380-410	380-410
3.7mm (med. Thickness, F 4star, type2)	910 X 1820	540-600	540-600
5.2mm (med. Thickness, F 4star, type 2)	910 X 1820	640-720	640-720
12mm for foundation (F 4star, special)	910 X 1820	1300	1300
12mm concrete-form ply (JAS)	900 X 1800	1220	1200
12mm coated concrete-form ply (JAS)	900 X 1800	1300	1300
11.5mm flooring board	945 X 1840	1350-1400	1400
3.6mm baseboard for overlays (OVL)	1220 x 2440	880	900

### China to reduce import tariffs

Yao Jian, the spokesperson for the Ministry of Commerce, indicated recently that China will further reduce import tariffs, expanding the tariff reductions on medium and high-end products.

Since the beginning of 2011 the growth of consumption in China has slowed but, in general, the growth in retail sales has been high over the past few years.

Domestic consumption will continue to be the driving force for economic growth in the country and the move to reduce tariffs is being undertaken to sustain domestic consumption.

Yao Jian is reported as saying that the Ministry of Commerce intends to undertake a reorganization of its structure in be more effective in stimulating an expansion of domestic consumption.

### Panel mills in Linyi City establish outlets in the U.S

Wood-based panel production is labour intensive and many mills in China have production capacity in Linyi, Jiashan, Xuzhou and Pizhou to take advantage of available labour.

Wood-based panel exporters are facing many challenges including anti-dumping claims in several markets, increasing prices for raw materials and labour costs are rising quickly. Therefore, the profits of wood-based panel enterprises are slipping and are now said to be only between 3 and 5 percent.

In order to respond to this unfavorable situation many wood-based panel companies in Linyi City, Shandong province are extending their businesses to include overseas distribution.

With the help of a local wood-based panel association, 10 enterprises in Linyi City have established a wholesale market in the US to coordinate the sale various products in the American market so as to maximise returns through removing the agents and distributors and through competitive pricing.

### Yantai Penglai port in top ten timber import ports

China's top ten timber import port management companies are:

Rizhao Group Co.,Ltd  
 Manzhouli Port  
 Shanghai International Port Business (Group) Co., Ltd  
 Suifenhe Port  
 Jiangsu Wanlin International Jingjiang Yingli Business Co., Ltd  
 Tianjin Port (Group) Co.,Ltd  
 Taicang International Container Terminal Co., Ltd (TICT)  
 Changhsu Xinghua Port Co., Ltd  
 Zhangshou China Merchants Port Co., Ltd  
 Yantai Port Group Penglai Port Co., Ltd

Logs are one of the main items through Penglai Port on the Shandong peninsula. Log imports through the port in 2010 totalled around 700,000 cubic metres, taking the port into the list of major timber ports.

Penglai Port invested more than Yuan 5 million to build a 200,000 square metre timber trading market in 2005 as well as a further Yuan 20 million to bring in log moving equipment from New Zealand. The annual average growth rate of the port's log throughput was over 90 percent for the past 5 years.

Logs imports through Penglai Port are expected to exceed 800,000 cubic metres in 2011 and exceed 2 million cubic metres during Twelfth Five Year Plan period.

### Japanese furniture enterprises transfer production

Japan has been establishing furniture production enterprises in China for more than ten years and this trend is continuing due to the high cost of furniture manufacturing in Japan.

The level of Chinese furniture production technology is now high and Japanese enterprises are increasingly buying Chinese made furniture for the Japanese market

It has been reported that Japanese furniture enterprises have recently established furniture production bases in Dalian City, Shandong Province and Dongguan City, Guangdong Province.

### France a new trade partner for panel exporters in Manzhouli

Recently, a batch of composite multi-plywood manufactured by Manzhouli Baoda Wood Industry Co. Ltd was exported to France after inspection by the Manzhouli Entry-Exit Inspection and Quarantine Bureau.

France is a new export destination for wood-based panel exports to Europe through Manzhouli Port. Other recent European destinations include Germany and Italy.

### Guangzhou City Imported Timber Market

Logs	Yuan per m3
Lauan (50-60cm)	2200-2400↑
Kapur (up to 79cm)	2600-2700
Merbau 6m, (up to 79cm)	3500-4000
Teak	11000-13000
Wenge	5800-6500
Sawnwood	
Teak sawn grade A (Africa)	9600
US Maple 2" KD	7500-10000
US Cherry 2"	10000-13000
US Walnut 2"	14000-16000
Lauan	-
Okoume	4200-5000
Sapele	6000-6400

**Shanghai Furen Wholesale Market**

Logs		Yuan per m3
Teak (Myanmar, all lengths)		7500-8500
Sawnwood		
Beech KD Grade A		5600-5700↑
US Cherry, 1 inch		9500-10000
US Red Oak, 50mm		6500-7000
Sapele 50mm FAS (Congo)		
KD (2", FAS)		6500-6800↑
KD (2", grade A)		5700-5800↑

**Hangzhou Timber Market**

Logs		Yuan per m3
Ash 4m, 30cm diam.		2900-3800
Linden 4m, 26cm diam.		2000-2900
Sawnwood		
Beech Europe		3000-7500
Black walnut North America		12000-17500
Teak Myanmar		9000-18000
Red oak North America		8500-15000
Alder Myanmar		4500-7600
Sapele Africa		5000-6200
Plywood		
Red beech 4x8x3 mm		50-65
Black walnut 4x8x3 mm		50-95
Teak 4x8x3 mm		65-130

**Shandong De Zhou Timber Market**

Logs		Yuan per m3
Larch 6m, 24-28cm diam.		1800
White Pine 6m, 24-28cm diam.		1700
Korean Pine 4m, 30cm diam.		-
6m, 30cm diam.		-
Mongolian Scots		
Pine 6m, 30cm diam.		1580

**Hebei Shijiazhuang Wholesale Market**

Logs		Yuan per m3
Korean Pine 4m, 38cm+ diam		1800
Mongolian Scots Pine 4m, 30cm diam.		1700
6m, 30cm+ diam.		1750
Sawnwood		
Mongolian Scots Pine 4m, 5-6cm thick		1700
4m, 10cm thick		1750

**Wenzhou Timber Trading Market**

Logs		Yuan per m3
Wenge (Africa)		4500-5100
Plantation Teak (Africa)		2100-2500
Merbau		3500-5000
Sapele		3200-3700
Plywood		
		Yuan per piece
Red beech 4x8x3 mm		40-80
Black walnut 4x8x3 mm		40-85
Teak 4x8x3 mm		45-110

**Tropical hardwood plywood prices at record levels**

CIF Europe prices for South East Asian and Chinese hardwood plywood increased dramatically in the second quarter of 2011 in response to tight supplies, rising production costs, currency movements and firm demand in Asia.

Prices have continued to rise for July and August shipment. Prices for Malaysian BB/CC raw plywood on offer to European buyers now exceed Indo96+40% and those for equivalent Indonesian products may be over Indo96+50%, levels never seen before.

However underlying consumption of plywood in Europe is still subdued so that few importers are experiencing significant supply problems. In the UK, there are even reports of importers reducing prices of their landed stock for onward sale in an effort to generate cash before the summer holiday season.

In this environment, most UK importers seem content to work from their existing stock holdings and few are showing much interest in paying the higher CIF prices.

The German journal EUWID reports a similar situation in mainland Europe noting that “rather subdued demand for plywood imported from South East Asia on the whole has so far staved off any major shortages in Europe.”

On the other hand, the UK Timber trades Journal ( TTJ) notes that mainland European importers are showing much greater willingness to pay the higher prices for Malaysian and Indonesian plywood because, unlike their UK counterparts, they “are not prepared to go down the Chinese route”.

**UK trade switches to Chinese made plywood**

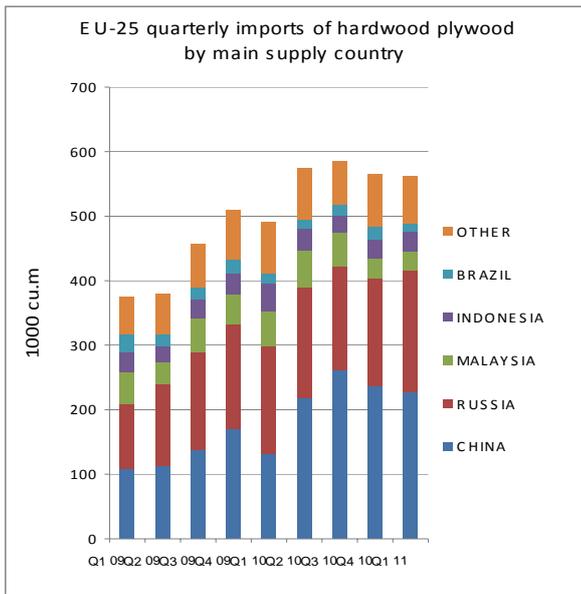
The extent to which the UK has switched more to Chinese plywood products is revealed in the import data for the first quarter of 2011. During that period, the UK imported 109,000 cu.m of Chinese hardwood plywood compared to only 32,000 cu.m in the same period of 2010.

UK imports of hardwood plywood during the first quarter of 2011 from Malaysia stood at 25,000 cu.m, down from 43,000 cu.m in the same period of 2010, while imports from Brazil were less than 5000 cu.m compared to 10,000 cu.m in the first quarter of 2010.

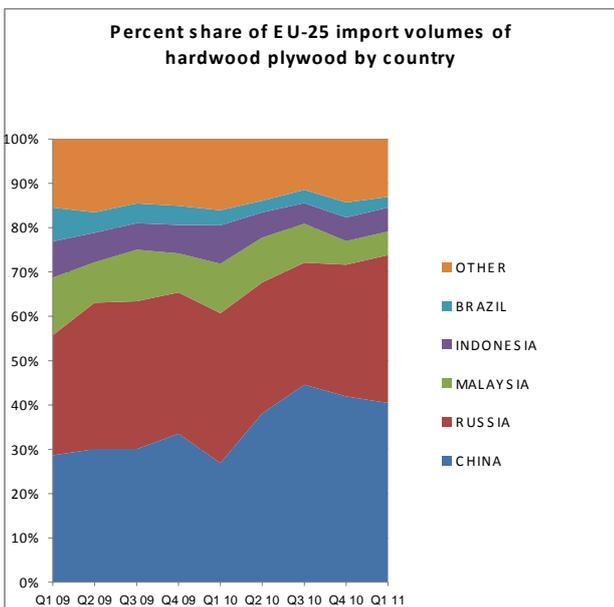
A different situation prevails in mainland Europe. EUWID reports that in recent months several importers in this region have tested Chinese birch plywood and Chinese mixed light hardwood plywood as possible substitutes for Indonesian and Malaysian plywood. However they decided against placing large orders on quality grounds.

In mainland Europe, the most notable trend this year has been a revival in imports of Russian birch plywood as the supply situation has gradually improved after the dramatic

fall in availability following the severe forest fires in Russia last summer.



In total, the EU-25 group of countries (*all members of the EU with the exception of Romania and Bulgaria that acceded in January 2007*) imported 563,000cu.m in the January to March period of 2011, 15% up on the same period in 2010 and almost exactly the same as the previous quarter .



The chart above shows the market share of countries supplying hardwood plywood into the EU-25 since the start of 2008 highlights that the major beneficiaries of recent trends have been China (mainly to the UK) and (mainly to mainland Europe).

Together these two countries now account for 74% of all hardwood plywood imported into the EU compared to 60% at the start of 2008.

Meanwhile, the main tropical suppliers of hardwood plywood – Malaysia, Indonesia, and Brazil – have seen their combined share of EU imports fall from 28% to 13%.

**European construction sector remains weak**

Although the low point in European construction activity appears to have been overcome, future growth will be at risk from the effects of the EU debt crisis, rising inflation, government austerity measures and the progressive withdrawal of stimulus measures aimed to offset the worst effects of the economic downturn.

This is the main conclusion of the 71st Euroconstruct Conference in Helsinki, Finland on 17th June, 2011.

Between 2007 and 2010, total construction activity fell continuously by a total of more than 15% to reach a low not seen since 1998. This downward trend is expected to end this year, but the performance of the sector varies country by country.

This year construction sector growth is forecast to be highest in Poland and the Nordic countries, while France and Germany will also achieve reasonable growth. In Spain, Ireland and Portugal, construction is still declining rapidly. More moderate declines will be recorded in the UK and a few Central and Eastern European countries.

**Residential building records sharp decline**

Of all sectors, the largest fall from the industry’s peak year in 2007 has been in the construction of new residential buildings. While around 2.5 million new residential buildings were completed in 2007 in the Euroconstruct countries, less than 1.5 million will be completed this year.

However, the numbers of houses built across the region is expected to sustain annual growth of slightly under 5% from this year forward.

While office construction weathered the financial crisis better than the housing sector, it still suffered a major downturn. The total value of construction in the office sector shrank by around 13% between 2007 and 2010, while new office construction fell by almost 20%.

Office construction tends to lag behind economic trends and it is not forecast to grow until 2012. New office construction suffered more from the fall caused by the financial crisis than did renovation.

The heavy decline in new build and an emphasis on improving the energy efficiency of existing building stock in government stimulus measures has meant that renovation now dominates European construction activity. The value of building renovation in Europe is currently one and a half times that of new build.

Falling government spending from 2011 onwards will hit construction activity particularly hard in the infrastructure segment. Activity in this segment remained almost unchanged between 2008 and 2009, but suffered a 5% decline in 2010.

Infrastructure activity is expected to continue to fall during 2011, particularly in Eastern Europe as EU funding and national investment funds are shrinking.

However, overall construction activity is projected to remain higher in eastern than in Western Europe. Construction activity in Western Europe is expected to grow by 1.5% per annum until 2020, a slightly slower pace than growth in GNP.

#### Weakness in construction activity in SW Europe until 2020.

Relatively higher rates of growth in Nordic countries will be offset by little or no growth in south west European countries. A large oversupply of housing and business premises combined with high levels of debt and government austerity are expected to lead to weakness in construction activity in south Western Europe at least until 2020.

During the same period, construction activity is expected to grow by 4.5% to 5% in central Eastern Europe where economies are closing the gap on their richer western European neighbours.

While overall European growth in construction will be subdued before 2020, underlying demographic and social factors give confidence of at least stable long-term demand, particularly in the renovation sector.

The factors supporting this assumption include: ageing building stock, the trend towards living alone, which is increasing the numbers of households, rising urbanisation and tightening energy efficiency requirements.

#### The Netherlands Sawntwood Prices

	US\$ per m <sup>3</sup>
FOB (Rotterdam)	
Sapele KD	956▲
Iroko KD	1175▲
Sipo KD	1160▲
DRM Bukit KD	968
DRM Seraya KD	975
DRM Meranti KD Seraya MTCC cert.	996
Merbau KD	1257
Sapupira (non FSC) KD	989
Sapupira (FSC) KD	1624
Anti-slip decking AD C&F Rotterdam	
Selangan batu	1660

#### 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	340-360
Iroko 80cm+ LM-C	410-480
African Walnut 80cm+ LM-C	340-370

#### UK Sawntwood Prices

	GB Pounds per m <sup>3</sup>
FOB plus Commission	
Framire FAS 25mm	525-545▲
Sipo FAS 25mm	720-750▲
Sapele FAS 25mm	595-610▲
Iroko FAS 25mm	730-740▲
Wawa FAS25mm	295-315▲
CIF plus Commission	
Tulipwood FAS 25mm	260-285▲
Meranti Tembaga Sel/Btr (KD 2"boards)	600-610▲
Balau/Bangkirai Decking	1035-1080▲
White Oak	490-515▼

#### UK Plywood and MDF Prices

	US\$ per m <sup>3</sup>
Plywood Panels 8x4", CIF	
Brazilian WBP BB/CC 6mm	600-620▲
Malaysian WBP BB/CC 6mm	660-685▲
MALAYSIA MTCS/PEFC trop hard face, pine core* 18mm	520-580▲
China (hardwood face, eucalyptus core) 18mm	395-410▲
China (tropical hardwood face, poplar core) 18mm	375-395▲

\* MTCS/PEFC certified plywood is now becoming more widely available than equivalent FSC certified product from Malaysia

## Report from North America

#### Little change in total sawn hardwood imports

There was little improvement in US imports of sawn tropical hardwood from March to April 2011. Imports of sawn tropical hardwood declined by 1% to 15,969 cu.m. in April, but on a year-to-date basis imports grew by 16% from 2010.

Imports of balsa were 3,866 cu.m. (-13% year-to-date), ipe 2,151 cu.m. (+43% year-to-date), keruing 1,869 cu.m. (+184% year-to-date), acajou d'Afrique 1,547 cu.m. (-4% year-to-date), mahogany 1,378 cu.m. (+11% year-to-date), and virola 1,023 cu.m. (+85% year-to-date).

Imports from the largest supplier to the US, Ecuador and Brazil recovered in April. Ecuador shipped 4,024 cu.m. of mainly sawn balsa in April. Imports from Brazil were 3,500 cu.m. with ipe accounting for more than half of the volume.

Imports from Malaysia increased to 2,167 cu.m. because of strong demand for keruing. Monthly import volumes of key imported species by country of origin are shown below.

#### Strong growth in hardwood plywood imports from China

The US imported 247,922 cu.m. of hardwood plywood in April 2011, up 47% from March and 21% compared to year-to-date April 2010. This upswing in spring demand benefitted mainly Chinese suppliers.

Imports from China were 171,496 cu.m. (+53% year-to-date), but tropical countries saw a decline in shipments to the US: imports from Indonesia were 21,028 cu.m. (-9% year-to-date), from Malaysia 6,755 cu.m. (-42% year-to-date), and from Ecuador 4,214 cu.m. (-8% year-to-date).

**Brazil remains largest hardwood moulding supplier**

The upswing in hardwood moulding imports continued in April 2011. Total imports were worth US\$18.7 million, up 6% from March and 23% year-to-date. The smaller suppliers Mexico, Paraguay, Taiwan and Bolivia have increased their share in the US market since late 2010.

Imports from Brazil declined by 14% from the previous month to US\$7.2 million, but Brazil remains the largest hardwood moulding supplier to the US with year-to-date imports 59% above 2010 levels.

Imports from China increased by 47% to US\$4.5 million (+8% year-to-date). Hardwood moulding imports from Malaysia were US\$1.8 million (+50% year-to-date) and from Indonesia US\$426,000 (+3% year-to-date).

**Slow growth in hardwood flooring imports**

Hardwood flooring imports increased again in April 2011, but imports remain relatively low compared to pre-recession levels. Total imports were worth US\$1.8 million in April, up 83% year-to-date.

After two months of decline, imports from China were up in April at US\$460,000 (+88% year-to-date). Malaysia shipped US\$309,000 in April (+130% year-to-date), while imports from Brazil were US\$238,000 (+42% year-to-date). Flooring imports from Indonesia were US\$231,000 (+622% year-to-date).

**US Timber prices**

	Apr-11 US\$ per cu.m	May-11 US\$ per cu.m
Ipe (Brazil) Decking Premium Grade AD, 1x6, FOB Belem	2800	2800
Ipe (Brazil) Decking Premium Grade AD, 5/4x6, FOB Belem	2900	2970▲
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	775	-
Khaya (Ghana) FAS KD, FOB Takoradi	875	875
Sapele (Cameroon) FAS AD, FOB Douala	740	740
Sapele (Cameroon) 4/4 to 8/4 FAS KD, FOB Douala	910	910

**First national forest industry check-off programme approved**

A majority of the US sawn softwood industry voted to approve a promotional programme for sawn softwood. The so-called check-off is industry-managed and financed but overseen by the US Department of Agriculture.

All softwood sawnwood companies will have to pay US\$0.35 per thousand board feet produced or imported into the US, excluding volumes below 15 million board feet. The projected income would be US\$12-19 million per year, depending on shipments levels.

The programme has been developed by a committee of 21 major softwood sawnwood manufacturers in the US and Canada. In the past, voluntary programmes with similar goals were not effective, and the industry hopes that this mandatory approach will provide sustainable funding for a long-term program.

The programme will develop consumer and industry information and advertising designed to expand markets for softwood sawnwood, including export markets, and develop new applications such as cross-laminated timber.

**New cross-laminated timber plant in British Columbia, Canada**

A cross-laminated timber plant opened in Okanagan Falls, British Columbia in June 2011. The 1,400 sq.m. plant is owned by glulam producer Structurlam and was supported by C\$5.7 million in government funding.

Cross-laminated timber (CLT) is a multi-layer solid timber panel made from dimensional sawn softwood. The engineered wood product was developed in Europe, but efforts are underway in North America to create standards to make it easy for engineers to specify CLT in building construction.

CLT provides an opportunity to expand the use of wood in non-residential construction in North America where concrete and steel currently dominate. Building assembly with CLT panels is fast and CLT can be used in the long spans common in commercial buildings. Part of the Canadian government funding went into developing a technical guide on CLT manufacturing, design and construction. More information on the CLT Handbook is available at: <http://www.fpinnovations.ca/>

**Federal budget will again support Canadian forest industry**

The newly elected federal government passed its 2011 federal budget that will invest C\$60 million in innovation and product development in Canada's forest industry.

The industry accounts for 12% of Canada's manufacturing GDP and employs approximately 300,000 according to the Forest Products Association of Canada. Since 2003, about 38,000 jobs have been lost for a variety of reasons, including increased competition from South America and Asia as well as the downturn in the US market.

**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*

## 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.*

Asian governments have to urgently initiate crucial structural reforms to lift investment and create productive job opportunities which can help raise savings and aid a more sustainable growth, says a Morgan Stanley report.

The report also warns of a slower growth for the region in the near term due to the rising commodity prices and the resultant inflationary expectations. The report projects oil at USD 120-130 for the near term.

<http://sg.news.yahoo.com/asia-urgently-needs-structural-reforms-morgan-stanley-064600340.html>

Australian softwood product prices fell in the March quarter, along with wood production and construction of new houses, according to consulting firm URS.

There were wide-ranging price declines, particularly in structural grades MGP10 (Machine Graded Pine) and MGP12, plywood and laminated veneer lumber (LVL), said URS in its March quarter timber survey. Residential housing, a strong driver of demand for timber products, continued to struggle.

<http://www.smh.com.au/business/timber-suffers-a-chop-in-soft-march-quarter-20110614-1gluz.html>

Egyptian furniture production has declined around 50 per cent over the last four months due to timber theft and unrest in handicraft-producing areas like Darb Al-Ahmar, says Mohsen El-Tagouri, deputy head of the timber division in Cairo's Chamber of Commerce.

Timber imports have fallen around 30 per cent, influenced by the reluctance of banks to extend credit and the decline of the Egyptian pound against the dollar, he said.

<http://english.ahram.org.eg/~NewsContent/3/12/14544/Business/Economy/Egyptian-furniture-production-slows-by-half.aspx>

The price of new homes in China rose last month in 67 of the 70 cities monitored as developers held off on reducing how much they charged while studying the effects of policies aimed at controlling the property market.

May new-home prices increased by more than 6 percent from a year earlier in 19 cities, compared with 21 cities in April, according to data the National Bureau of Statistics posted to its website today.

Prices in northeastern China's Dandong rose 9.7 percent in May, the most among the 70 cities monitored.

<http://www.bloomberg.com/news/2011-06-18/china-s-may-home-prices-rise-in-67-of-70-cities-defying-government-curbs.html>

Southern Bamboo, which incorporated in 2010, is now harvesting American bamboo groves for domestic supply.

This start-up company based in Jackson, Mississippi, aims to be the largest all-American bamboo supplier of bamboo poles for landscaping, interior design and other bamboo-related products.

Currently, the global bamboo industry generates \$10 billion annually. The United States imports nearly 20% of this supply, making the U.S. the number-one importer of bamboo.

This is mainly because there are no domestic suppliers to the bamboo industry. Southern Bamboo is changing this by providing quality bamboo pole products harvested in American bamboo groves.

<http://www.benzinga.com/press-releases/11/06/p1149185/first-all-american-bamboo-supplier-introduces-new-cash-crop>

Urban unemployment in Latin America and the Caribbean will ebb again this year, from 7.3 percent to somewhere between 6.7 percent and 7 percent, two U.N. agencies said in a joint report.

The Economic Commission for Latin America and the Caribbean and the International Labor Organization said that economic vulnerability has been reduced by counter-cyclical economic policies, including investment in infrastructure, emergency employment plans and stimulus for companies and social programs.

<http://www.laht.com/article.asp?ArticleId=398757&CategoryId=12394>

West African farmers are to undergo a training workshop from 20th to 22nd June 2011 in Niamey, Niger on restoration techniques and soil enrichment with tree species with high potential of Non-Timber Forest Products (NTFP) as part of regional efforts at achieving sustainable management of forest resources.

The ECOWAS Commission is organizing the workshop in collaboration with the Niamey-based Permanent Interstate Committee for Drought Control in the Sahel (CILSS), within the framework of implementation of the Commission's Forest and Environment Policies.

<http://allafrica.com/stories/201106100653.html>

The Free Trade Agreement (FTA) between the EU and the South Korea is the first completed of the new generation of FTA launched by the EU in 2007. South Korea was designated a priority FTA partner in the Global Europe trade policy strategy of 2006. The negotiations for an EU-South Korea FTA were launched in May 2007 in Seoul. The FTA will apply as of 1 July 2011

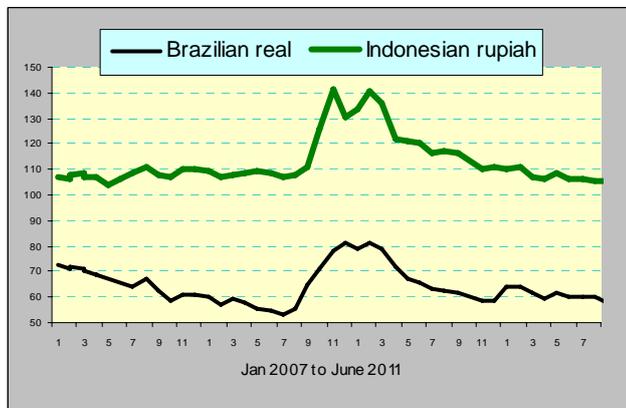
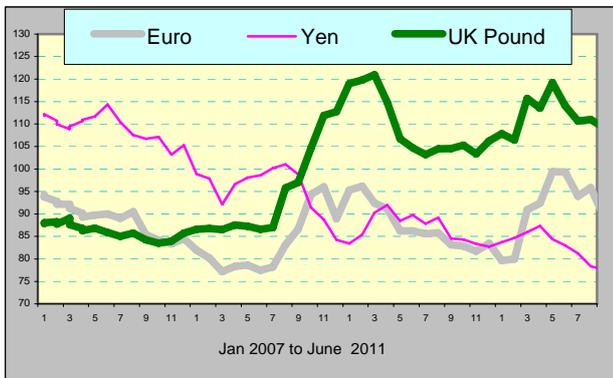
<http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/korea/>

## Main US Dollar Exchange Rates

As of 28<sup>th</sup> June 2011

Brazil	Real	1.5742
CFA countries	CFA Franc	449
China	Yuan	6.4642
EU	Euro	0.6884
India	Rupee	44.6005
Indonesia	Rupiah	8551
Japan	Yen	80.83
Malaysia	Ringgit	3.0054
Peru	New Sol	2.7457
UK	Pound	0.6221
South Korea	Won	1064.25

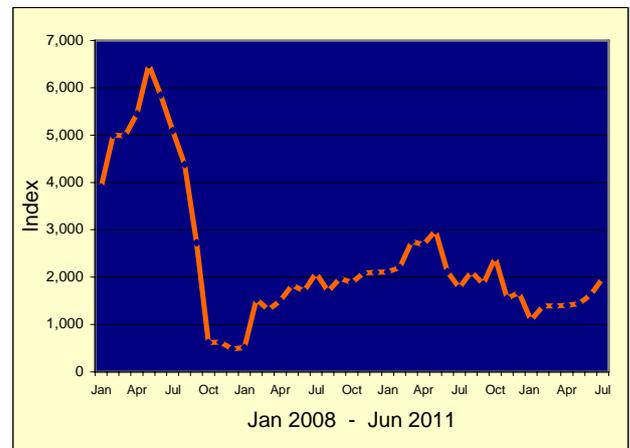
Exchange rates index (Dec 2003=100)



## Abbreviations and Equivalences

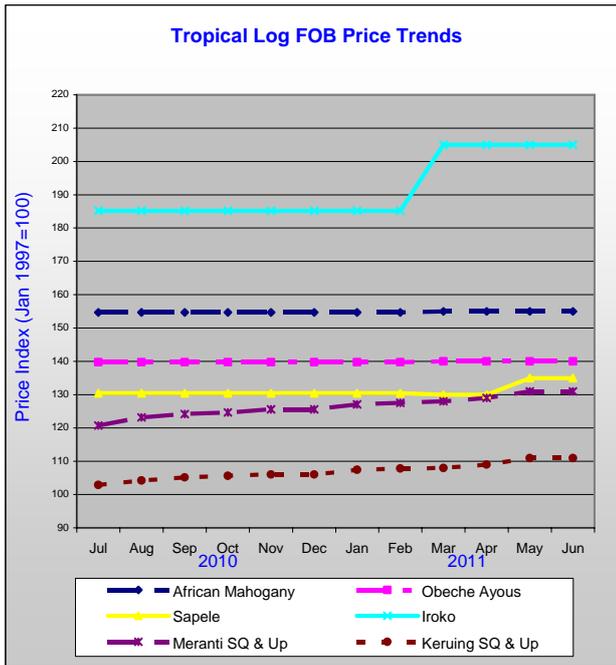
LM	Loyale Merchant, a grade of log parcel
QS	Qualite Superieure
CI, CE, CS	Choix Industriel, Economique or Supplimentaire
FOB	Free-on-Board
CIF; CNF	Cost, insurance and freight; Cost and freight
KD; AD	Kiln Dry; Air Dry
Boule	A log sawn through and through, the boards from one log are bundled together.
BB/CC, etc.	Plywood grades. Letter(s) on the left indicate face veneer, on the right backing veneer. 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
	Price has moved up or down

## Ocean Freight Index

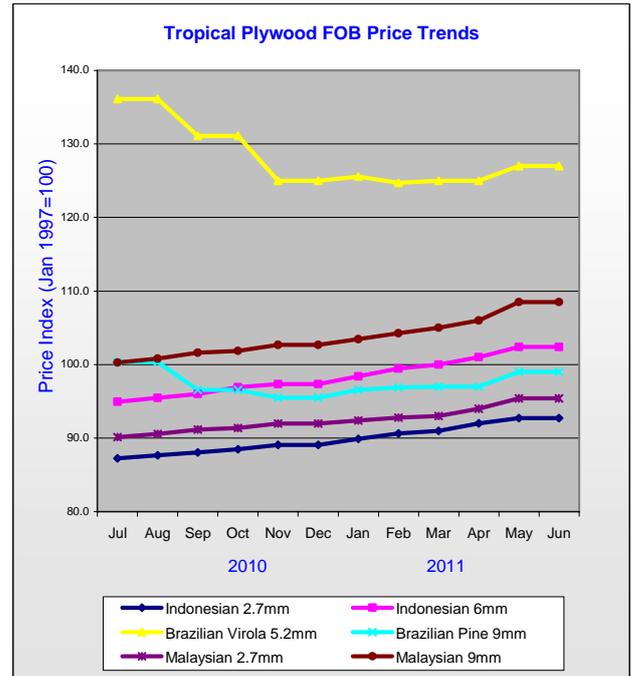


The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes. It is based on a 52,454 mt bulk carrier carrying commodities such as timber.

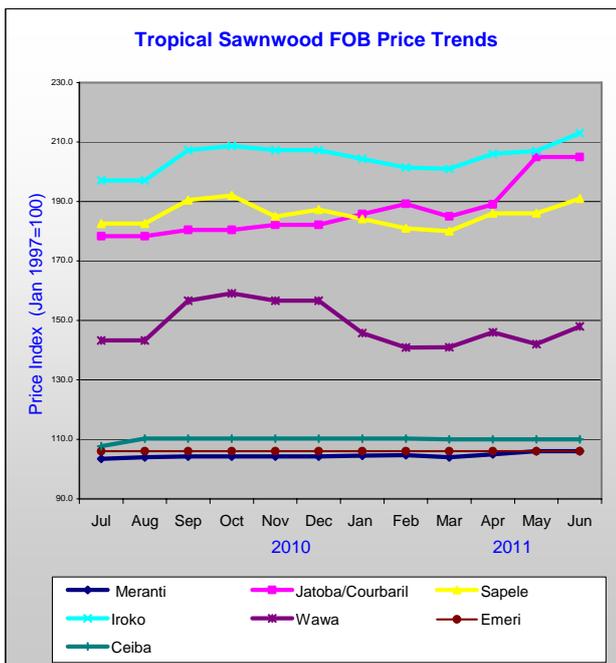
## Tropical Log Price Trends



## Tropical Plywood Price Trends



## Tropical Sawwood Price Trends



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

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