

# Tropical Timber Market Report

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## Contents

Central/West Africa	2
Ghana	3
Malaysia	3
Indonesia	5
Myanmar	5
India	6
Brazil	7
Peru	8
Guyana	9
Japan	10
China	11
Europe	12
North America	15
Internet News	18
Currencies and Abbreviations	19
Ocean Freight Index	20
Tropical Timber Price Trends	20

## Headlines

<b><i>Clarification on Gabon log ban</i></b>	<b>2</b>
<b><i>Malaysia progresses with VPA</i></b>	<b>3</b>
<b><i>Plywood push in India</i></b>	<b>5</b>
<b><i>Call for lower import duties</i></b>	<b>6</b>
<b><i>Brazil's timber industry on recovery path</i></b>	<b>7</b>
<b><i>Sawnwood export quotas - 2010</i></b>	<b>12</b>
<b><i>Prospects for garden furniture in EU</i></b>	<b>12</b>
<b><i>EU Due diligence legislation</i></b>	<b>14</b>
<b><i>US and Canada construction trends</i></b>	<b>15</b>

## Top Story

### **Clarification on Gabon log ban**

At a recent meeting with Gabon's Minister for Forests, executives of the country's timber industries were advised of the official position concerning the ban on the export of logs.

The meeting was told that the ban is irrevocable.

An estimated 500,000 to 600,000 cubic metres of logs are already on the ground in the forest, in the industry log depots and being transported by rail and road.

The industry was advised that logs already at the port and in storage yards (rail storage and SEPBG storage yards) can be exported immediately by industry to fulfill existing contract commitments.

Other log stocks can be exported, but only through the State agency SNBG and not directly by the industry.

The reports available indicate that existing log stocks must be exported before 30<sup>th</sup> April 2010, after that date all log exports are banned.

### Clarification on Gabon log ban

At a recent meeting with Gabon's Minister for Forests, executives of the country's timber industries were advised of the official position concerning the ban on the export of logs that was introduced as from 1<sup>st</sup> January 2010. The meeting was told that the ban is irrevocable.

During the discussions estimates were provided of current log stocks. These indicate that the volume of logs already cut in the forest, in the industry log yards and those logs currently being transported by rail and road is in the order of 500,000 to 600,000 cubic metres.

It has been reported that logs that are already at the port and in storage yards (rail storage and SEPBG storage yards) can be exported immediately by industry to fulfill existing contract commitments. Other log stocks can be exported, but only through the State agency SNBG and not directly by the industry. The existing log stocks can be exported only up until the 30<sup>th</sup> April 2010. After that date all log exports are banned.

The meeting heard that government policy is now to be geared towards downstream processing, beyond sawn lumber and veneers into finished products. It is expected the industry will have to move into the production of mouldings, components and semi-finished products.

It was reported that government is now considering ideas for preferential customs tariffs, import and exports tax incentives and other revenue incentives to attract inward investment into downstream processing facilities.

As previously reported, some producers are now considering re-starting work to complete the construction of mills that were in the course of construction and re-opening others that were closed because of the downturn in sawn lumber and veneer markets.

### Relaxed log exports

The Cameroon government's relaxation of exports of secondary log species from 5% up to a notional 30% of production is said to be in response to industry concerns over difficult market conditions for sawn lumber that has led to revenues falling below break-even point in the industry.

### Mills cut production

Congo Brazzaville has a tightly controlled quota system allowing only 25% of total log production to be exported against 75% that must be domestically processed. Because of the current worldwide downturn in the sawnwood markets, some operators have been forced to reduce total production as they are unable to sell the full 75% as milled sawnwood.

### Logs from Equatorial Guinea

Equatorial Guinea had previously implemented a total log export ban but it is now reported that some log exports are

now being allowed. However, this is not likely to be of significant volume.

### No market disruption

So far as can be determined, the Gabon log ban has not caused any major disruption in the market. Modest price increases for okoume logs and for okan have been reported but prices for all other timbers have not moved to any large extent.

The Cameroon government action in releasing for export a larger proportion of production, plus the now clarified position for 3 months of log exports coming from Gabon seems to have held the market prices stable.

The clarification of the situation in Gabon now gives importers time to assess where and how to source future log supplies and how their processing industries will have to adapt to changing circumstances, much as the European trade has done in that past decade by drastically reducing log imports.

### West Africa Log Prices

West Africa logs, FOB	€ per m <sup>3</sup>		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	205	205	153
Ayous/Obéché/Wawa	190	190	145
Azobe & Ekki	190	190	125
Belli	230	230	-
Bibolo/Dibétou	140	130	-
Bubinga	550	490	390
Iroko	257	250	200
Okoume (60% CI, 40% CE, 20% CS) (China only)	200	-	-
Moabi	270	270	206
Movingui	165	135	125
Niove	130	130	-
Okan	220	220	122
Padouk	315	295	235
Sapele	200	195	150
Sipo/Utile	260	240	190
Tali	230	225	114
Okoume	C1 160	CE150	CS115

### West Africa Sawnwood Prices

West Africa sawnwood, FOB	€ per m <sup>3</sup>
Ayous FAS GMS	300
Okoumé FAS GMS	320
FAS. fixed sizes	320
Std/Btr GMS	260
Sipo FAS GMS	475
FAS fixed sizes	320
FAS scantlings	490
Padouk FAS GMS	540
FAS scantlings	430
Strips	300
Sapele FAS Spanish sizes	360
FAS scantlings	460
Iroko FAS GMS	430
Scantlings	440
Strips	350
Khaya FAS GMS	380
FAS fixed	420
Moabi FAS GMS	415
Scantlings	440
Movingui FAS GMS	270

## Report from Ghana

### Access to Global Climate Fund

The Minister of Environment, Science and Technology has announced, that Ghana is to access a US\$30 billion global fund set aside by developed countries on climate change. Funds would be used to implement climate change related socio-economic activities.

The Minister said the government was in the process of developing a low carbon emissions growth plan which would anchor Ghana's sustainable development agenda. According to the minister, Ghana has a low level of carbon emissions compared to developed countries and even when compared to the large developing countries but still steps are needed to reduce emissions further.

The government aims to reduce deforestation and forest degradation and has also committed one per cent of the District Assemblies Common Fund to a massive tree planting programme.

### Economy to grow 5.7%

Ghana's economy is expected to grow by at least 5.7 percent this year, compared to the 5% achieved in 2009. This should be possible as the global economy is stabilising and Ghana will begin oil production this year.

The oil reserves found are estimated to contain 1.8 billion barrels of crude oil. The government is now considering setting up a sovereign wealth fund for some revenues generated from oil sales.

### Ghana Log Prices

Ghana logs, domestic	US\$ per m <sup>3</sup>	
	Up to 80cm	80cm+
Wawa	120-130	140-155
Odum Grade A	160-170	175-185
Ceiba	100-110	115-125
Chenchen	85-100	105-120
Khaya/Mahogany (Veneer Qual.)	95-105	110-135
Sapele Grade A	135-150	155-175
Makore (Veneer Qual.) Grade A	125-135	140-166

### Ghana Export Sawnwood Prices

Ghana Sawnwood, FOB	€ per m <sup>3</sup>	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up	855	-
Afrormosia	500	545
Asanfina	205↑	255
Ceiba	300	390
Dahoma	400	430
Edinam (mixed redwood)	330	400
African mahogany (Ivorenensis)	595	665
Makore	520	585↑
Niangon	490	595↓
Odum	650	710
Sapele	540	600
Wawa 1C & Select	250	290

Ghana sawnwood, domestic		US\$ per m <sup>3</sup>
Wawa	25x300x4.2m	247
Emeri	25x300x4.2m	325
Ceiba	25x300x4.2m	220↑
Dahoma	50x150x4.2m	285
Redwood	50x75x4.2m	295
Ofram	25x225x4.2m	310↓

### Ghana Veneer Prices

Rotary Veneer, FOB	€ per m <sup>3</sup>	
	CORE (1-1.9mm)	FACE (<2mm)
Bombax	315	350
Ofram, Ogea & Otie	315	350
Chenchen	315	360
Ceiba	325	335
Mahogany	415	450

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

Rotary Veneer, FOB Core Grade 2mm & up	€ per m <sup>3</sup>
Ceiba	260
Chenchen	295
Ogea	295
Essa	288
Ofram	300

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afrormosia	1.19	1.00
Asanfina	1.50	0.80
Avodire	1.27	0.90
Chenchen	1.25	0.54
Mahogany	1.42	0.89
Makore	1.40	0.90
Odum	1.80	1.15

### Ghana Plywood Prices

Plywood, FOB B/BB, Thickness	€ per m <sup>3</sup>			
	Redwoods		Light Woods	
	WBP	MR	WBP	MR
4mm	560	475	500	370
6mm	340	325	335	300
9mm	365	305	295	275
12mm	300	295	280	270
15mm	310	300	280	270
18mm	300	290	285	265

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

### Ghana Added Value Product Prices

Parquet flooring 1st	FOB € per sq.m		
	10x60mm	10x65-75mm	14x70mm
Apa	12.00	14.47	17.00
Odum	7.80	10.20	11.00
Hyedua	13.67	13.86	17.82
Afrormosia	13.72	18.22	17.82

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

## Report from Malaysia

### Malaysia progresses with VPA

The advisor to the Malaysian Ministry of Plantation, Industries and Commodities said that progress has been made in the negotiation between the European Union (EU) and Malaysia concerning the Voluntary Partnership Agreement (VPA).

The advisor added that further consultation between the various stakeholders in the country needed to be held before the agreement is concluded.

The Ambassador and Head of the EU mission commented that, apart from a few technical issues that needed to be resolved, he was hopeful that VPA will be concluded between June and July 2010.

If that is the case, Malaysia will be the first country in Asia to conclude the agreement. It will also provide Malaysian timber products with smoother access to the EU market.

### Timber export recovery

Malaysia is expecting commodity exports, particularly exports of timber products, to recover in line with the economic recovery in both the EU and the US.

Exports of Malaysian commodities declined from RM112 billion in 2008 to only RM90 billion in 2009 due to the global economy slowdown.

Demand for Malaysian timber fell from RM22.8 billion in 2008 to RM19.8 billion in 2009.

### Exporters cautious

Malaysian timber exporters are closely watching developments in the EU and US markets. Currently economic recovery in the two main markets is considered weak and may not be sustained.

With the US dollar weakening against the Malaysian ringgit, timber exporters will face a tough time in the US market if they cannot trim prices.

In addition, because of the advantageous exchange rate of the Chinese renminbi against the US dollar, competition from Chinese manufacturers, especially of furniture, will continue to be fierce.

### New Year slow down

Prices of Malaysian timber products remain relatively stable as most businesses wind down for the annual Chinese Lunar New Year holidays.

Price increases for sawn rubberwood lead the charge as there has been less felling of rubberwood trees because prices of natural latex rubber continues to climb upwards. The sharp rise in prices for natural rubber and palm oil could lead to a sharp drop in the supply of rubberwood logs and oil palm fibres.

A prolonged shortage of rubberwood logs may take root and this could impact the local furniture and panel-products industry after the Chinese New Year holiday.

### Log Prices

	US\$ per m <sup>3</sup>
Sarawak log, FOB	227-251
Meranti SQ up	211-242
Small	203-227
Super small	216-228
Keruing SQ up	196-226
Small	174-204
Super small	206-231
Kapur SQ up	185-222
Selangan Batu SQ up	

Pen. Malaysia logs, domestic (SQ ex-log yard)	US\$ per m <sup>3</sup>
DR Meranti	233-252
Balau	298-327
Merbau	323-355
Rubberwood	59-93↑
Keruing	216-232

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

### Sawnwood Prices

Malaysia Sawnwood, FOB	US\$ per m <sup>3</sup>
White Meranti A & up	281-311
Seraya Scantlings (75x125 KD)	433-446↑
Sepetir Boards	250-272
Sesendok 25,50mm	345-363
Kembang Semangkok	295-318↑

Malaysian Sawnwood, domestic	US\$ per m <sup>3</sup>
Balau (25&50mm,100mm+)	325-345
Merbau	451-503
Kempas 50mmx(75,100 & 125mm)	261-301
Rubberwood	
25x75x660mm up	207-257↑
50-75mm Sq.	246-278↑
>75mm Sq.	268-297↑

### Plywood Prices

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

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

### Other Panel Prices

Malaysia, Other Panels, FOB	US\$ per m <sup>3</sup>
<i>Particleboard</i>	
Export 12mm & up	226-249
Domestic 12mm & up	212-229
<i>MDF</i>	
Export 15-19mm	279-310
Domestic 12-18mm	270-288

### Added Value Product Prices

Malaysia, Mouldings, FOB	US\$ per m <sup>3</sup>
Selangan Batu Decking	530-540↑
Red Meranti Mouldings	
11x68/92mm x 7ft up	
Grade A	545-558↑
Grade B	498-507↑

### Furniture and Parts Prices

Malaysia, Rubberwood, FOB	US\$ per piece
Semi-finished dining table	
solid laminated top 2.5'x4', extension leaf	62-87
As above, Oak Veneer	69-83
Windsor Chair	61-63
Colonial Chair	59-64
Queen Anne Chair (soft seat)	
without arm	59-67
with arm	59-68
Chair Seat 27x430x500mm	47-52

Rubberwood Tabletop	US\$ per m <sup>3</sup>
22x760x1220mm sanded & edge profiled	
Top Grade	568-601
Standard	552-571

## Report from Indonesia

### Plywood push in India

Indonesian manufacturers are working hard to further penetrate the Indian plywood market according to the Indonesian Wood Panel Association (APKINDO).

India imports up to 16 million cubic metres of timber annually, domestic consumption is currently around 95 million cubic metres. According to APKINDO, Indonesia is in a strong position to compete for a bigger share of the Indian market for 2.7 mm thickness plywood which is in high demand in India.

### Certification in Kalimantan

Reports suggest some large timber concessionaires in Kalimantan are seeking certification as part of their corporate governance development to try and secure a long-term future in the sector.

Certification is also seen as a means for providing job security as well getting production onto a more sustainable track.

Reports indicate that some concessionaires have approached The Borneo Initiative ([www.theborneoinitiative.org/about\\_tbi.html](http://www.theborneoinitiative.org/about_tbi.html)), a Dutch non-governmental organization specializing in sustainable forest management. This organisation apparently provides support during the certification process which will be via the Indonesian Ecolabeling Institute.

Up to one million ha. of forests are said to be ready for certification, with 600,000 ha. in Kalimantan alone.

### Log Prices (domestic)

Indonesia logs, domestic prices	US\$ per m <sup>3</sup>
Plywood logs	
Face Logs	187-230
Core logs	169-202
Sawlogs (Meranti)	178-239
Falcata logs	147-181
Rubberwood	51-75
Pine	160-199
Mahoni (plantation mahogany)	468-495

### Sawnwood Prices

Indonesia, construction material, domestic	US\$ per m <sup>3</sup>
Kampar (Ex-mill)	
AD 3x12-15x400cm	177-196▲
KD	199-233▲
AD 3x20x400cm	219-242
KD	223-250
Keruing (Ex-mill)	
AD 3x12-15x400cm	234-248
AD 2x20x400cm	221-239
AD 3x30x400cm	204-223

### Plywood Prices

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

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

### Other Panel Prices

Indonesia, Other Panels, FOB	US\$ per m <sup>3</sup>
<i>Particleboard</i> Export 9-18mm	215-224
Domestic 9mm	194-206▲
12-15mm	186-197▲
18mm	176-188▲
<i>MDF</i> Export 12-18mm	249-262
Domestic 12-18mm	231-242

### Added Value Product Prices

Indonesia, Mouldings, FOB	US\$ per m <sup>3</sup>
Laminated Boards	
Falcata wood	297-309
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	484-518
Grade B	440-461

## Report from Myanmar

### Buyers now have more choice

The trade is saying that market conditions remain almost the same as reported in January. The demand for Teak and Gurjan remains firm and Pyinkado logs are still selling very well.

At this time of year fresh logs have started arriving at the log depots and buyers will now become more selective, given the wider choice of grades.

Timber pundits often predict that buying activity will slow down after the Myanmar New Year in April when there is an even better choice of more fresh logs.

### Demand influenced by neighbours output

Export trends in the neighbouring timber producing countries play a crucial role in forming buyer sentiment. For example, buyers say that prices of Pyinkado climbed recently mainly because Malaysia and Indonesia are selling much lower volumes of similar hardwood species like Merbau, Balau, and Selangan Batu.

### Myanmar Log Prices (natural forests)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)	
Veneer Quality	Dec	Jan
2nd Quality	-	-
3rd Quality	-	-
4th Quality	3,489 (10 tons)	3,646 (10 tons)
Sawing Quality		
Grade 1 (SG-1)	2,478 (34 tons)	2,483 (36 tons)
Grade 2 (SG-2)	2,002 (42 tons)	2,181 (41 tons)
Grade 3 (SG-3)	-	-
Grade 4 (SG-4)	1,500 (215 tons)	1,681 (226 tons)
Grade 5 (SG-5) Assorted	1,414 (150 tons)	1,316 (145 tons)
Grade 6 (SG-6) Domestic	1,186 (77 tons)	1,159 (65 tons)
Grade 7 (ER-1)	879 (89 tons)	732 (183 tons)
Grade 8 (ER-2)	-	-
Short Logs 6 ft. / 7 ft.	1,329 (13 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 (FOB)

	€ per hoppus ton
Pyinkado	-
Gurjan (keruing-export quality)	182 (707 tons)
Tamalan (export reject)	726 (31 tons)
In-gujan	-
Yamane (export)	-

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

## Report from India

### Call for lower import duties

A submission to the ministry of finance by the timber sector for changes in import duty levels in the next national budget has been made. A reduction in the maximum duty from 10% to 7.5% will help lower production costs and thus make exports more competitive says the industry.

Such a reduction would also help the government meet its commitment to align import duties to Asean levels, say analysts. The Indian government has progressively reduced the import duties over the past decade and the eyes of the timber industry are on the 26<sup>th</sup> February deadline for the budget announcements.

### Jatropha plantations

Indian Oil Co. is looking to acquire 50,000 hectares of wasteland in various Indian states. They have reportedly already acquired 30,000 ha. in Chhatisgarh and another 2,000 ha. in Madhya Pradesh. The company is seeking more land in Uttar Pradesh for planting Jatropha.

Jatropha is resistant to drought and most pests and produces seeds containing 27-40% oil. After oil extraction the residue could also be considered for energy production.

Jatropha curcas oil has potential for biofuel production.

Government policy may involve financial incentives for forest plantations as they will help the country meet its carbon emission mitigation targets absorb carbon, extend green cover and provide a bio-fuel option.

### Interest in rubber plantations

With natural rubber prices having doubled in a year, from Rs65 per kg last year to Rs128 per kg today, rubber plantations will also get a boost. Besides rubber, the trees, once latex yields fall to uneconomic levels, provide log raw materials for the wood based industries.

### India's trade statistics

India's log imports for fiscal 2008-9 are reported by CAPEXIL at 3,875,300 cubic metres as against 3,931,400 cubic metres during 2007-8. Value-wise 2008-9 imports were Rs. 51, 264 million as against Rs. 47,124 million for 2007-8 a rise of almost 9% despite the economic downturn. Imports of sawn timber have seen a steep rise from Rs. 1,025 million in 2007-8 to Rs. 1,449 million for 2008-9.

On the export front there has been a sharp increase (86 %) in shipments of sawn timber and a 29 % rise in exports of other articles of wood. These increases have helped offset the declines in exports of plywood and wooden furniture.

CAPEXIL, a non-profit making organization, was setup in March 1958 by the Ministry of Commerce, Government of India to promote export of chemical and allied products from India. And since then has been the voice of Indian business community.

Total exports of wood and wooden products rose marginally by 2.5 % during 2008-9 and stood at Rs. 20, 118 million as against Rs. 19, 620 million for 2007-8.

Exports of wooden furniture, mainly antique reproduction styles are not covered by Capexil but other sources indicate exports in 2008-9 of around Rs. 8, 000 million.

### India Sawnwood Prices (domestic)

Sawnwood (Ex-mill)	Rs. per ft <sup>3</sup>
Myanmar Teak (AD)	
Export Grade F.E.Q.	5000-6000
Plantation Teak A grade	2000-3600
Plantation Teak B grade	1800-3000
Plantation Teak C grade	1250-1500

### India Sawnwood Prices (imports)

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

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

#### India Plywood Prices

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

Locally Manufactured Plywood "Commercial Grade"	Rs per sq.ft	
	Rubberwood	Hardwood
6mm	Rs.12.00	-
8mm	Rs.15.00	Rs.24.0↑
12mm	Rs.18.50	Rs.25.5↑
18mm	RS.23.00	Rs.34.0↑
5mm		Flexible ply Rs.15.0↑

### Report from Brazil

#### Illegal sawnwood seized in Pará

IBAMA has reported that about 800 cubic metres of sawnwood was seized at Belém port in mid-January. This volume is equivalent to more than 30 truckloads and comprised Amazonian timber species, such as quaruba cedar, angelim, cupiúba and mandioqueira.

According to the information provided by IBAMA, the timber company involved has a history of trading in illegally sourced timber. The company had been given a warning in 2005 but apparently did not take any action to comply with environmental legislation.

The market price of the seized timber was reportedly much lower than that for timber harvested legally, this distorted the market and made trading in legal wood products that much more difficult.

#### Forest residue targets for industry

Members of the Pará Timber Exporters Association (AIMEX) met with representatives of the State Secretariat of Environment (SEMA) to discuss recommended modifications to the forest licensing system in the state.

The main issue raised by AIMEX was the wood yield conversion factor being applied. The current rate applied was determined by the National Council for the Environment (CONAMA) and is 45% log to sawnwood, a rate that has been generally accepted since the application of the 2009 State Forest Control System (Sisflora).

The current rate for forest residues is set at 13.0% but there is a proposal to lower this to 2.25%. However, AIMEX argues that a rate of 2.25% does not represent the reality of the Pará's timber industries.

AIMEX stressed that a federal resolution by CONAMA established a conversion rate of 45% (log to sawnwood), but it leaves the determination of forest residue conversion rates up to each State.

#### Alta Floresta timber exports down

Data from the Ministry of Development, Industry and Foreign Trade (MDIC) show that wood products exports by companies in Alta Floresta dropped sharply in 2009.

Wood products are the best selling product in Alta Floresta but sales in 2009 were low.

Exports of non-coniferous wooden parts were 6% lower in 2009 compared to 2008. In 2009 exports were worth US\$11.1 million against US\$ 11.8 million the previous year. The decline in sawnwood and veneer exports was even greater, dropping by almost 80%; from US\$ 1.9 million in 2008 to just US\$363,800 in 2009.

On the other hand, exports of wood products such as blocks, planks, strips, profiles did well in 2009 compared to 2008.

The main consumers of wood products from Alta Floresta in 2009 were the United States (US\$6.5 million), Canada (US\$2 million) and Spain with US\$1.2 million. The US and Spain cut back their imports from the region by 14% and 42%, respectively. Canada, in turn, expanded imports from the region.

#### Timber industry on recovery path

Brazilian timber exports now seem to be recovering. While the overall picture for 2009 was bleak, with a 45% drop in the value of exports compared to 2008, data for December 2009 showed a marked improvement.

Export values in December 2009 were close to the same period of 2008 (around US\$38 million). In the second half of 2009, Brazilian timber exports were US\$ 172.7 million and although this represented a 34% drop on 2008 this was an improvement on the first half numbers, signaling that markets are beginning to recover after the global economic crisis.

#### Brazil Log Prices (domestic)

Brazilian logs, mill yard, domestic	US\$ per m <sup>3</sup>
Ipê	147
Jatoba	105
Guariuba	70
Mescla (white virola)	77

#### Brazil Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per m <sup>3</sup>
Jatoba Green (dressed)	787
Cambara KD	459
Asian Market (green)	Guariuba 261
	Angelim pedra 595
	Mandioqueira 229
Pine (AD)	189
Brazil sawnwood, domestic (Green)	US\$ per m <sup>3</sup>
<i>Northern Mills</i> (ex-mill)	Ipê 695
	Jatoba 534
<i>Southern Mills</i> (ex-mill)	Eucalyptus (AD) 191
	Pine (KD) 1st grade 247

### Brazil Veneer Prices

Veneer, FOB (Belem/Paranagua Ports)	US\$ per m <sup>3</sup>	
White Virola Face 2.5mm	290	
Pine Veneer (C/D)	205	
Rotary cut Veneer, domestic	US\$ per m <sup>3</sup>	
(ex-mill Northern Mill)	Face	Core
White Virola	262	219

### Brazil Plywood Prices

Plywood, FOB	US\$ per m <sup>3</sup>	
White Virola (US Market)		
5.2mm OV2 (MR)	464	
15mm BB/CC (MR)	401	
White Virola (Caribbean market)		
4mm BB/CC (MR)	505	
12mm BB/CC (MR)	405	
Pine Plywood EU market, FOB	US\$ per m <sup>3</sup>	
9mm C/CC (WBP)	271	
15mm C/CC (WBP)	247	
18mm C/CC (WBP)	242	
Plywood, domestic (ex-mill Southern mill)	US\$ per m <sup>3</sup>	
Grade MR (B/BB) White Virola 4mm	889	
White Virola 15mm	650	

Domestic prices include taxes and may be subject to discounts.

### Other Brazil Panel Prices

Belem/Paranagua Ports, FOB	US\$ per m <sup>3</sup>	
Blockboard Pine 18mm 5 ply (B/C)	310	
Domestic Prices, Ex-mill Southern Region		
Blockboard White Virola faced 15mm	567	
Particleboard 15mm	358	

### Brazil Added Value Products

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

## Report from Peru

### Forest law review

The Ministry of Agriculture has decided to extend until 31 March this year, the deadline for the General Directorate of Forestry and Wildlife to complete the updating of the forest and wildlife law.

In July 2009, the Ministry of Agriculture launched a review and update of the Forestry and Wildlife law within the framework of a decentralized participatory process at national level. The new draft law will contain proposals for change and will be termed the National Forestry Policy and Law Project for Forestry Policy and Law Project and Wildlife.

### Stepping up concession monitoring

The Agency for Supervision of Forest Resources and Wildlife (OSINFOR) has started to undertake monitoring of forest concessions, this began in Inapari, Madre de Dios, where concessions extend to 1.2mil ha. The monitoring began in the SAC Pumaquiro timber forest concession located in Inapari, Tahuamanu province. Peru has 556 forest timber concessions, covering 7.1 million hectares and the aim is for intensive monitoring to cover all forest concessions.

### Tough stance on concessions

Richard Bustamante, president of the Agency for Supervision of Forest Resources and Wildlife (OSINFOR) has indicated that, following the 2009 monitoring of 78 forest concessions, it found that 46 of the 78 have breached the concession contracts.

Because of this OSINFOR has initiated an administrative process to address these contract breaches and some 44 of the errant 46 concessionaires could have the concession agreements declared invalid. The defendants could not only lose the concession, but also could also be fined.

Some forest concessions could be declared cancelled "due to violation of their annual operating plans and general forest management plans, as they are removing more wood than they should"

OSINFOR president also reportedly said that "it is necessary to take stock of the progress to date and identify and correct the negative aspects for future concessions. In addition, we must discuss how we can turn wood into products with a high added value".

### Peru Sawwood Prices

Peru Sawwood, FOB Callao Port	US\$ per m <sup>3</sup>	
Mahogany S&B KD 16%, 1-2" random lengths (US market)	1722-1798	
Spanish Cedar KD select		
North American market	918-922	
Mexican market	897-921	
Pumaquiro 25-50mm AD Mexican market	501-539	

\*Cheaper and small-dimension sawwood for this market.

Peru Sawwood, FOB Callao Port (cont.)	US\$ per m <sup>3</sup>	
Virola 1-2" thick, length 6'-8' KD		
Grade 1, Mexican market	300-358↑	
Grade 2, Mexican market	250-269	
Cumaru 4" thick, 6'-11' length KD		
Central American market	794-822	
Asian market	801-838	
Ishpingo (oak) 2" thick, 6'-8' length		
Spanish market	509-549	
Dominican Republic	558-569	
Marupa (simarouba) 1", 6-11 length Asian market	352-377	

Peru Sawwood, 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	288-314↑	
Grade 2, Mexican market	244-259	
Grade 3, Mexican market	132-151	
Marupa (simarouba) 1", 6-13 length KD		
Grade 1, Mexican market	211-222	

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

### Peru Veneer Prices

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

### Peru Plywood Prices

Peru plywood, FOB (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	398-403
Cedar fissilis, 2 faces sanded 4x8x5.5mm	746-758
Lupuna, treated, 2 faces sanded, 5.2x4x8mm	359-376
Lupuna plywood B/C 15x4x8mm	353-365
B/C 9x4x8mm	345-350
B/C 12x4x8mm	350-360
B/C 8x4x15mm	410-419
C/C 4x8x4mm	380-388
Lupuna plywood B/C 8x4x4mm Central Am.	368-388
Lupuna Plywood BB/CC, domestic (Iquitos mills)	US\$ per m <sup>3</sup>
122 x 244 x 4mm	441
122 x 244 x 6mm	397
122 x 244 x 8mm	409
122 x 244 x 12mm	399
(Pucallpa mills)	
122 x 244 x 4mm	458
122 x 244 x 6mm	439
122 x 244 x 8mm	430
122 x 244 x 12mm	429

### Other Peru Panel Prices

Peru, Domestic Particleboard	US\$ per m <sup>3</sup>
1.83m x 2.44m x 4mm	282
1.83m x 2.44m x 6mm	230
1.83m x 2.44m x 12mm	204

### Peru Added Value Product Prices

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

## Report from Guyana

### Encouraging trends continue

The positive market sentiment continues and the trend towards more processing and lower log exports seems to be gaining momentum. There was some trade in Purpleheart logs and prices remain stable.

There was encouraging and positive production of rough sawn (undressed) Greenheart, and average prices moved up reaching as high as US\$900. Sawn Purpleheart (undressed) saw active buying for only Select grades with very satisfactory average prices.

Mora sawnwood continues to be traded at stable prices.

Dressed Greenheart sawnwood achieved favourable prices recently between US\$742-827 which is better than during the previous two weeks.

The demand for Baromalli plywood has been positive and price levels have encouraged producers with improvements in prices for both the BB/CC and Utility grades.

For the period up to the end of January, export of value added products has been good and this has contributed significantly to total export earnings. The market has been firm for products such as doors, mouldings, outdoor garden furniture, spindles, and wooden utensils. The main

species used for added value production include crabwood, (andiroba) locust, (courbaril) and purpleheart.

### Industry reassured of support

The growing and expanding role of the Guyana Forestry Commission (GFC) in ensuring that forests are pivotal to mitigating climate change, will be performed without compromising its support and promotion of the timber industry, according to a statement released by the Ministry of Agriculture.

Over the past two years efforts have been made to strengthen the capacity of the GFC to address climate change issues such as Reduced Emissions from Deforestation and Degradation (REDD) and Guyana's Low Carbon Development Strategy (LCDS).

However, the GFC has not lost sight of its goal of achieving a competitive and sustainable wood processing sector where the emphasis is on valued-added products

The Forest Products and Marketing Development Council (FPMDC) was established to focus on the development production capacity and markets for wood products and to encourage investments in the sector.

According to the Minister of Agriculture "notwithstanding our efforts in terms of looking for incentives arising from the role our forests play in climate change mitigation, there will continue to be a role for the forestry sector. The changes will not affect the timber sector in any way that will see it downsized or lead to loss of jobs or closure. In fact, the measures will allow growth within the context of the emphasis on sustainable forestry management."

### Guyana Log Prices

Logs, FOB Georgetown	SQ - \$ Avg unit value per m <sup>3</sup>		
	Std	Fair	Small
Greenheart	-	-	-
Purpleheart	230↓	170↓	150↓
Mora	-	-	-

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

### Guyana Sawnwood Prices

Sawnwood, FOB Georgetown		\$ Avg unit val. per m <sup>3</sup>	
EU and US markets	Greenheart	Undressed	Dressed
		Prime	700 No export
		Standard	- 649-827↑
		Select	535-900
		Sound	500
Purpleheart	Merchantable	551	
		Prime	No export No export
		Standard	- 700-806↑
		Select	636-780
Mora	Merchantable	Sound	No export
		Prime	No export
		Select	500
		Sound	450
		Merchantable	400

### Guyana Plywood Prices

Plywood, FOB Georgetown Port			\$ Avg unit val. per m <sup>3</sup>
Baromalli	BB/CC	5.5mm	No export
		12mm	546
Utility	5.5mm		No export
		12mm	384-425

### Report from Japan

#### Sawlog trade 2009

Log consumption for lumber production in 2009 has been estimated at 15.4 mil cu.m, 13% less than in 2008. Double digit declines were reported for both imported and domestic logs destined for lumber mills. The following table provides an overview of the sawlog and lumber trade for 2009.

#### 2009 Sawlog trade

	000's cu.m	
	2009	2009 as % 2008
Logs consumed	15,356	86.6
Domestic total	10,599	91.5
softw ood	10,417	91.9
hardw ood	182	74.3
Imports	4,757	77.4
tropical	83	74.1
N. America	3,666	83.0
Russia	431	55.9
New Zealand	492	72.4
Others	85	51.5
Lumber output	9,403	84.7

source JLR

#### 2009 housing starts

Housing starts in 2009 were 27.9% lower than in 2008 at just 787,410 units. This was the lowest level recorded for 45 years.

The greatest decline was seen in the number of condominium units built in 2009, these were down a massive 58% on 2008 levels.

#### 2009 housing starts

	000's units	
	2009	09 decline on '08
Total	788,410	27.9
Ow ner's units	284,631	10.6
Rental units	321,469	30.8
Built for sale	168,837	43.7
Condominium	76,678	58.0

#### Hardwood plywood market

Malaysian plywood suppliers decided not to accept the low price offers being made by buyers for the Japanese market and thus did not ship any plywood to Japan in January. This caused some panic in the market says the Japan Lumber Report (JLR) as companies found inventories at very low levels.

The current price for JAS concrete formboard is now Yen 38,000 per cu.m according to the JLR, this is some Yen 2,000 per cu.m higher than in November and December. This price per cubic metre translates to a panel cost of about Yen 870-880 delivered but the current wholesale price is only Yen 820-830 per sheet.

With inventories still in decline the price of imported plywood will inevitably rise.

#### Plywood consumption in 2009

Total consumption of plywood in 2009 was 5,140,000 cubic metres down 16.5% on 2008, the lowest for 41 years according to the JLR. Imported plywood was particularly hard hit dropping just over 20% while consumption of domestic plywood fell slightly less at about 12%. The depressed state of the plywood sector is mainly as a result of the collapse in house building across Japan.

The following table provides details of consumption and sources of supply.

#### 2009 plywood sources

	000's cu.m	
	2009	2009 as % 2008
Malaysia	1,515.20	76.5
Indonesia	846.5	95.1
China	409.3	68.1
New Zealand	29.6	90.3
Canada	4.9	69.5
Others	38.5	81.7
Import total	2,844.0	79.9
Domestic production	2,296.10	88.3
of w hich: softw ood	1,948.70	94.4

#### Tropical logs

The sentiment in the trade, according to the JLR, is that the tropical log market has seen the bottom of price declines and that an upward movement in prices should be observed from February. Japan's plywood manufacturers were active in the log market and were stocking up in advance of the Chinese New Year Holidays which always slows log harvesting and transportation, especially in Malaysia.

Plywood mills in Japan are still running well below capacity (70-80%) so monthly consumption of tropical logs is only around 45,000 and average inventories are said to be just under 3 months stock.

Market prices in early February were Yen 5,900 – 6,000 per koku CIF for Sarawak Regular Meranti and Yen 4,900 – 5,000 for Small Meranti. These price levels, says the JLR, reflect the bottom of the market.

Log export prices in Sabah and Sarawak are firming as log supplies are tight. Log arrivals at Tanjonmani, the main log depot in Sarawak, are being delayed due to poor weather conditions. FOB prices are at around US\$185 for Meranti regular and US\$145 for small Meranti. Kapur prices are high and firming due to strong active purchasing by India and China. The latest price for Kapur was said to have reached US\$260 per cubic metre for logs from Sarawak while logs from Sabah have been selling at around US\$245 per cubic metre.

For the full JLR report see: [www.n-mokuzai.com/english.htm](http://www.n-mokuzai.com/english.htm)

#### Log and Sawwood Prices in Japan

Logs for Ply Manufacture, CIF	Yen per Koku
Meranti (Hill, Sarawak)	(Koku=0.278 m <sup>3</sup> )
Medium Mixed	6,300↓
Standard Mixed	6,500↓
Small Log (SM60%, SSM40%)	6,300↓
Taun, Calophyllum, others (PNG)	7,500
Mixed light hardwood, G3/4 grade (PNG)	-
Keruing MQ & up (Sarawak)	10,500↓
Kapur MQ & up (Sarawak)	8,900
Logs for Sawmilling, CIF	Yen per Koku
Melapi (Sarawak) High Select	11,500
Agathis (Sarawak) High Select	-
Lumber, FOB	Yen per m <sup>3</sup>
White Seraya (Sabah) 24x150mm, 4m, Grade 1	135,000
Mixed Seraya, Sangi 24x48mm, 1.8-4m, S2S	53,000

#### Wholesale Prices (Tokyo)

Indonesian & Malaysian Plywood	Size (mm)	Dec 09 Jan	
		(¥ per sheet)	
2.4mm (thin plywood, F 4star, type 2)	920 X 1830	320	320
3.7mm (med. Thickness, F 4star, type2)	910 X 1820	450	450
5.2mm (med. Thickness, F 4star, type 2)	910 X 1820	560	560
11.5mm for sheathing (F 4star, type 2)	910 X 1820	830	850
12mm for foundation (F 4star, special)	910 X 1820	780	800
12mm concrete-form ply (JAS)	900 X 1800	780	800
12m coated concrete-form ply (JAS)	900 X 1800	880	900
11.5mm flooring board	945 X 1840	1100	1100
3.6mm baseboard for overlays (OVL)	1230 X 2440	740	740
<b>OSB (North American)</b>			
12mm foundation of roof (JAS)	910 X 1820	1000	1000
9mm foundation for 2 by 4 (JAS)	910 X 2440	1050	1050
9mm conventional foundation (JAS)	910 X 2730	1250	1250
9mm conventional foundation (JAS)	910 X 3030	1350	1350

### Report from China

#### China's wood products trade

Logs imports totaled 28 million cu.m, valued at US\$4,087 million in 2009, down 5 percent in volume and 21 percent in value from 2008. Of the total, softwood log imports were 20.30 million cu.m, valued at US\$2 233 million, up 9 percent in volume and down 7 percent in value; hardwood log imports were 7.76 million cu.m, valued at US\$ 1 854 million, down 30 percent in volume and 33 percent in value.

Of the total log imports, tropical log imports totaled 6.11 million cu.m, (22 percent of the national total) down 15 percent from 2008.

The following five countries were main suppliers of logs to China in 2009, Russia (14.81 million cu.m, 53% of total log imports), New Zealand (4.41 million cu.m, 16%), Papua New Guinea (1.66 million cu.m, 6%), Solomon Islands (1.12 million cu.m, 4%) and Gabon (1.10 million cu.m, 3.9%).

Sawnwood imports totaled 9.88 million cu.m, valued at US\$2,319 million in 2009, up 39 percent in volume and 15 percent in value over 2008. Of the total, softwood sawnwood imports were 6.34 million cu.m, valued at US\$1 099 million, up 74 percent in volume and 52 percent in value from 2008. Hardwood sawnwood imports were 3.54 million cu.m, valued at US\$1,220 million, up 3 percent and down 6 percent respectively.

Imported sawnwood came mainly from Russia and Canada. The top five suppliers were Russia (3.12 million cu.m, 31%), Canada (2.44 million cu.m, 25%), Thailand (1.02 million cu.m, 10%), the United States (0.93 million cu.m, 9%) and New Zealand (0.42 million cu.m, 4%).

Imports of various wood-based panels continued to fall in 2009. 2009 plywood imports were 179,600 cu.m, valued at US\$89 million, down 39 percent in volume and 47 percent in value from 2008.

Fibreboard imports amounted to 288,800 tons, valued at US\$119.5 million, down 9 percent in volume and 15 percent in value from 2008. Particleboard imports came to 290,200 tons, valued at US\$ 88.9 million, up 19 percent in volume and down 3 percent in value from 2008. Veneer imports were 54,200 tons, valued at US\$63.7 million, down 21 percent in volume and 35 percent in value.

#### Trade in wooden furniture

China imported furniture worth US\$298 million in 2009, up 5.0 percent in volume and down 4.6 percent in value from 2008. In contrast China exported furniture valued at US\$12 billion in 2009, up 9 percent in value over 2008.

#### Other wood product exports

2009 exports of other wood products such as wooden doors, windows and flooring as well as wooden handicrafts and package materials were worth US\$3,118 million, down 6 percent from 2008.

#### Wood-based panel exports

*Plywood:* A total of 5.63 million cu.m of plywood were exported in 2009, valued at US\$2,524 million, down 22 percent in volume and 26 percent in value from 2008.

*Fiberboard:* Fiberboard exports totaled 1.50 million tons in 2009, valued at US\$883 million, down 20 percent in volume and 19 percent in value from 2008.

*Particleboard:* Particle board exports totaled 80 600 tons in 2009, valued at US\$32.38 million, down 36 percent in volume and 29 percent in value from 2008.

*Veneer:* veneer exports amounted to 85 700 tons in 2009, valued at US\$172.68 million, down 22 percent in volume and 29 percent in value from 2008.

*Sawnwood:* A total of 555 900 cu.m of sawnwood were exported in 2009, valued at US\$345 million, down 19 percent in volume and 14 percent in value from 2008.

#### Sawnwood export quotas 2010

China's Ministry of Commerce has released information on its Distribution Plan for Export Quotas of Sawnwood in 2010.

This Plan was developed in light of the anticipated supply and demand situation in international markets as well as the production and distribution in the regions or enterprises during January to November of 2009. Export quotas for foreign enterprises operating in China have been specially considered.

According to the Distribution Plan for Export Quotas of Sawnwood in 2010, the total export of sawnwood in 2010 is 212,000 cu.m. Among 29 provinces or companies who are getting export quotas, there are six provinces (cities) whose export quota is over 10 000 cu.m each. They are Inner Mongolian Autonomous Region, 98 200 cu.m; Dalian City, 17 100 cu.m; Sichuan Province, 16 600 cu.m; Heilongjiang Province, 16 000 cu.m; Tianjin City, 14 700 cu.m and Jilin Province, 13 300 cu.m.

Provincial commerce departments are required to strictly follow the export plan and keep the Ministry of Commerce informed of progress.

#### Guangzhou City Imported Timber Market

Logs	Yuan per m <sup>3</sup>
Lauan (50-60cm)	1900-2100
Kapur (up to 79cm)	1900-2100
Merbau 6m, (up to 79cm)	3500-4000
Teak	11000-13000↓
Wenge	5200-5300
<b>Sawnwood</b>	
Teak sawn grade A (Africa)	9300
US Maple 2" KD	7500-10000↓
US Cherry 2"	10000-13000↓
US Walnut 2"	14000-15500
Lauan	3500-3800↓
Okoume	4500-5000↑
Sapele	5400-6000↑

#### Shanghai Furen Wholesale Market

Sawnwood	Yuan per m <sup>3</sup>
Beech KD Grade A	4800-4900
US Cherry, 25mm	4500-4600
US Red Oak, 50mm	9800-10050
Sapele 50mm FAS (Congo)	
KD (2", FAS)	6000-6100
KD (2", grade A)	5700-5800↑

#### Shandong De Zhou Timber market

Logs	Yuan per m <sup>3</sup>
Larch 6m, 24-28cm diam.	1160↑
White Pine 6m, 24-28cm diam.	1250↑
Korean Pine 4m, 30cm diam.	1400
6m, 30cm diam.	1500
Mongolian Scots Pine 6m, 30cm diam.	1220↑

#### Hebei Shijiazhuang Wholesale Market

Logs	Yuan per m <sup>3</sup>
Korean Pine 4m, 38cm+ diam	1650↓
Mongolian Scots Pine 4m, 30cm diam.	1200↓
6m, 30cm+ diam.	1300↓
<b>Sawnwood</b>	
Mongolian Scots Pine 4m, 5-6cm thick	1400↓
4m, 10cm thick	1450↓

#### Zhejiang Jiashan Kaihua International Timber Market

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

For more information on China's forestry see: [www.forestry.ac.cn](http://www.forestry.ac.cn)

## Report from Europe

#### Prospects for garden furniture

At this time of year, European garden furniture merchants and retailers are typically busy preparing for the spring season. But reports from European agents and distributors suggest demand is likely to be very slow this year.

In public, designers and manufacturers continue to talk-up the market opportunities in the recession from the trend to "improve not move" and consumers' desire to protect themselves from the harsh realities of life through home improvement. But in private, there is more talk of the very real difficulties of parting consumers from their money, particularly for "non-essential" items like garden furniture.

Perhaps even more worrying, there seems to be an accelerating trend away from tropical hardwood in garden furniture lines. In these difficult times, retailers are unwilling to commit ahead and are looking more and more for products that can be purchased in large volumes at short notice and at reasonably stable prices. They are also looking for products that can be readily adapted to abrupt and unexpected changes in consumer taste and behaviour. Tropical wood with its relatively long lead times, difficult and uncertain supply base, and perceived environmental problems, is featuring less in retailers' plans.

This move away from tropical wood is also linked to fashion and changing consumer tastes. For example there is a trend towards combining furniture for indoor and outdoor use. This is encouraging greater interest in well finished modular, foldable, and lightweight furniture in

alternative materials, using only small volumes of tropical hardwood (usually teak) to soften lines. Other materials suppliers, in league with European furniture manufacturers and designers, are actively promoting this shift in fashion.

A range of alternative materials are benefiting from this trend. Alongside other traditional materials such as glass, aluminium, cast iron, and wicker (both natural & man made), there is also resin, fibre glass, bamboo, acrylic-coated MDF, water hyacinth, and various forms of plastic. The latter includes new Chinese recycled plastic composites with a photograph film coating of various tropical hardwood species presented as an eco-friendly product. Innovative paint products which offer flexibility in colour and finishes is also encouraging wider use of lower durability wood species as alternatives to tropical wood in garden furniture.

Despite the expanding range of thermally-treated pine products now available from northern Europe, for now these seem to be less of a threat to tropical hardwood in the garden furniture sector. Concerns still exist amongst manufacturers about the longer term stability of these products – which can be brittle and have a tendency to split – and they are not yet a common feature of garden furniture lines seen in Europe.

When talking about “tropical hardwoods” in relation to garden furniture, we are referring overwhelmingly to teak. Teak offers by far the best combination of technical characteristics, including: proven long-term weather resistance; high strength; good machinability, screwing and gluing properties; and consistent colour which is resistant to stain. There is of course considerable difference between plantation grown teak and natural forest teak, the latter offering significantly higher quality and yield, so the two are usually considered as entirely separate and distinct commodities within the industry.

A few other tropical hardwood species have been used in the past by the large South East Asian garden furniture suppliers to Europe, notably balau/bangkirai and kapur. However balau is now virtually logged out and remaining supply is expensive. Kapur has a very poor reputation in the UK industry. When attempts were made to extend kapur's use in the sector several years ago, products suffered from severe leaching problems which led to massive claims on the suppliers.

The current pressure on tropical hardwood in the European garden furniture market is particularly intense for mid-priced products manufactured from plantation teak. Very high end products manufactured from natural forest teak still retain a certain aura of quality which is hard to substitute for. Meanwhile, teak has already been largely squeezed out at the low end of the market which is now dominated by cheap FSC-certified treated softwoods and alternative fast-growing plantation hardwoods, notably eucalyptus.

Despite current low levels of demand, lack of supply and pricing remain obstacles to the maintenance of tropical

hardwood's share of the European garden furniture market. Both the absolute level of price and price volatility of tropical hardwoods is a problem. Although the recession did lead to a fall in teak prices, particularly for plantation stock, the perception in the garden furniture trade is that supplies remain short and that the long-term supply trend is not positive. While European retailers are still pushing for lower prices for garden furniture, indications from the tropical wood sector are that prices now need to rise.

The supply situation in this sector is strongly influenced by corporate social responsibility policies of large European retailers. The major retailers in the UK, Germany, Holland, Scandinavia and other EU countries will not deal in any non-certified wooden garden furniture. The general preferred demand in the tropical hardwood garden sector is for FSC certification, although some will accept as an interim measure wood verified through various phased certification programmes such as those operated by The Forest Trust (TFT) or Smartwood.

The development of FSC-certified teak plantations in recent years has offered only a partial solution to long-term supply problems. Wood quality offered by these plantations is variable, but generally much lower than natural forest products. Plantation teak tends to be cut very young, after about 17 years growth, whereas traditional forest teak is cut after 40 to 60 years growth giving much larger dimension and higher quality timber.

There are also significant factors constraining efforts to develop plantations. Other commercial cash crops such as sugar cane, cassava, palm oil and rubberwood often seem a better option for land owners and communities in tropical countries, providing a quicker return and with no certification issues to contend with.

The long-term future for tropical hardwood in the European garden furniture sector seems bleak without much more concerted efforts to market the merits of tropical hardwood products compared to the alternatives and to improve consistency of supply of certified raw material.

#### **Garden decking**

Reports from the European wood decking sector suggest that tropical hardwood continues to be chosen for very high end projects to make an impact, although there are now a wider range of products looking for market share.

Heat treated softwood products are beginning to make inroads into the European decking market. Products include Thermowood, produced by the Scandinavian companies Finnforest and Stora Enso, and Plato Wood from the Netherlands. According to a report in the German trade journal EUWID, current European production capacity of thermally treated wood is now at least 160,000 m<sup>3</sup>, with known capacity of 80,000 m<sup>3</sup> in Scandinavia, 40,000 m<sup>3</sup> in German-speaking countries of central Europe, 30,000 m<sup>3</sup> in the Netherlands, and 8,000 m<sup>3</sup> in the Baltics.

Wood Plastic Composites (WPC) are also having an impact. This fact was highlighted in a recent report from the German trade journal EUWID. Drawing on research by Asta Eder of Kompetenzzentrum Holz GmbH, EUWID suggest that the annual growth rate of WPC production in European countries is currently around 50%.

Total Europe-wide production of WPC amounts to 120,000 tonnes (excluding product destined for the auto industry) and is heavily concentrated in Germany, Austria, France and the Benelux countries. Around 68,000 tonnes of this production is currently destined for the decking sector. WPC market share in the European decking sector is estimated to be around 6%.

A recent report on the UK decking market in the UK Timber Trade Journal (TTJ) suggests that “a key specification requirement for any non-residential sector application is the maintenance cost involved with a new deck application. Composite is made from recycled materials and is one of several products providing a solution. Requiring little or no maintenance, the boards’ durability makes them a good choice for commercial installations where whole life costs and the maintenance requirements present key concerns. Importantly, the boards widely carry a low slip rating and can be installed by way of secret clip and fixing to provide a flush, fix free surface.”

Nevertheless, WPC materials have certain disadvantages relative to tropical hardwoods. WPC decking looks artificial, colours are quite dull and uniform, and there is only a passing resemblance to real wood even with wood grain effect. While being highly resistant to rot, WPCs can still soak up water due to their mixing with organic wood fibres. Efforts to avoid this have involved loading up wood fibres with oils or other products that repel water, which adds to the cost and environmental load. The polymers and adhesives added to these products make wood-plastic composite materials relatively difficult to dispose of, although they can be recycled again as a new wood-plastic composite. The products are not as rigid as wood and may slightly deform in extremely hot weather. The material is also sensitive to staining from a variety of agents due to its porosity. The extra energy costs of production compared to wood raises questions about their real environmental credentials.

With respect to current levels of market demand for wood decking, the TTJ report suggests that weak house sales are dampening demand in the UK residential sector, a part of the market where treated softwood now dominates in any case. The commercial sector, where tropical hardwood plays a more prominent role, is showing signs of continued growth, for example in retail, educational, leisure, and hospitality projects. Here wood decking is increasingly valued for providing a relatively quick and versatile way of transforming any space. TTJ note that “while some big players are no longer investing in developing the decking market, others still see merit in doing so”.

### **EU Due diligence legislation**

The European Council of Ministers reached agreement on a text of the proposed “due diligence” legislation targeting illegal logging in late December 2009. The text, which did not receive the unanimous support of all European Member States, now needs to be agreed with the European Parliament before it can become law.

This legislation was originally proposed by the European Commission in October 2008. The legislation does not attempt to monitor the legality of each individual import. Instead it would require European operators that “first place” timber on the EU market (importers and producers) to operate a management system designed to minimise the risk of their trading in illegal timber.

The legislation would apply to all timber products (everything from logs through to finished furniture) from all sources. The legislation would define illegality in relation to laws of country where timber was harvested.

The legislation is currently being considered for adoption under the European Union joint-decision procedures that require consensus agreement between the European Parliament and European Council of Ministers.

A key aim of the legislation would be to boost European market demand for wood legally-licensed under the terms of Forest Law Enforcement, Governance and Trade (FLEGT) Voluntary Partnership Agreements (VPA) between the EU and a range of tropical countries. So far the EU has completed VPA negotiations with Ghana, the Congo Republic and Cameroon. Formal VPA negotiations are on-going with Malaysia, Indonesia and Liberia. Preliminary dialogue towards a VPA is underway with CAR, Gabon and Vietnam.

As noted in a previous ITTO report, the European Parliament published their initial reaction to the proposed legislation in April 2009. The Parliament called not only for the legislation to be adopted, but also significantly strengthened. For example, Parliament included proposals for tough sanctions at EU level, for much more detailed guidance on the supplier risk assessment procedures to be applied, and for compulsory certification of all wood products traded in the EU within 2 years. They also called for a specific prohibition in the legislation to enable prosecution of any European operator found by the authorities to be in possession of wood sourced contrary to the laws of any country.

In December, the European Council, while strongly supporting the case for legislation, essentially rejected the more radical proposals of the European Parliament. The Council text includes no prohibition on the first placing of illegal wood on the EU market. Also national governments would retain the right to define sanctions. Certification would not become compulsory and is recommended only as one possible due diligence mechanism to be used where the risk of illegal logging is high.

However the decision of the European Council was not unanimous across all European countries. Shortly after the Council decision was announced, the UK, Denmark, Belgium, Netherlands and Spain jointly issued a statement regretting "that the Council Political Agreement is not more ambitious" and calling for the EU to introduce a prohibition on the first placing of illegal timber on the European Union market. They argue that "this would complement the due diligence approach and enable Member States to take action against operators that place illegal timber on the market".

The next stage is for the European Parliament and European Council to try to reach a consensus agreement which brings together their two contrasting versions for the legislation. This is going to be difficult given that the Council has largely ignored the Parliament's April 2009 proposals to make the legislation more restrictive. Nevertheless, the Spanish government, which currently holds the 6-month rotating European Presidency, has indicated their intent of reaching a final decision before their term of office is up at end June 2010.

#### UK construction outlook bleak

The UK construction industry continued to decline in the final quarter of 2009, despite a return to growth for the wider economy, according to the latest Construction Products Association construction trade survey.

With the rising cost of materials and increasing fuel and energy prices, coupled with decreasing orders and enquiries, the construction industry outlook may deteriorate still further as 2010 progresses. Signs of recovery are not expected for at least another twelve months.

There are signs of increasing pressure on an industry that has already been in decline for two years. The Chancellor's confirmation in December 2009 that public spending on construction will fall by more than 50% has added to concern that recovery may be delayed beyond 2011.

#### The Netherlands Sawntwood Prices

	US\$ per m <sup>3</sup>
FOB (Rotterdam)	
Sapele KD	940▲
Iroko KD	1045
Sipo KD	1066▼
DRM Bukit KD	918
DRM Seraya KD	925
DRM Meranti KD Seraya MTCC cert.	946
Merbau KD	1194
Sapupira (non FSC) KD	918
Sapupira (FSC) KD	1483
Anti-slip decking AD C&F Rotterdam	
Selangan batu	1412

#### UK Log Prices

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

#### UK Sawntwood Prices

	GB Pounds per m <sup>3</sup>
FOB plus Commission	
Framire FAS 25mm	450-460▲
Sipo FAS 25mm	620-640▲
Sapele FAS 25mm	555-565▲
Iroko FAS 25mm	640-660▲
Wawa No.1 C&S 25mm	330-340▲
CIF plus Commission	
Tulipwood FAS 25mm	260-270▲
Meranti Tembaga Sel/Btr (KD 2"boards)	480-500
Balau/Bangkirai Decking	875-900▲
White Oak	480-490▲

#### UK Plywood and MDF Prices

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

### Report from North America

#### US and Canada construction trends

Housing permits in the US increased by 11% (seasonally adjusted rate) from November to December 2009, while housing starts dropped by 4% according to the latest US Census Bureau data. Both permits and starts were higher than in December 2008, a positive sign for companies supplying the residential housing market. However, housing starts remain far below the high levels seen in recent years.

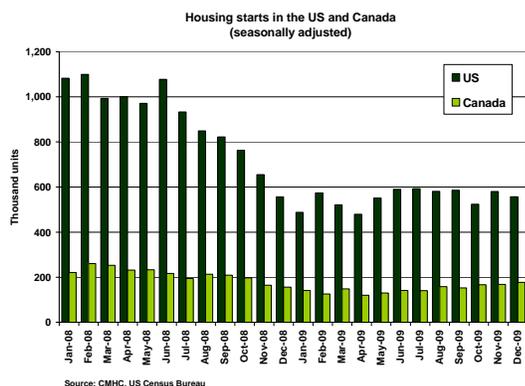
Additionally, the large number of foreclosed homes for sale is slowing down the construction of new homes. Builders' confidence in the market for newly built, single-family homes declined one point in January according to the latest National Association of Home Builders/Wells Fargo Housing Market Index. Consumers in the US are still waiting to see significant improvements in employment and the economy.

The expanded homebuyer tax credit should continue to bolster sales of new and existing homes until the programme ends in April. The National Association of Home Builders expects the tax credit programme will increase sales by 40,000 for new homes, by 26,000 for vacant homes, and by 114,000 for existing homes.

The outlook for hardwood companies supplying the non-residential construction sector is gloomy. The Architecture Billings Index, a leading indicator for non-residential construction and multi-family construction activity, dropped more than three points in November and rose by less than one point in December. The index indicates a continuing decline in demand for construction due to financing problems, according to the American Institute of Architects.

Demand for multi-family construction is higher than for institutional, commercial and industrial projects. Only construction of public buildings such as for government, healthcare and education continues to be strong. It is in this segment of the market that demand for certified wood products tends to be highest.

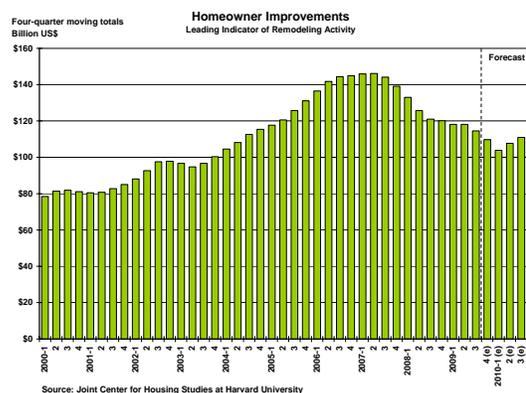
In Canada, a positive economic outlook and very low mortgage rates support home sales, new starts and renovation projects. The seasonally adjusted annual rate of housing starts was up 5.8% from November to December, according to the Canada Mortgage and Housing Corporation. The December total number of housing starts was the highest monthly level since October 2008. Existing home sales were also high during the second half of 2009.



Homeowner improvement spending in the US is likely to bottom out in the first quarter of 2010 and then increase throughout the rest of the year, according to the Leading Indicator of Remodeling Activity by the Joint Center for Housing Studies at Harvard University.

Spending on renovation projects is expected to be US\$103.9 billion in the first quarter of 2010 and rise to US\$110.9 billion by the third quarter. Current spending levels are similar to what was last seen in 2004 and 2005, so remodeling and renovation projects have not suffered nearly as much as new home construction in the US. Home improvement spending is partly driven by sales of

existing homes which continues to benefit from the homebuyers tax credit programme.



### Interest in sustainable homes

The recent surge in oil prices and growing concerns about global warming have increased the interest in sustainable and energy efficient homes. According to the US Department of Energy, in 2007 homeowners spent over US\$52 billion of their improvement spending on energy-related projects, up from less than \$33 billion ten years earlier.

Sustainable design, however, goes well beyond energy efficiency. According to a report on remodeling trends by the Joint Center for Housing Studies at Harvard University, consumers have demonstrated a growing interest in products and projects that meet three additional green goals: quality and durability, environmental performance, and safety and disaster mitigation. Younger age groups have a particularly strong interest in “green” building and remodeling, which indicates that growth in green product attributes may continue to be strong in the coming years.

On the down side, increasing spending on remodeling related to energy efficiency means that on average, Americans spend less on high-end remodeling projects that are more likely to use tropical timber, such as flooring and decking additions and replacements.

Another future market for remodeling is rental properties. More Americans are renting in the aftermath of the mortgage market meltdown. Earlier, low demand for rental housing discouraged owners from renovations, even though almost half of all rental housing in the US was built before 1970. Currently the oversupply of housing, including rental housing, reduces the amount of remodeling done, but in the long term there is significant need to renovate rental housing.

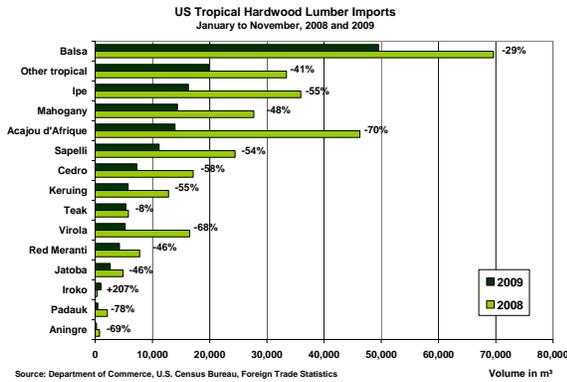
### US tropical lumber imports

US imports of tropical lumber from January to November 2009 were close to 50% below year-to-date volumes in 2008. In November 2009, year-to-date lumber imports of Balsa were 49,500 cubic metres (-29%), Ipe 16,300 cubic metres (-55%) and Mahogany 14,400 (-48%). Acajou

d'Afrique imports were 14,000 cubic metres (-70%) and Sapelli 11,200 cubic metres (-54%).

Only Teak lumber was in the range of last year's imports at 5,400 cubic metres (-8%). Import volumes for the other main species imported into the US are shown in the figure below.

At the start of 2010, tropical lumber supply and demand in the US are better balanced than during much of the previous year. This means import volumes are unlikely to fall any further, and prices should be more stable.



### US Timber prices

	Nov-09	Dec-09	Jan-10
Ipe (Brazil) Decking Premium Grade AD 1x6, FOB Belem	1830	1830	n/a
Ipe (Brazil) Decking Premium Grade AD 5/4x6, FOB Belem	1910	1910	2010
Jatoba (Brazil) No.1 Common & Better AD, FOB Belem	850	850	850
Jatoba (Brazil) No.1 Common & Better KD, FOB Belem	910	910	n/a
Khaya (Cote d'Ivoire) FAS KD, FOB Abidjan	785	785	745
Khaya (Ghana) FAS KD, FOB Takoradi	n/a	n/a	835
Sapele (Cameroon) FAS AD, FOB Douala	685	685	670
Sapele (Cameroon) 4/4 to 8/4 FAS KD, FOB Douala	795	795	800

## 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.*

Africa's only woman Nobel Prize laureate, Dr Wangari Maathai, also known as the Tree Mother of Africa, takes credit for having planted seven billion trees in a period of just four years. In October 2006, she, along with Prince Albert 11 of Monaco, kickstarted a campaign to encourage people to plant one billion trees as a run-up to the Copenhagen Summit on Climate Change. [http://www.asianage.com/index.php?option=com\\_content&view=article&id=1436:mother-of-7-billion-trees-in-delhi-for-summit&catid=35:india&Itemid=60](http://www.asianage.com/index.php?option=com_content&view=article&id=1436:mother-of-7-billion-trees-in-delhi-for-summit&catid=35:india&Itemid=60)

The Amazon jungle "is very close to a tipping point," and if destruction continues, it could shrink to one third of its original size in just 65 years, warns Thomas Lovejoy, world-renowned tropical biologist. Climate change, deforestation and fire are the drivers of this potential Amazonian apocalypse, according to Lovejoy, biodiversity chair at the Washington DC-based Heinz Centre for Science, Economics and the Environment, and chief biodiversity adviser to the president of the World Bank. <http://www.ipsnews.net/news.asp?idnews=50194>

Brazilian officials and environmentalists agree that cattle ranching is the biggest cause of deforestation of the nation's Amazon, an area the size of the U.S. west of the Mississippi River, about 20 percent of which has been destroyed. The rainforest may be the world's best defense against climate change because it absorbs the carbon dioxide blamed for global warming. But the gains are offset by burned or rotted vegetation that releases about 75 percent of Brazil's carbon emissions. [http://www.canadianbusiness.com/markets/market\\_news/article.jsp?content=D9DNJ3D80](http://www.canadianbusiness.com/markets/market_news/article.jsp?content=D9DNJ3D80)

Major economies with inflexible currencies must consider strengthening them if the global economy is to be weaned off its dependence on U.S. spending and Asian savings, according to a report prepared for a meeting of finance chiefs from the Group of Seven. "Countries with inflexible nominal exchange rates must permit greater flexibility in real exchange rates either through higher inflation or a nominal appreciation of their currency," the document, drawn up by Canada's Finance Ministry and obtained by Bloomberg News, said. <http://www.bloomberg.com/apps/news?pid=20601109&sid=armSLVnbTleY&pos=11>

A top government think tank has forecasted that China's economic growth will hit at least 10 percent in 2010, after the world's major developing country has regained momentum to the fast-track growth. The Centre for Forecasting Science at the Chinese Academy of Sciences said that GDP could grow by 11 percent in the first quarter of the year, before slightly slowing down for the rest of 2010. The average growth rate will be at least 10 per cent. Investment was expected to increase as a result of the government's economic stimulus package, but overall

growth rate in investment for the year would fall to 25 percent, the Centre said. <http://english.peopledaily.com.cn/90001/90778/90862/6889787.html>

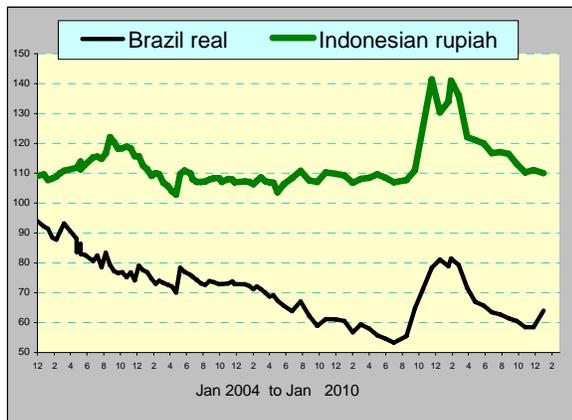
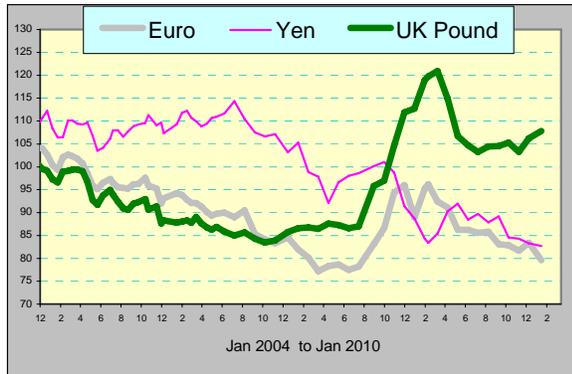
Vietnam has increased investment in forest projects to better protect forest resources, said Hua Duc Nhi, Deputy Minister of Agriculture and Rural Development (MARD). Mr Nhi made the statement at an annual meeting in Hanoi on February 2 to review the Forestry Sector Support Partnership (FSSP). <http://english.vietnamnet.vn/tech/201002/Vietnam-focuses-on-forest-protection-893086/>

## Main US Dollar Exchange Rates

As of 14th February 2010

Brazil	Real	1.8850
CFA countries	CFA Franc	470
China	Yuan	6.8269
EU	Euro	0.7213
Indonesia	Rupiah	9346
Japan	Yen	90.25
Malaysia	Ringgit	3.4153
Peru	New Sol	2.8604
UK	Pound	0.6257

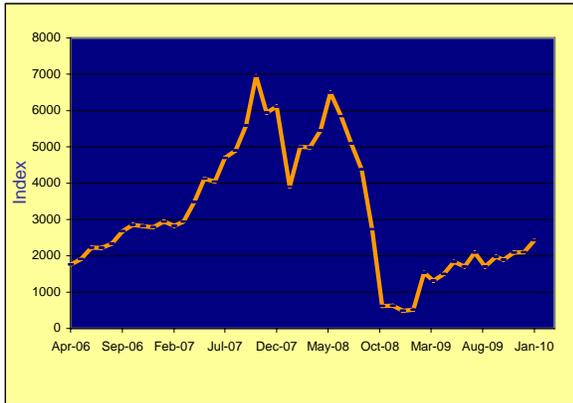
Exchange rates index (Dec 2003=100)



## Abbreviations and Equivalences

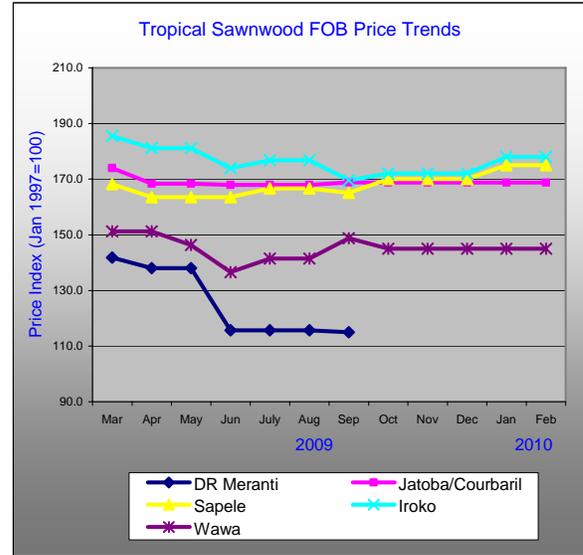
LM	Loyale Merchant, a grade of log parcel
QS	Qualite Superieure
CI, CE, CS	Choix Industriel, Economique or Supplimentaire
FOB	Free-on-Board
CIF; CNF	Cost, insurance and freight; Cost and freight
KD; AD	Kiln Dry; Air Dry
Boule	A log sawn through and through, the boards from one log are bundled together.
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 <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
MDF	Medium Density Fibreboard
PHND	Pin hole no defect grade
\$; ↑↓	US dollar; Price has moved up or down

## Ocean Freight Index

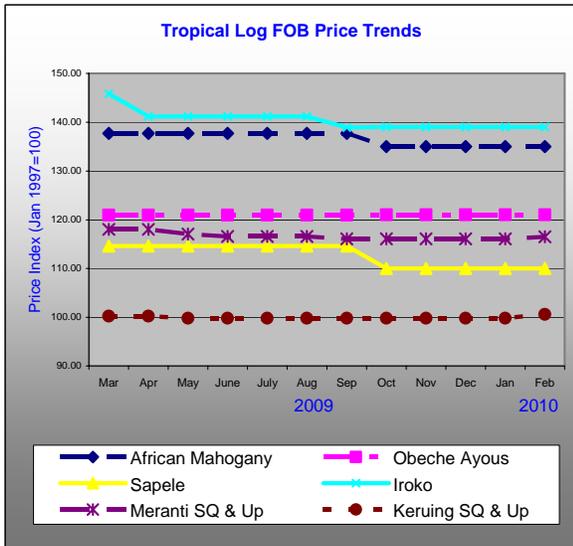


The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes. It is based on a 52,454 mt bulk carrier carrying commodities such as timber.

## Tropical Sawwood Price Trends

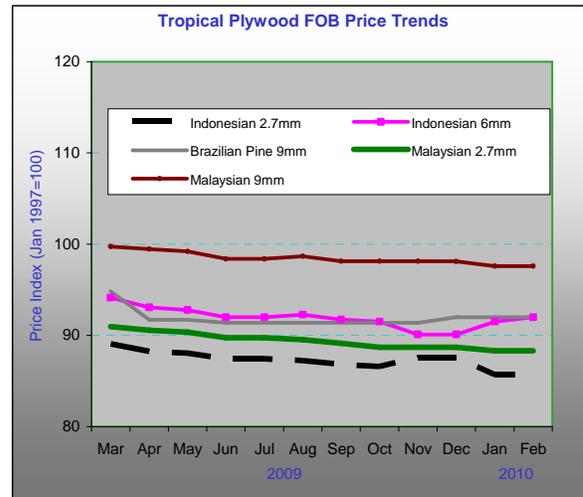


## Tropical Log Price Trends



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

## Tropical Plywood Price Trends



To have a free copy of this twice-monthly ITTO Market Information Service bulletin emailed to you on the day of production, please register at: [http://www.itto.int/en/mis\\_registration/](http://www.itto.int/en/mis_registration/)