Tropical Timber Market Report since 1990

Volume 14 Number 10, 16-31 May 2009

Snapshot

The market showed small but temporary signs of recovery. In West Africa, the market was stable, with some minor price changes for logs during the previous fortnight. Plywood restocking in the UK showed a slight rise, with the upturn in forward orders being a possible hint at some stability in the market. Additionally, log prices for Guyana's greenheart and purpleheart were stable over the first two weeks of May 2009.

Other countries were trying to find ways to counteract poor results from the first quarter of 2009. Malaysia scaled back its standard royalty rate on timber to help exporters weather the global recession and furniture exporters were encouraged to develop new marketing strategies. An Indonesian association called on the government to reduce levies on the forest industry to enable Indonesian timber products to be more competitive in the international market In Brazil, a forum was held in Curitiba to discuss ways the timber industry could overcome the current crisis in the timber sector. Plywood manufacturers in Southeast Asia were also seeking alternatives to the Japanese market, with Malaysia shipping stock to the Middle East and India and Indonesia shipping stock to South Korea.

Headlines

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Report from Central/West Africa

Exporters show slight optimism about current quarter

There were a few minor price changes through the end of May. Log business with Asian countries had held very firm through the month with possibly more activity than producers and exporters had expected and some reports of difficulty in filling buyers' orders for volume of species such as padouk and belli. As a consequence, prices have moved higher. Okoume also was in good demand. Although some exporters had expected a weaker price trend, demand was good enough to see a very slight price gain for okoume logs at the month's end.

By contrast, most lumber prices were again unchanged except for one or two species experiencing declines because of low or no demand. As previously reported, Europe was still very quiet, with very little demand as importers continued to de-stock. This occurred even though traders were becoming aware that replacement costs were likely to be higher than consumer prices, which they are having to accept in selling existing stock in domestic markets.

Asian demand for sawn lumber appears to be less buoyant than in recent months. While reported prices have changed very little and appear stable, this was because of poor demand rather than any substantial business by volume. While importing countries can still find countries that permit log exports, there will be always a tendency for the importing countries to support local sawmilling industries. During times of more difficult trading conditions, as in the current crisis, there is an equal tendency for producer countries to allow logs to be exported and temporarily postpone plans for curtailments that might affect revenues.

Overall, the West African market appeared to be balanced and stable. Exporters were if anything slightly more optimistic for continued stability through the current quarter.

ITTO and RRI conference in Yaoundé draws attention to critical problem of forest tenure

Mr. Emmanuel Ze Meka, ITTO Executive Director, indicated at a conference on forest tenure in Yaoundé that the 'slowness of reform' efforts on land tenure are a key obstacle to reducing poverty and improving livelihoods. According to a press release from the ITTO, a draft report launched at the event, which was hosted by Cameroon and organized by the ITTO and Rights and Resources International (RRI), discussed the significant problem of deforestation and slow tenure reform efforts in Africa. The report also explained how progress on land tenure could help slow deforestation and climate change and reduce poverty.

The report showcased at the meeting indicated that African nations had less control over land rights than did other tropical nations. Although it noted that countries such as Angola, Cameroon, and the Democratic Republic of Congo had land tenure arrangements for community land, the process needed to be scaled up. It suggested that tenure arrangements could also assist countries in benefiting from environmental services activities such as carbon payments. The report will be finalized based on input from conference participants.

West Africa Log Prices

West Africa logs, FOB	€ per m^3		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	205	205⬆	153
Ayous/Obéché/Wawa	190⬇	190⬇	145⬇
Azobe & Ekki	195⬆	195⬆	
Belli	190⬆	190⬆	-
Bibolo/Dibétou	150⬇	135⬇	
Bubinga	533	457⬇	381⬇
Iroko	257	250	200
Okoume (60% CI, 40% CE, 20% CS) (China only)	158⬆	-	-
Moabi	270	270	206
Movingui	170	140⬇	137
Niove	137⬇	137⬇	-
Okan	180	180	122
Padouk	295⬆	270⬆	235⬆
Sapele	225	220	150
Sipo/Utile	260⬇	240⬇	215
Tali	220⬆	220⬆	114

West Africa Sawnwood Prices

West Africa sawnwood, FOB		€ per m^3
Ayous	FAS GMS	300
	Fixed sizes	360
Okoumé	FAS GMS	275⬇
	Sel. & Bet. GMS Italy	230⬆
	Sel. & Bet. fixed sizes	-
Sipo	FAS GMS	500⬇
	FAS fixed sizes	-
	FAS scantlings	550⬇
Padouk	FAS GMS	545
	FAS scantlings	565⬇
	Strips	450
Sapele	FAS Spanish sizes	390
	FAS scantlings	460
Iroko	FAS GMS	451
	Scantlings	455
	Strips	345
Khaya	FAS GMS	380
	FAS fixed	420
Moabi	FAS GMS	525
	Scantlings	540
Movingui	FAS GMS	300-320

Report from Ghana

Ghana's first quarter trade slows to major markets

Ghana's first quarter wood products exports for 2009 were worth about EUR30 million from a cumulative volume of 93,424 m³. By comparison, figures from the same period in 2008 showed a contraction of 34.7% and 31.4% by volume and value, respectively, due to low demand for these products by the major markets of Germany, Italy, Spain, the UK and the US.

During the first quarter of 2009, tertiary product exports registered EUR1.90 million compared with EUR3.28 million over January to March 2008. Secondary products generated a total of EUR21.95 million from January to March 2009 against EUR37.60 million over January to March 2008. Europe imported EUR12.17 million (40.46%) by value and 29,815 m³ (31.91%) by volume.

However, a 44.7% rise by volume and a corresponding 3.6% increase by value was recorded for air dried (AD) lumber, while all other wood products registered reductions in both volume and value for the first quarter of

2009 against 2008. No exports were recorded for furniture parts and profile boards within the period.

	2008		2009		2008		2009	
REGION	VOL (m^3 '000)	% of total	VOL (m^3 '000)	% of total	VAL (EUR Mil)	% of total	VAL (EUR Mil)	% of total
Europe	**38.01**	**27.92**	**29.81**	**31.91**	**16.25**	**35.50**	**12.17**	**40.46**
Asia/Far East	**36.07**	**26.49**	**20.38**	**21.82**	**7.94**	**17.25**	**3.02**	**10.04**
Africa	**44.18**	**32.45**	**37.32**	**39.95**	**13.21**	**28.69**	**11.49**	**38.20**
Middle East	**5.54**	**4.07**	**3.73**	**3.99**	**1.99**	**4.32**	**1.21**	**4.02**
America	**12.17**	**8.94**	**2.02**	**2.16**	**5.66**	**12.29**	**1.98**	**6.58**
Oceania	**0.18**	**0.13**	**0.16**	**0.17**	**0.99**	**2.15**	**0.21**	**0.70**
Total	136.15	100	93.42	100	46.04	100	30.08	100

Table 1: Major markets for Ghana's wood products, January to March 2008/09

A larger percentage of Ghana's exports went to African countries, particularly those within ECOWAS (mainly Senegal, Nigeria, Niger, Gambia, Mali, Benin, Burkina Faso and Togo), even though Ghana's overall exports to the African region fell in 2009 compared to 2008. Ghana's wood products exports increased by volume to 39.95% in 2009 from the previous 32.45% recorded in 2008 for the same period. Plywood and air-dried lumber of ceiba and chenchen were of particular interest to Nigeria and Niger. Ghana also earned 38.20% of its export revenue from African markets in the first quarter of 2009 compared to 28.69% in 2008.

The emerging markets in Asia and the Far East: India, Malaysia, Taiwan, China, Singapore and Thailand together contributed EUR3 million (10%) to the total wood export value from January to March 2009. India continues to be the leading importer of teak poles, billet and teak lumber (AD).

The US accounted for 6.6% and 2.2% of Ghana's total exports of wood products by value and volume, respectively, from January to March 2009 compared to 12.3% and 9.0% in January to March 2008. The US market has maintained its position as the most lucrative destination for Ghana's lumber (KD) and rotary veneer exports.

By value, the ECOWAS countries absorbed EUR10.28 million (89.45%) of Africa's EUR11.50 million wood imports from Ghana from January to March 2009. Similar to exports by value, plywood and air dried lumber (chenchen and ceiba) continued to interest the Nigeria and Niger markets.

The Middle Eastern countries, notably Saudi Arabia, Lebanon, United Arab Emirates and Israel together contributed EUR1.21 million (4.02%) to the total export value from January to March 2009.

Ghana Log Prices

Ghana logs, domestic	US$ per m^3	
	Up to 80cm	80cm+
Wawa	100-115	120-145
Odum Grade A	160-170	175-185
Ceiba	90-100	105-120
Chenchen	60-90	95-112
Khaya/Mahogany (Veneer Qual.)	80-100	110-135
Sapele Grade A	135-150	155-175
Makore (Veneer Qual.) Grade A	125-135	140-166

Ghana Sawnwood Prices

Ghana Sawnwood, FOB	€ per m^3	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	855	-
Asanfina	500	560
Ceiba	190	260
Dahoma	330	410
Edinam (mixed redwood)	425	430
Emeri	360	430
African mahogany (Ivorensis)	595	665
Makore	520	610
Niangon	555	640
Odum	645	700
Sapele	540	600
Wawa 1C & Select	260	285

Ghana sawnwood, domestic		US$ per m^3
Wawa	25x300x4.2m	250
Emeri	25x300x4.2m	335
Ceiba	25x300x4.2m	210
Dahoma	50x150x4.2m	290
Redwood	50x75x4.2m	285
Ofram	25x225x4.2m	330

Ghana Veneer Prices

Rotary Veneer, FOB	€ per m^3	
	CORE (1-1.9mm)	FACE (<2mm)
Bombax	320	350
Ofram, Ogea & Otie	315	350
Chenchen	315	350
Ceiba	325	345
Mahogany	400	450

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

Rotary Veneer, FOB Core Grade 2mm & up	€ per m^3
Ceiba	245
Chenchen, Ogea & Essa	295
Ofram	312

Sliced Veneer, FOB	€ per m^2	
	Face	Backing
Afrormosia	1.19	1.00
Asanfina	1.50	0.80
Avodire	1.12	0.80
Chenchen	0.80	0.45
Mahogany	1.40	0.79
Makore	1.40	0.90
Odum	1.75	0.95

Ghana Plywood Prices

Plywood, FOB	€ per m^3			
B/BB, Thickness	Redwoods		Light Woods	
	WBP	MR	WBP	MR
4mm	560	475	500	375
6mm	340	325	335	285
9mm	365	305	290	270
12mm	300	295	270	255
15mm	310	300	280	270
18mm	300	290	285	250

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

Ghana Added Value Product Prices

Parquet flooring 1st	FOB € per m^2		
	10x60x300mm	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%.

Report from Malaysia

MFPC Chair calls for new marketing strategies

As reported in the *Business Times*, Chairman of the Malaysian Furniture Promotional Council (MFPC) Mr. Merlyn Kasimir encouraged Malaysian furniture manufacturers to enhance new marketing strategies to reposition themselves globally while achieving higher productivity and maintaining lower production costs.

In 2008, exports of Malaysian furniture grew by 2% and were worth RM8.72 billion, while imports of furniture grew 9.8% and valued at RM1.5 billion. However, trade in Malaysian furniture exports declined by 14.2% in January 2009 and 13.8% in February 2009. On an annual basis, Malaysian furniture exports were worth about 2.5% of the world furniture trade.

Malaysian construction sector suffers continuing slump

Demand for construction materials in Malaysia continued to decline, pushing down prices for construction materials. Steel, a competitor with timber products, was expected to further drop 25% in price in 2009. The trends, reported by the Malaysian Iron & Steel Industry Federation in *The Star*, showed declines in production of 10.7% to 7.8 million tons in 2008. Domestic prices of steel bars had tumbled from RM3,800 per ton in July 2008 to RM2,000 in recent weeks.

Sarawak scales back timber quota rate

According to *Bernama News*, Sarawak scaled back the enforcement of its rules on the timber quota rate for the first six months of 2009 to help timber exporters weather the global recession. The standard royalty rate for timber has already been reduced from RM65 to RM50 per meter from January to December 2009. The payment period for timber royalties has also been extended from two weeks to three months.

Exports of timber products from Sarawak declined about 30% to RM1.3 billion in the first quarter of 2009, compared to RM1.9 billion in the first quarter of 2008. The volume of timber products also dropped 34% during the same period. Royalties from timber products plunged by about 39% to RM82.6 million in the first quarter of 2009, compared to RM134.9 million in the first quarter of 2008.

In 2008, the Sarawak timber industry registered a 2.6% rise in export revenues worth RM7.9 billion compared to RM7.7 billion in 2007.

Malaysia Log Prices

Sarawak log, FOB	US$ per m^3
Meranti SQ up	228-252⬇
Small	211-242
Super small	200-224
Keruing SQ up	216-228
Small	187-218
Super small	162-193
Kapur SQ up	206-231
Selangan Batu SQ up	178-215
Pen. Malaysia logs, domestic (SQ) US$ per m^3	
DR Meranti	232-251
Balau	298-325
Merbau	320-353⬇
Rubberwood	42-77
Keruing	215-231

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

Malaysia Sawnwood Prices

Malaysia Sawnwood, FOB	US$ per m^3
White Meranti A & up	280-311
Seraya Scantlings (75x125 KD)	448-463⬇
Sepetir Boards	249-271
Sesendok 25,50mm	350-368⬇
Kembang Semangkok	294-317

Malaysian Sawnwood, domestic		US$ per m^3
Balau (25&50mm,100mm+)		330-350⬇
Merbau		472-523⬇
Kempas 50mmx(75,100 & 125mm)		260-300
Rubberwood	25x75x660mm up	196-246
	50-75mm Sq.	237-269
	>75mm Sq.	259-288

Malaysia Plywood Prices

Malaysia ply MR BB/CC, FOB	US$ per m^3
2.7mm	414-476⬇
3mm	391-421⬇
9mm & up	336-408⬇

Meranti ply BB/CC, domestic	US$ per m^3
3mm	387-428⬇
12-18mm	321-350⬇

Other Malaysia Panel Prices

Malaysia, Other Panels, FOB		US$ per m^3
Particleboard	Export 12mm & up	228-251⬇
	Domestic 12mm & up	213-230⬇
MDF	Export 15-19mm	283-315⬇
	Domestic 12-18mm	272-290⬇

Malaysia Added Value Product Prices

Malaysia, Mouldings, FOB	US$ per m^3
Selagan Batu Decking	543-553⬇
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	559-572⬇
Grade B	510-519⬇

Malaysia Furniture and Parts Prices

Malaysia, Rubberwood, FOB		US$ per piece
Semi-finished dining table		
solid laminated top 2.5'x4', extension leaf		58-74
As above, Oak Veneer		65-79
Windsor Chair		57-59
Colonial Chair		55-60
Queen Anne Chair (soft seat)	without arm	55-63
	with arm	55-64
Chair Seat 27x430x500mm		43-48
Rubberwood Tabletop		US$ per m^3
22x760x1220mm sanded & edge profiled		
Top Grade		554-586⬇
Standard		539-557⬇

Report from Indonesia

Indonesian panel manufacturers hit by slump in demand

According to *Bloomberg News*, the Japanese economy declined sharply in January to March 2009, with GDP falling an annualized 15.2%. Meanwhile, *Channel News Asia* reported US housing starts and building permits dropped by 3.3% from March to April 2009 to an annual rate of 494,000 units. The statistics, announced by the US Commerce Department, showed the lowest results since the data began to be collected in 1959. The weak demand for products in both the US and Japan continue to hit Indonesian plywood and panel-products manufacturers hard.

However, as local spending expands rapidly and with GDP standing at 4.4% for the first quarter of 2009, Indonesian timber product manufacturers were beginning to look to the local market to help mitigate the recession, as consumer confidence reached a four-year high in April 2009. *Bloomberg News* reported that consumer spending increased sharply by 5.8% in the first quarter of 2009, from 4.8% in fourth quarter of 2008.

APHI warns too many levies hurt Indonesian competitiveness

The Association of Indonesian Forest Concessionaires (APHI) has indicated total levies on forest-based industries, including those imposed by local governments, account for more than 30% of the production cost of local forestry companies. APHI officials said the levies are not only a burden to forestry companies but also render Indonesian timber products less competitive in comparison to Malaysia and China's timber products. According to *The Jakarta Post*, total levies imposed on timber products in neighboring countries in Southeast Asia stand at 15% or less.

In addition, the levies could amount to as much as USD30 per m³ for every USD100 per m³ of timber product sold. There are a total of 28 types of levies imposed on Indonesian timber products, ranging from property taxes to forestry commissions. Moreover, the federal government mandates that timber product manufacturers must source their raw materials from production forests instead of natural forests. As a result, manufacturers have lost access to an important raw material supply. Current output from production forests are on a decline.

Statistics compiled by the Central Statistics Agency (BPS), indicated that Indonesia's exports of plywood have declined from a high of USD3.4 billion in 1997 to USD1.5 billion in 2008. Both sawnwood and other timber product exports have also dropped by value from 1997 to 2008. A forecast by the Association of Indonesian Wood Panel Producers (Apkindo) indicated that the plywood industry could contract by another 40% in 2009.

Indonesia Log Prices (domestic)

Indonesia logs, domestic prices	US$ per m³
Plywood logs	
Face Logs	186-229
Core logs	167-200
Sawlogs (Meranti)	174-235
Falcata logs	142-176
Rubberwood	36-62⬆
Pine	157-196
Mahoni (plantation mahogany)	470-496⬇

Indonesia Sawnwood Prices

Indonesia, construction material, domestic		US$ per m³
Kampar (Ex-mill)	AD 3x12-15x400cm	170-189
	KD	193-227
	AD 3x20x400cm	218-241
	KD	222-247
Keruing (Ex-mill)	AD 3x12-15x400cm	234-248
	AD 2x20x400cm	220-238
	AD 3x30x400cm	200-219

Indonesia Plywood Prices

Indonesia ply MR BB/CC, FOB	US$ per m³
2.7mm	403-460⬇
3mm	359-400⬇
6mm	316-380⬇

MR Plywood (Jakarta), domestic	US$ per m³
9mm	253-264⬇
12mm	245-255⬇
15mm	234-248⬇

Other Indonesia Panel Prices

Indonesia, Other Panels, FOB		US$ per m³
Particleboard	Export 9-18mm	216-227⬇
	Domestic 9mm	191-203
	12-15mm	182-193
	18mm	172-184
MDF	Export 12-18mm	253-266⬇
	Domestic 12-18mm	233-244⬇

Indonesia Added Value Product Prices

Indonesia, Mouldings, FOB	US$ per m³
Laminated Boards Falcata wood	302-314⬇
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	494-528⬇
Grade B	449-470⬇

Report from Myanmar

Myanmar Log Prices (natural forests)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)	
Veneer Quality	Apr	May
2nd Quality	-	-
3rd Quality	3,585 (4 tons)	-
4th Quality	3,215 (12 tons)	3,385 (21 tons)
Sawing Quality	Apr	May
Grade 1 (SG-1)	2,342 (42 tons)	2,307 (55 tons)
Grade 2 (SG-2)	2,393 (39 tons)	1,842 (59 tons)
Grade 3 (SG-3)	-	-
Grade 4 (SG-4)	1,992 (302 tons)	1,915 (178 tons)
Grade 5 (SG-5) Assorted	1,714 (111 tons)	1,697 (112 tons)
Grade 6 (SG-6) Domestic	1,443 (112 tons)	1,249 (113 tons)
Grade 7 (ER-1)	1,011 (311 tons)	1,061 (79 tons)
Grade 8 (ER-2)	-	-

Hoppus ton=1.8m^3; 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.

Logs, FOB	€ Avg per Hoppus Ton (traded volume)
Pyinkado (export)	496 (233 tons)
Gurjan (keruing-exp)	--
Tamalan	--
Taungthayet	--

Report from Brazil

New opportunities for teak wood in Mato Grosso

According to *Painel Florestal*, consumers and producers will have the opportunity to learn more about the use and application of teak. Young teak is not commonly used in Brazil by industries which, due to lack of knowledge about its benefits, prioritize the production of mature teak wood for furniture and other decorative items. To reverse the situation, the Mato Grosso Forest Plantation Association (Arefloresta) will hold the 10th Mato Grosso Reforestation Meeting in early June to focus on the potential uses of young teak. The event will discuss, among other issues, the physical, environmental, silvicultural properties and marketing of teak in Brazil and worldwide.

The state of Mato Grosso is the largest producer of teak in Brazil, accounting for 90% of the supply, with world demand currently exceeding the product's availability. According to Arefloresta, this will be another topic of discussion at the event. Many see the use of young teak as a way to open the market for increasing product consumption and consumer interest.

Currently, young teak in Brazil is used as firewood by energy-producing companies, grain- and meat-processing mills, and the ceramic industry, among others. The teak plantation in Mato Grosso covers an area around 60,000 ha, with a potential sustainable production of 900,000 m³ per year, although with little utilization of young teak wood. The objective is to expand this market, to maximize the potential of young teak and encourage higher domestic consumption, as currently the largest demand for young teak still comes from other countries.

Export value plunges in April 2009

Brazil's wood products exports (except pulp and paper) dropped 45.8% by value compared to the same period in 2008. The charts below show the volume and value of Brazil's exports for April 2009 compared to the same month a year earlier:

Brazil's exports by value, April 2008 and 2009 (USD million)

	Apr 2008	Apr 2009	% change
Solid wood*	329.9	178.8	(45.8)
Tropical plywood	15.4	5.3	(65.6)
Pine sawnwood	19.1	13.5	(29.3)
Tropical sawnwood	46.1	19.9	(56.8)
Pine plywood	49.2	22.3	(54.7)
Wood furniture	60.4	41.5	(31.3)

*Figures for solid wood exclude pulp and paper exports

Brazil's exports by volume, April 2008 and 2009 (000 m³)

	Apr 2008	Apr 2009	% change
Tropical plywood	24.1	9.5	(60.6)
Pine sawnwood	61.8	47.1	(23.8)
Tropical sawnwood	93.4	40.7	(56.4)
Pine plywood	157.2	105.7	(32.8)

Mato Grosso timber exports plummet by volume

Timber products, which rank fifth in terms of exports from Mato Grosso, decreased 45.5% by volume in the first quarter of this year compared with the same period of 2008. According to *Expresso MT*, sales fell from USD55 million in 2008 (representing 4.3% of total exports statewide) to USD25 million in 2009 (1.4% in 2009).

These data show the timber industry has already felt the effects of the global financial slowdown. The entrepreneurs of the sector have been negotiating with the government to lower the official reference timber price, the minimum price established for timber exports. They contend that official reference prices are set too high, thereby affecting competitiveness of the forest-based sector.

Timber processing is considered a solid business. However, if there are no buyers, the current crisis in the sector is expected to get worse. A steep drop in sales occurred in both the domestic and foreign markets. The sector has stocked timber to sell, but the consumer is not willing to pay a premium to cover the high production costs of the product.

Timber industry seeks ways to reverse losses

Entrepreneurs of the timber sector and business leaders of Paraná trade unions discussed solutions to address the crisis in the timber sector and its business development during a sectoral forum on the timber industry. The forum was organized by the Federation of Industries of Paraná (FIEP) in Curitiba. Participants at the forum suggested strategies to reverse declining sales in the sector such as establishing a financing programme for residential construction made from timber and investing in innovation and technology.

At the forum, the Brazilian Association of Mechanically-Processed Timber Industry (ABIMCI) presented data on the situation of the timber industry in the Southern state of Paraná. Brazilian exports of solidwood products have been decreasing since 2007, but the global financial crisis has made the situation much worse. There was a 45% drop in the volume of timber product exports in Paraná in the first quarter of 2009 compared to the same period of 2008. The problem worsened as the timber market in Paraná has practically disappeared.

ABIMCI suggested a solution to foster and expand the domestic market, by creating a programme for financing timber-based construction. Other measures to address the crisis included reducing high taxes, establishing proper public policies in each state, and classifying the forest-based industry in the category of agribusiness to enable it to qualify for greater benefits.

Brazil Log Prices (domestic)

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	120⬆
Jatoba	85⬆
Guariuba	57⬆
Mescla (white virola)	62⬆

Brazil Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB		US$ per m^3
Jatoba Green (dressed)		783
Cambara KD		457
Asian Market (green)	Guariuba	259
	Angelim pedra	593
	Mandioqueira	228
Pine (AD)		189

Brazil sawnwood, domestic (Green)		US$ per m^3
Northern Mills (ex-mill)	Ipé	564⬆
	Jatoba	434⬆
Southern Mills (ex-mill)	Eucalyptus (AD)	160⬆
	Pine (KD) 1st grade	207⬆

Brazil Veneer Prices

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

Rotary cut Veneer, domestic	US$ per m^3	
(ex-mill Northern Mill)	Face	Core
White Virola	213⬆	178⬆

Brazil Plywood Prices

Plywood, FOB	US$ per m^3
White Virola (US Market)	
5.2mm OV2 (MR)	458
15mm BB/CC (MR)	395
White Virola (Caribbean market)	
4mm BB/CC (MR)	500
12mm BB/CC (MR)	401

Pine Plywood EU market, FOB	US$ per m^3
9mm C/CC (WBP)	266
15mm C/CC (WBP)	242
18mm C/CC (WBP)	237

Plywood, domestic (ex-mill Southern mill)		US$ per m^3
Grade MR (B/BB)	White Virola 4mm	730⬆
	White Virola 15mm	534⬆

Domestic prices include taxes and may be subject to discounts.

Other Brazil Panel Prices

Belem/Paranagua Ports, FOB	US$ per m^3
Blockboard Pine 18mm 5 ply (B/C)	310
Domestic Prices, Ex-mill Southern Region	
Blockboard White Virola faced 15mm	466⬆
Particleboard 15mm	296⬆

Brazil Added Value Products

FOB Belem/Paranagua Ports		US$ per m^3
Edge Glued Pine Panel		
Korean market (1st Grade)		632
US Market		483
Decking Boards	Cambara	592
	Ipê	1537

Report from Peru

Government to distribute forest grants

The Ministry of Agriculture indicated that regional governments would distribute new forest grants beginning from 2010 to promote private investment in the forest sector and help prevent illegal trade. The Director of the Department of Forestry and Wildlife said there was potential to consider nearly eight million hectares of forests for the grants. He indicated the Ministry of Agriculture would also transfer many forest-related duties to the regions by 31 December 2009.

Peru clinches funding for forest conservation

Peru's Department of Environment has received EUR7 million from Germany to conserve forests and about USD40 million from Japan to preserve forests that are important to climate change mitigate. This will enable the Peruvian government to set aside nearly USD50 million to conserve forests in the Amazon and guarantee proper use of wood resources, noted Minister of the Environment Antonio Brack. The Minister also discussed the ongoing process to address environmental services through improved management of forest grants. He noted that ecotourism was an important aspect of the conservation of forests and should be considered an important environmental service in Peru.

Peru Sawnwood Prices

Peru Sawnwood, FOB Callao Port		US$ per m^3
Mahogany S&B KD 16%, 1-2" random lengths (US market)		1722-1798
Spanish Cedar KD select		
North American market		918-922
Mexican market		897-921
Pumaquiro 25-50mm AD	Mexican market	485-515

*Cheaper and small-dimension sawnwood for this market.

Peru Sawnwood, FOB Callao Port (cont.)	US$ per m^3
Virola 1-2" thick, length 6'-8' KD	
Grade 1, Mexican market	315-362
Grade 2, Mexican market	269-296
Cumaru 4" thick, 6'-11' length KD	
Central American market	792-822⬆
Asian market	768-789
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	509-549
Dominican Republic	558-569
Marupa (simarouba) 1", 6-11 length Asian market	366-388

Peru Sawnwood, FOB Iquitos	US$ per m³
Spanish Cedar AD Select Mexican market	887-909
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	299-323
Grade 2, Mexican market	266-280
Grade 3, Mexican market	145-165
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	226-237

Peru sawnwood, domestic	US$ per m³
Mahogany	935-951⬇
Virola	46-61
Spanish Cedar	298-344
Marupa (simarouba)	57-69⬇

Peru Veneer Prices

Veneer FOB	US$ per m³
Lupuna 3/Btr 2.5mm	189-202
Lupuna 2/Btr 4.2mm	203-217
Lupuna 3/Btr 1.5mm	211-221

Peru Plywood Prices

Peru plywood, FOB (Mexican Market)		US$ per m³
Copaiba, 2 faces sanded, B/C, 15x4x8mm		318-347
Virola, 2 faces sanded, B/C, 5.2x4x8mm		398-405
Cedar fissilis, 2 faces sanded 4x8x5.5mm		745-755
Lupuna, treated, 2 faces sanded, 5.2x4x8mm		348-359
Lupuna plywood	B/C 15x4x8mm	345-352⬇
	B/C 9x4x8mm	345-350
	B/C 12x4x8mm	350-360
	B/C 8x4x15mm	415-424⬇
	C/C 4x8x4mm	380-388
Lupuna plywood B/C 8x4x4mm Central Am.		368-388

Lupuna Plywood BB/CC, domestic	US$ per m³
(Iquitos mills)	
122 x 244 x 4mm	415
122 x 244 x 6mm	397
122 x 244 x 8mm	403
122 x 244 x 12mm	383
(Pucallpa mills)	
122 x 244 x 4mm	439
122 x 244 x 6mm	439
122 x 244 x 8mm	416
122 x 244 x 12mm	419

Other Peru Panel Prices

Peru, Domestic Particleboard	US$ per m³
1.83m x 2.44m x 4mm	282
1.83m x 2.44m x 6mm	230
1.83m x 2.44m x 12mm	204

Peru Added Value Product Prices

Peru, strips for parquet		US$ per m³
Cabreuva/estoraque KD12% S4S, Asian market		1323-1411
Cumaru KD, S4S	Swedish market	655-708
	Asian market	924-967
Cumaru decking, AD, S4S E4S, US market		778-867
Pumaquiro KD # 1, C&B, Mexican market		388-444
Quinilla KD, S4S 2x10x62cm, Asian market		477-523
2x13x75cm, Asian market		617-680

Report from Bolivia

Bolivia reorganizes forestry agency

Under the new Bolivian Constitution, the Superintendencia Forestal (SF), which was responsible for the regulation and supervision of forestry matters in Bolivia, will become subordinate to the Ministry of Rural Development and Land. The new entity, 'the Authority for Social Control of Forests and Land (ABT)', will regulate activities associated with forests and agriculture and ensure natural resources are used in a sustainable way. As such, the functions of the ABT do not change much from the old functions of the SF. It is not yet known whether the headquarters for this new entity will be in Santa Cruz or in the capital of La Paz. The rationale for the change, according to some officials, is to generate additional government savings and reduce bureaucracy.

Bolivia Sawnwood Prices

Sawnwood 1-3"x3x5"x7-19', FOB Arica Port		$ Avg un. val. per m³
Ipe	(Argentina and Uruguay)	560-595
Caviuna	(Italian markets)	2100-2750
Oak	(Argentina mkt)	572
Cedro	(US, Argentina, Chile mkt)	848-870⬇

Bolivia Added Value Product Prices

Doors 13/4"x36"x96", FOB Arica Port		Avg $ per piece
US market	Mara macho/Tornillo (FSC)	195
	Cambara	135
	Oak (US market)	190-240

Chairs FOB Arica Port	$ Avg Per piece
Ipe (US market)	47-264⬆
Roble/Oak (UK market)	61-94⬇
Parquet Flooring 3/4"x3-5"x1-7', FOB Arica Port	**$ Avg un. val. per m³**
Jatoba (US market)	1035-1215
Ipe (US market)	1357
Cumaru (FSC) (China mkt)	1755-1935⬆

Report from Mexico

PROCYMAF programme to invest over 128 million pesos

The National Forest Agency (CONAFOR) will allocate over 128 million pesos to projects under the 2009 Communitarian Forest Development Programme (PROCYMAF). The programme has recently approved around 1,380 technical proposals for financing, which are designed to benefit 792 agrarian centers in 12 states of the country. The National Forest Agency will promote actions to conserve and sustainably manage national resources of common lands and indigenous forest communities by identifying and consolidating the process of local development.

A total of 2,384 technical proposals were received from 1,117 agrarian centers or associations of common lands and communities in the states of Oaxaca, Gurerrero, Michoacan, Jalisco, Durango, Chihuahua, Quintana Roo, Chiapas, Campeche, the state of Mexico, Puebla and Veracruz. The technical state committees of PROCYMAF evaluated the proposals to see which were most technically and socially viable. The states of Oaxaca, Jalisco, Michoacan, the state of Mexico, and Durango account for 56% of the proposals that will be supported this year. Contracts and agreements with the beneficiaries of the projects are in the process of being formulated.

Report from Guyana

Guyana's prices demonstrate stability over the fortnight

Log prices for greenheart and purpleheart have remained stable for the period of 1-15 May 2009 compared with 16–31 April 2009. Prices for undressed sawnwood have also remained fairly stable, while the prices for dressed sawnwood (594/636) have marginally eased for the period 1-15 May 2009 as against 16-31 April 2009. Splitwood prices for this period have been encouraging compared to the last quarter prices.

Indoor furniture and craft items remained a stable contributor to export value earnings compared to the period 1-15 May 2009 as against the same period of 2008. The Caribbean and European markets were the foremost destinations for these value-added product categories.

The largest revenue earner from January to April 2009 was sawnwood. Dressed sawnwood has dominated this product category, representing 57% of total export revenue. Logs have generated revenues accounting for approximately 10% of export revenue, down from 25% for the first four months of last year. Value-added products, especially doors, windows, spindles and other building components remained stable, making an 8% contribution to export earnings for both years. From all indications, export revenues should increase in the third quarter and stabilize in the last quarter of the year.

FPDMC hosts successful stakeholder forum

On 11 May 2009, the Forest Products Development and Marketing Council (FPDMC) conducted a stakeholder meeting to discuss the Council's strategic plan, which includes working with stakeholders to improve the quality and quantity of processed forest products both for the domestic market and for export.

The meeting provided an opportunity for stakeholders to share their views on a number of critical issues that impact their business, the forestry sub-sector and the national economy. The Council is also expected to monitor marketing trends and engage stakeholders in this regard; advise companies that need to diversify their product range and markets; and intensify the promotion of the Legal Verification System, which was started in 2007. The newly formed FPDMC will also be at the forefront in promulgating log export policy and training professionals in relevant skills while continuing to support stakeholders' interests. It is expected that the FPDMC will assist the forestry sector to be more competitive.

The Council's Chairperson noted the FPDMC had deliberated on issues to take the industry forward. The FPDMC will engage and work together with all stakeholders, particularly to find ways to access markets during the global economic slowdown. The Chairperson added that the industry must be re-positioned to look inwards for new market opportunities.

The FPDMC stakeholders' forum has broadened the Council's mandate and guided the organization's strategic and operational direction. It is now up to the Council to organize itself and acquire the resources necessary to meet relevant challenges and opportunities.

Guyana Log Prices

Logs, FOB Georgetown	SQ - $ Avg unit value per m³		
	Std	Fair	Small
Greenheart	130-140⬇	120-130⬇	100-120⬇
Purpleheart	-	-	190-210⬇
Mora	110	100	90

*Small SQ is used for piling in the USA and EU. Price depends on length.

Guyana Sawnwood Prices

Sawnwood, FOB Georgetown		$ Avg unit val. per m³	
EU and US markets		Undressed	Dressed
Greenheart	Prime	544	-
	Select/Standard	475-673⬇	550-742⬇
Purpleheart	Prime	-	-
	Select/Standard	-	594-806⬇
Mora	Select	450⬆	-

Guyana Plywood Prices

Plywood, FOB Georgetown Port			$ Avg unit val. per m³
Baromalli	BB/CC	5.5mm	-
		12mm	-
	Utility	5.5mm	-
		12mm	364

Report from Japan

Japan's lumber imports fall sharply in 2008

Japan Lumber Journal (JLJ) reported that Japan's imports declined by value for the first time in three years. The total value of lumber imports was JPY1157.9 billion yen, a 17% drop from 2007. Southsea lumber and plywood, Russian logs, Chinese lumber, plywood and laminated lumber and other products fell dramatically, by 31%, 47% and 13%, respectively.

	2006	*2007*	*2008*	*Y/Y %*
TOTAL	13,777	13,944	11,579	83
China	1,820	1,838	1,600	87
Malaysia	2,004	1,800	1,494	83
Canada	1,634	1,358	1,267	93
Australia	923	1,175	1,216	103
USA	1,030	1,032	917	89
Indonesia	1,364	1,198	831	69
Chile	443	541	613	113
Russia	1,034	1,141	610	53
South Africa	501	480	435	91
New Zealand	393	455	389	86
Total value of imports	673,443	731,359	789,547	107

Chart 1: Japan's lumber import results for 2008 by value (JPY100 million) (Source: Ministry of Finance)

Plywood manufacturers seeking alternatives to Japanese markets

Japan Lumber Journal (JLJ) noted prices for plywood remained strong, particularly because there still remains disagreement over shipping prices with Southeast Asian countries. As a result, producers in Indonesia had been turning their attention to the Middle East and India. Malaysia has sent over 70% of its ships with timber to South Korea. *JLJ* indicated that inquiries from South Korea and the Middle East had been increasing during the third week of May.

Log and Sawnwood Prices in Japan

Logs for Ply Manufacture, CIF	Yen per Koku
Meranti (Hill, Sarawak)	(Koku=0.278 m^3)
Medium Mixed	7,700↓
Standard Mixed	7,800↓
Small Log (SM60%, SSM40%)	6,700↓
Taun, Calophyllum, others (PNG)	7,600
Mixed light hardwood, G3/4 grade (PNG)	-
Keruing MQ & up (Sarawak)	12,000
Kapur MQ & up (Sarawak)	9,300↓

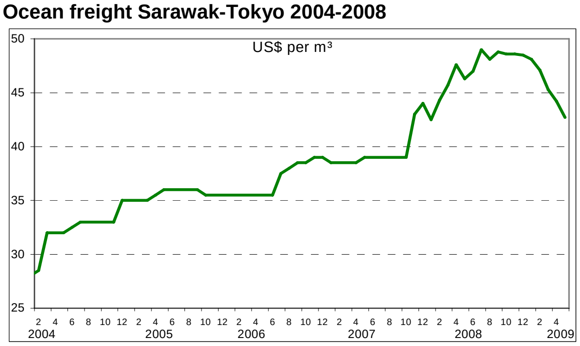
Logs for Sawmilling, CIF	Yen per Koku
Melapi (Sarawak) High Select	11,500
Agathis (Sarawak) High Select	-

Lumber, FOB	Yen per m^3
White Seraya (Sabah) 24x150mm, 4m, Grade 1	145,000
Mixed Seraya, Sangi 24x48mm, 1.8-4m, S2S	53,000

Wholesale Prices (Tokyo)

Indonesian & Malaysian Plywood	Size (mm)	Apr (¥ per sheet)	May
2.4mm (thin plywood, F 4star, type 2)	920 X 1830	360	360
3.7mm (med. Thickness, F 4star, type1)	910 X 1820	470 ↓	460 ↓
5.2mm (med. Thickness, F 4star, type 1)	910 X 1820	580 ↓	570 ↓
11.5mm for sheathing (F 4star, type 2)	910 X 1820	900	900
12mm for foundation (F 4star, special)	910 X 1820	960 ↑	950 ↑
12mm concrete-form ply (JAS)	900 X 1800	820	820
12m coated concrete-form ply (JAS)	900 X 1800	960	960
11.5mm flooring board	945 X 1840	1150 ↓	1100 ↓
3.6mm baseboard for overlays (OVL)	1230 X 2440	700	700
OSB (North American)			
12mm foundation of roof (JAS)	910 X 1820	1000	1000
9mm foundation for 2 by 4 (JAS)	910 X 2440	1050	1050
9mm conventional foundation (JAS)	910 X 2730	1250	1250
9mm conventional foundation (JAS)	910 X 3030	1350	1350

Ocean freight Sarawak-Tokyo 2004-2008



More information on Japan in www.n-mokuzai.com

Report from China

China decentralizes approval of wood-based panel production permits

Recently, the General Administration of Quality Supervision, Inspection and Quarantine of China issued a notice which assigns the approval of permit certificates for wood-based panel production (including 7 kinds of products such as plywood, particleboard, OSB, MDF, decorative veneer overlaid panel, resin impregnated paper overlaid panel, block board) to provincial quality and technical supervision departments as of 1 May 2009. The notice further clarifies administrative approval rights for production permits and underlines the local advantages of permit certificate approval. Implementation of the new measures will simplify approval procedures in the production of wood-based panels and promote enterprise development.

China to raise standards on wooden furniture

According to the *China Green Times*, China will implement new national standards on wooden furniture as of 1 May 2009. The measures are expected to harmonize national standards for wooden furniture. Disputes between enterprises and consumers will be settled according to the standard on which the law is based.

Under the standards, wooden furniture is classified as wooden furniture, panel furniture or synthetic furniture. Wooden furniture is divided into three major types: full solid wood furniture; solid wood furniture; and veneer overlaid wooden furniture. The three major types of wooden furniture are differentiated by the proportion of basic wooden materials used. In addition, wood-based panel furniture has four separate classifications: fiberboard furniture; particleboard furniture; blockboard furniture; and multilayer plywood furniture. Synthetic furniture is made of timber mixed with wood-based panel.

Forum promotes tri-layer solid composite flooring

A forum on the national extension of tri-layer solid composite flooring and industrial development was held on 26 April 2009 in Beijing, China and was jointly sponsored by the Flooring Committee under the China National Forest Products Industry Association and the Institute of the Timber Industry of the Chinese Academy of Forestry. The forum was an essential part of promoting the development of China's wooden flooring industry and boosting consumer consumption of Chinese flooring. More than 100 participants took part in the forum, from scientific and research, forestry production and development, and the building materials, real estate, decoration and design fields.

There are 100 factories manufacturing tri-layer flooring in China with annual sales of 25 million square meters, 80% of which are exported to European countries and the US. Tri-layer solid composite flooring originated in Europe and is one of most popular flooring types sold in Europe. However, tri-layer solid composite flooring is much less recognizable and in demand in the domestic market.

The growth rates of flooring output and sales volume have been 20% annually. The sales volume of flooring in 2007 was 361 million m^2. Of the total, the sales volume of impregnated paper for laminate flooring amounted to 220 million m^2, solid composite flooring 75 million m^2 (including tri-layer and multilayer solid composite flooring), wood flooring 44 million m^2 and bamboo flooring 20 million m^2. The sales volume of flooring in 2008 was 344 million m^2, falling slightly during the onset of the global financial crisis. The sales volume of solid composite flooring reached 78 million m^2 in 2008.

Kenya and Shandong Province officials reach agreement on timber and wildlife exchange

A delegation from Shandong's provincial government recently met with Kenya's Ministry of Forestry and Wildlife officials. The two parties reached an agreement on timber processing and wildlife exchange.

According to informal agreements between the two government representatives, the Shandong provincial government will establish mills to utilize timber and bamboo as raw materials in Kenya. The Province plans to invest RMB80 million yuan to set up a plywood mill with an annual output capacity of 50,000 m³, RMB50 million yuan to establish a processing enterprise with an annual output of 1.6 million sets of redwood furniture, and a pulp and paper mill. According to international timber trading rules and two countries' laws, 50,000 m³ of redwood will be imported by Shandong provincial enterprises annually. Training will be provided to Kenya's technical professionals by Shandong technical specialists. The Shandong government will also help Kenya buy bamboo products and manufacturing equipment.

Both sides also agreed to explore the exchange of native wildlife to meet the country's scientific research and education needs in Kenya's qualified zoos and wildlife parks.

Guangzhou City Imported Timber Market

Logs	Yuan per m³
Lauan (50-60cm)	1900-2400
Kapur	1900-2450
Merbau 6m, 79-100cm diam.	4300-5300
Teak	11000-16000
Wenge	6500-7000
Sawnwood	
Teak sawn grade A	8500-9500
US Maple 2" KD	8800-11000
US Cherry 2"	14000-14200
US Walnut 2"	16000-16800
Lauan	3500-4000

Shanghai Furen Wholesale Market

Sawnwood		Yuan per m³
Beech KD Grade AB		2500-3000
US Cherry, 25mm		7800-9500
US Red Oak, 50mm		9800-10500
Sapele 50mm FAS (Congo)		
	KD (2", FAS)	5700-5900
	KD (2",grade A)	3500-4200

Shandong De Zhou Timber market

Logs		Yuan per m³
Larch	6m, 24-28cm diam.	1150
White Pine	6m, 24-28cm diam.	1230
Korean Pine	4m, 30cm diam.	1450
	6m, 30cm diam.	1550

Hebei Shijiangzhuang Wholesale Market

Logs		Yuan per m³
Korean Pine 4m, 38cm+ diam		1900
Mongolian Scots Pine	4m, 30cm diam.	1300
	6m, 30cm+ diam.	1380
Sawnwood		
Mongolian Scots Pine	4m, 5-6cm thick	1500
	4m,10cm thick	1550

Zhejiang Jiashan Kaihua International Timber Market

Logs	Yuan per m³
Okoume 80cm+	2800-3400
Sapele 80cm+	6000-6500
Wenge 80cm+	13000-14000
Plywood	
US Black Walnut 4x8x3 mm	6000-8000
Beech 4x8x3 mm	6000-8000
Teak 4x8x3 mm	6000-8000
Poplar (4x8x3-5 mm)	3000-4000

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

Report from Europe, the UK and Russia

Twenty-five percent of European timber imports certified but gaps in demand remain

New research indicates that around 25% of solid timber products imported into the EU-25 is likely to derive from independently certified or legally verified forests. However the research also suggests that the very high level of fragmentation both in the EU timber trade and in timber's major consuming sectors – construction and furniture – present a major obstacle to chain of custody certification and the further development of markets for environmentally labeled wood products throughout the EU.

The research has been undertaken by Forest Industries Intelligence Limited for the UK Timber Trade Federation (TTF) with funding from the UK Department for International Development (DFID) as part of a project to assess the EU market for certified and legally verified wood products. The latest report to be published in June 2009 covers 7 EU countries: Belgium, France, Germany, Italy, Netherlands, Spain, and the UK. Key conclusions from the latest report include:

- The report estimates that overall, 14.8 million m³ (25%) of the 60.4 million m³ of solid timber products imported into the EU-25 during 2007 may have derived from independently certified or legally verified forests. Much of the imported certified/verified volume derived either from Russia (5.8 million m³) or other European countries (4.1 million m³). The certified/verified volume was dominated by softwood sawn lumber (3.9 million m³) and softwood logs (2.6 million m³).

- The report estimates that of the 60.4 million m³ (roundwood equivalent volume) of products derived from solid wood imported into the EU from outside the EU in 2007, 12.6 million m³ (21%) are at potentially high risk of being derived from a suspicious source. However this volume amounts to only around 5% of total EU wood consumption (due to the high volumes of wood sourced domestically within the EU).

- The very high level of fragmentation both in the EU timber trade and in timber's major consuming sectors – construction and furniture – continue to present a major obstacle to chain of custody certification and the further development of markets for environmentally labeled wood products throughout the EU. Other significant obstacles are generally low levels of awareness of forest certification and legality verification and very low willingness to pay among end-users.

- The economic downturn is generally widening the gap between environmentally proactive operators that are now more desperate than ever to exploit the opportunities emerging for timber from increasing interest in sustainable construction and those that have not focused on environmental issues and which continue to sell primarily on price.

- Those EU companies that have made far-reaching commitments to shift to certified wood products often see this as part of a wider process of restructuring overall procurement practices in favor of a limited number of key suppliers able to provide the full range of quality services of which forest certification is only one component.

- For much of the commodity softwood and composite panels sector, high availability of PEFC or FSC certified product supply in the EU is met with only limited market requests for labeled product. Hence the opportunities for achieving a premium in this sector are extremely limited.

- Only in the rather restricted conditions that prevail in parts of the hardwood sector and to some extent in the specialty softwood sector (such as western red cedar cladding from North America) does the issue of price premiums arise. In this case, specific requests for certified products, particularly FSC, might be met by limited supply.

- The highest premiums – in the range of 20% to 50% on the price of delivery to the importers yard - are being asked for FSC certified tropical hardwood lumber from Africa and Brazil.

- In the temperate hardwood sector, price premiums are being sought for FSC certified American hardwoods in the range of 5%-10%

- Price premiums for tropical sawn wood supplied under one or other private sector legality verification system (such as TLTV, OLB or VLO) are typically in the range of 3% to 15% with most at the lower end of this range.

- Generally there is high level of reluctance amongst end-users to pay premiums for certified or verified legal wood products, a situation which places significant limits on the ability of suppliers to charge more. The highest premiums for FSC tropical hardwood may only occasionally be passed on when supplying high profile public sector contracts. As a result, there are signs that some importers and manufacturers implementing green procurement policies have switched their emphasis away from FSC certified products in favor of cheaper legally verified products when sourcing from tropical supplying countries. This is true even of the Netherlands which has traditionally been the strongest adherent to FSC certification.

- To date, public sector procurement policies have had only a limited impact on timber purchasing practices in EU member states. The policies directly affect only a small proportion of the overall timber trade and their effectiveness is undermined by inconsistent application between and within EU member states. So far only the UK and Netherlands government have followed up implementation of the policy with systems of monitoring.

- On the other hand, there are indications that with sufficient political will and resources the influence of government procurement policies can in time extend well beyond the direct impact on immediate suppliers. Such policies can increase the sensitivity of larger importers, merchants and manufacturers to negative publicity. They can therefore provide an important additional incentive for these companies to implement far-reaching corporate commitments to sourcing verified wood products. Internal management issues also mean that if certified wood is required by major customers in the public sector and certified raw material is sufficiently available, it is simpler to switch over to 100% certified production. Interviews indicate that these trends have intensified over the last 18 months in the UK and the Netherlands and, to a lesser extent, in Belgium and France.

- Levels of trade awareness of forestry issues and commitment to responsible procurement are particularly high in those countries that have a well developed and enforced trade association timber procurement code or policy. Where they exist, trade association codes and policies provide a valuable framework for communication of green issues and to encourage and guide positive action. The most developed policies in the UK, Netherlands and France encourage comprehensive measures to encourage both the removal of illegal wood from trade flows and promotion of certified products. On the other hand, a frequent complaint amongst more proactive participants in these initiatives is that in the absence of strong end-user demand for verified products, voluntary private sector efforts are constantly undermined by the activities of non-members offering unverified products more cheaply. Moves to develop comprehensive responsible timber procurement policies are generally more advanced in the timber importing sector than in downstream manufacturing sectors.

The full study is due to be launched at the Chatham House Illegal Logging Update meeting to be held 23-24 June in London. After that date it will be made available on the Timber Trade Federation website (www.ttf.co.uk). The report will also be made available, with earlier reports in the series, on the DFID-funded Chatham House website: http://www.illegal-logging.info/item_single.php?item=document&item_id=177

Slight rise in UK plywood restocking

According to the latest report on the UK plywood market by the *TTJ*, a slight rise in restocking has brought a glimmer of hope. The report notes that there has been some improvement in forward orders because 'less plywood has been imported in recent months so, even though demand is still weak, stock levels are now hitting bare minimum'. On the other hand, the *TTJ* also quotes one importer that customers are 'slow at committing to wood' and ordering on a hand-to-mouth-basis and 'on a moderate scale'. There are hopes that the slow and uncertain move to restock may at least hint at greater stability in a market that has bottomed. One trader told *TTJ* 'demand is still light but surprisingly better than we expected'. Another described the market as 'patchy, but busy some days'. There also seems to have been some increase in intra-UK trade, suggesting a rise in underlying consumption which has coincided with improved weather conditions for construction.

UK hardwood lumber trade remains sluggish

Although there are a few reports of slight uptick in demand in the UK during the spring months, levels of forward ordering for the most popular hardwood species remain extremely low. There are still reports of stock being dumped at below replacement cost. A whole host of factors continue to act against any move to substantially increase forward ordering including the weakness of the pound, uncertainty over the level of landed stock, the likely level of consumption and price prospects for the remainder of the year, and the lack of credit availability and credit insurance. Forward ordering remains slow despite widespread realization that for many species there is very little wood in the supply pipeline and prices could rise sharply even with a minor uptick in global consumption.

The UK situation seems now to be favoring large stockists in the Netherlands and Belgium that are able to respond to UK customers demands for wood on a little-and-often basis. Benelux companies are also responding to UK and broader European market conditions by focusing on delivering exactly what customers are asking for. They are continuing to diversify their product base and to develop new further-processed and non-standard items. They are also increasing the volume of certified hardwood products on offer despite indications that some joinery companies have scaled back their plans to move to certified wood during the recession.

The continuing commitment to certification by the large importing groups in the UK and Netherlands reflects both increasing pressure from public sector buyers and trade associations to demonstrate progress on green procurement, together with a strategic concern to expand market share in a declining market. The sustainability message is increasingly critical to improving wood's overall market prospects in relation to other materials. *TTJ* quotes a representative of the Belgium Group Vandecasteele with respect to their UK sales: 'out of every 20 enquiries we get today, half are for FSC-certified, as a result nearly all of our tropical range is now FSC and we're getting good volumes in certified species, such as sipo and sapele in both dimension and random sizes. We also see demand increasing in the future as more high-profile projects use certified timber'.

EU VPA process moves into overdrive

In April 2009, the Republic of Congo became the second country to reach a legally binding bilateral agreement with the EU to ensure the legality of all timber exported into the EU. Formal EU FLEGT Voluntary Partnership Agreement (VPA) negotiations were completed with Ghana in July 2008. Negotiations are still underway in Malaysia, Indonesia, and Cameroon.

In the Republic of Congo, progress to develop the Legality Licensing system is well advanced. A traceability system linked to a legality definition has already been developed and is being field tested. An independent observer is in place and discussions are underway with respect to independent auditing.

In Ghana, the licensing system is expected to be operational some time in 2010. A comprehensive overhaul of state forest laws and regulatory systems is currently underway. The aim is to introduce hi-tech systems to track 100% of wood traded in Ghana to specific forest of origin. A new independent Timber Validation Department is being established to oversee the system.

Cameroon is also expected to conclude a VPA agreement before the end of June 2009. As in Ghana, the existing regulatory system is being reformed to allow for independent legality licensing, a process likely to take 2 years. Since Cameroon acts as a major corridor for exports of wood products from neighboring countries (notably the Congo Republic and Central African Republic), a significant challenge is to accommodate imported wood into the Cameroon licensing system.

Elsewhere in Africa, Liberia, the Central African Republic, Gabon, and Madagascar are now preparing to enter VPA negotiations. DRC and Sierra Leone have also expressed interest.

Italian Federation signs agreement with WWF to promote certified wood

Italy's timber trade associations have not yet developed any formal environmental timber procurement policy or codes of conduct for their members. However, a potentially significant development came in early March 2009 when the Federlegno – the Italian confederation for the wood, furniture, cork and furnishing industries – signed an agreement with WWF Italy for the 'promotion of a transparent sustainable market for wood products'. The pact was signed in the presence of Luca Zaia, the Minister of Agriculture, Nutrition and Forestry.

According to the agreement, Federlegno-Arredo and WWF Italy will act co-operatively to ensure 'Italy takes responsibility for good forestry management, promotion of certification and development of credible policies in support of producer countries'. Federlegno Arredo and WWF Italy are committed to establish a joint programme 'to monitor timber flows and the domestic timber market, to understand this in terms of volumes and the geographical areas of origin, to promote best practice in management and procurement, and to promote joint projects in areas most affected by deforestation'.

In the first instance, the two institutions will jointly promote procurement practices in line with the WWF Global Forest and Trade Network (GFTN) guidelines and promote the use of certified wood products, particularly in construction. A key objective will be 'to promote wood as the only certified sustainable raw material that can naturally store carbon dioxide, even throughout the product life cycle, a characteristic that distinguishes the wood than any other material'. The implication of the focus on WWF GFTN guidelines is that FSC certification is likely to be seen as the ultimate objective of procurement policy.

The Netherlands Sawnwood Prices

FOB (Rotterdam)	USD per m³
Sapele KD	883⬆
Iroko KD	1006⬆
Sipo KD	1073⬆
DRM Bukit KD	847
DRM Seraya KD	847
DRM Meranti KD Seraya MTCC cert.	883
Merbau KD	1116
Sapupira (non FSC) KD	877
Sapupira (FSC) KD	1384
Anti-slip decking AD C&F Rotterdam	
Selangan batu	1328

UK Log Prices *note: sources for UK prices have changed

FOB plus commission		€ per m³
N'Gollon (khaya)	70cm+ LM-C	310-340
Ayous (wawa)	80cm+ LM-C	220-230
Sapele	80cm+ LM-C	270-310
Iroko	80cm+ LM-C	290-320

UK Sawnwood Prices

FOB plus Commission	Pounds per m³
Framire FAS 25mm	425-450
Sipo FAS 25mm	655-670
Sapele FAS 25mm	500-530
Iroko FAS 25mm	610-640
Wawa No.1 C&S 25mm	290-310
CIF plus Commission	
Tulipwood FAS 25mm	310-330
Meranti Tembaga Sel/Btr (KD 2"boards)	540-570
Balau/Bangkirai Decking	850-900
White Oak	480-530

UK Plywood and MDF Prices

Plywood Panels 8x4", CIF	US$ per m³
Brazilian WBP BB/CC 6mm	500-515
Malaysian WBP BB/B 6mm	490-510
China (hardwood face, eucalyptus core) 18mm	330-340
China (hard face, poplar core) 18mm	320-340

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.

'Forests are of great economic, social, ecological, cultural and spiritual importance to the people of Bhutan', said the Hon'ble Lyonpo Pema Gyamtsho in his opening address of the National Level Forest Management Workshop organized by the Forest Resources Development Division.
http://www.moa.gov.bt/moa/news/news_detail.php?id=719

The global economic recession has affected Zimbabwe's timber industry which has seen the export price for top grade timber falling sharply from USD400 per cubic meter in February to USD100. Timber Producers Federation chief executive Loyd Mubaiwa said the industry was currently operating at between 20 and 30% capacity with some companies were being pushed to contemplate retrenching.
http://allafrica.com/stories/200905180049.html

Iwokrama is part of the largest expanse of undisturbed rainforest in the world, which overlies the Guiana Shield. It has a unique history. In 1989 the president of Guyana had the foresight to give the forest as a gift to the Commonwealth for research into global warming.
http://www.economist.com/world/international/displayStory.cfm?story_id=13684132

Malaysia and Indonesia will continue to hold discussions to enhance cooperation and take all necessary measures to prevent Indonesian timber from being brought into Sarawak without proper supporting documents.
http://www.bernama.com/bernama/v5/newsgeneral.php?id=411791

Members of Parliament of Uganda have allowed the government to borrow a loan of over USD35 billion from the International Development Association of the World Bank to finance the second phase of environment management capacity building project.
http://www.ugpulse.com/articles/daily/news.asp?about=MPs+pass+loan+to+finance+environment+improvement&ID=10314

Myanmar has a population of about 60 million people, over three-quarters of who depend heavily on forest products, particularly fuelwood, posts and poles. Forest genetic resources play a major role in socio-economic development and forest product exports are an important source of foreign exchange.
http://www.thefinancialexpress-bd.com/2009/05/18/66808.html

Santos Ltd. unveiled plans to create one of Australia's largest forestry plantations as part of its multi-billion dollar GLNG project - the world's first to convert coal seam gas (CSG) to liquefied natural gas (LNG). The project is the first large scale plantation project approved for the beneficial use of water produced in the extraction of CSG.
http://www.energycurrent.com/index.php?id=3&storyid=18104

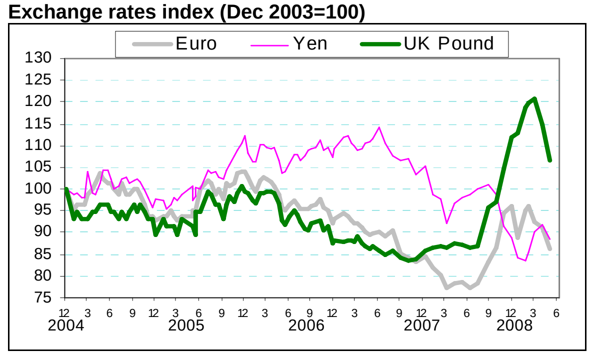
Villagers in western Kenya are the latest participants in a project carried out by the United Nations Environment Programme (UNEP) and its partners to calculate how much carbon can be stored in trees and soils when the land is managed in sustainable, climate-friendly ways. http://allafrica.com/stories/200905111438.html

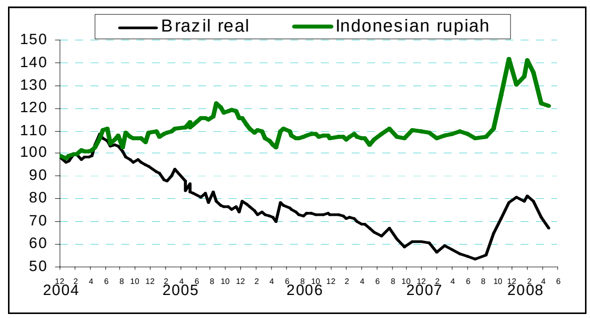
Main US Dollar Exchange Rates

As of 29 May 2009

Brazil	Real	1.9673	⬇
CFA countries	CFA Franc	463.893	⬇
China	Yuan	6.8282	⬆
EU	Euro	0.7072	⬇
Indonesia	Rupiah	10,288.00	⬇
Japan	Yen	95.27	⬆
Malaysia	Ringgit	3.4880	⬇
Peru	New Sol	2.9842	⬇
UK	Pound	0.6189	⬇

Exchange rates index (Dec 2003=100)

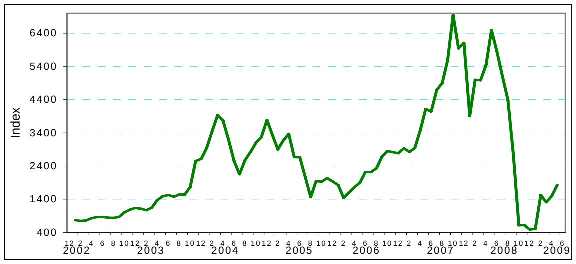




Abbreviations and Equivalences

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

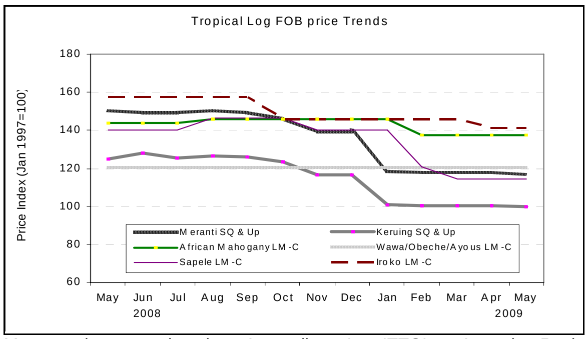
Ocean Freight Index



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

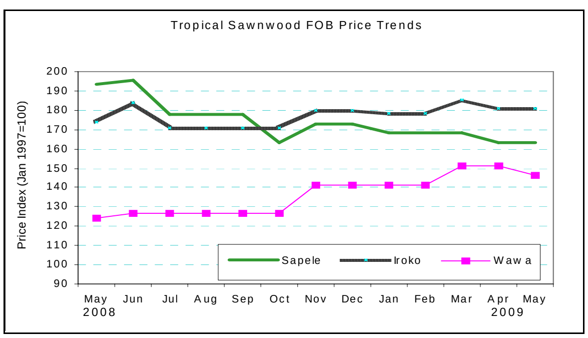
Appendix. Tropical Timber Price Trends

Tropical Log Price Trends



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

Tropical Sawnwood Price Trends



Tropical Plywood Price Trends