Tropical Timber Market Report since 1990

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Editorial

The summer vacation is underway in consumer markets, leaving African prices stable at high levels. Cameroon policy on further processing is proving successful and being emulated by other countries. Three logging companies in the country joined WWF's forest and trade network.

There were marginal price increases in Malaysia while Indonesian domestic prices eased. Malaysia extended its rubberwood export ban to finger-jointed sawnwood as harvesting of the species outpaces replenishment. In Brazil, declining furniture exports due to competitiveness loss deepens the sector's problems, while the government resumes the approval of transport licences in Acre. NGO Global Witness will design an independent monitoring system in Peru to track illegal logging.

In Japan, tropical log and sawnwood imports as well as stocks are dropping to new lows. Meanwhile, Chinese plywood keeps gaining market share in Japan and the UK at the expense of Malaysia and particularly Indonesia. Euroconstruct raises prospects for construction. UK's TTF regards timber from PNG and Solomon Isl. as "high risk" and advises members to avoid them. In the Netherlands, there is good demand and building activities despite the holiday season commencing. The country's trade association outlines its timber procurement objectives. The USA denies Brazil's petition to abolish duty on softwood plywood.

Jairo Castaño

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International Tropical Timber Organization (ITTO)
Market Information Service (MIS)

International Organizations Center - 5th Floor, Pacifico-Yokohama
1-1-1 Minato-Mirai, Nishi-ku, Yokohama 220-0012, Japan
E-mail: itto-mis@itto.or.jp **Website:** http://www.itto.or.jp

Report from Central/West Africa

Prices stable at high levels

There were no price changes for logs and lumber in early July. Market prices for Europe have reached a plateau and are stable at high levels while business continues brisk. Demand and prices for China remained firm. Many exporters were concern on available volumes but there were good volumes (up to 30,000 m^3) of secondary log species at the ports bound for China. In Gabon, heavy rains had hampered harvesting and transport of logs.

Cameroon reaps benefits from processing policy

There were some reports that Cameroonian sawn lumber exports were running at high levels, in the order of 20,000 m^3 per month through Douala port. Cameroon's policy over the past three years of phasing out log exports of major species and quickly developing further processing was implemented at exactly the right time scale in the development of the market. There was resistance to the implementation of the new policy but it had proved highly successful and now is being emmulated by Gabon.

South African buyers remain active

Demand for sawn lumber and products from Asian traders seeking new sources of supply is good but availability still appears to be limited. As reported by the TTM Report, some major South African importers had quickly changed their supply base from Asia to West Africa, mopping up a sizeable proportion of available volumes of sawn and processed lumber.

No Liberia exports despite lifting of ban

Liberia's Forestry Development Authority (FDA) welcomed the lifting of the timber import ban from the country by the UN Security Council (UNSC) (see TTM Report 11:12). FDA, however, informed that nobody in the country was allowed to produce logs or sawnwood for export since no one was holding a concession in Liberia. Anyone caught exporting logs or sawn timber would be considered in violation of the Executive Order No.1 and the law. The FDA, through the Forest Monitoring Committee (FRAMC), is planning to submit a draft bill on the exportation of logs and sawn timber from Liberia to the National Legislature.

Race Wood calls on buyers to source in Africa

Race Wood, a programme of the ACP countries (Africa, Caribbean & Pacific) and the European Commission for the promotion of investment and transfer of technology, has announced Race Wood 2006 which will offer European timber companies the opportunity to meet leaders of some 50 timber producing companies from West Africa and the Congo Basin, in Accra, Ghana on 6-8 December 2006. The objective of Race Wood is to help put in place relations between European and African companies in the downstream timber processing sector. Race Wood 2006 sees that the procurement of high quality tropical timber is gradually declining due partly to ongoing efforts against illegal logging in two of the world's leading producers of tropical timber products, Indonesia and Brazil. These efforts are having restrictive consequences for the European market, including:

- Production and export volumes in producing regions have declined.
- Prices for popular timber products have increased substantially as demand exceeds supply, particularly for hardwood plywood, glue-lam (e.g., 72x86), dark red meranti sawnwood and mouldings, and bangkirai and ipé decking products.

Race Wood 2006 will offer an opportunity for European timber importers looking to replace dwindling supply from Asia and South America to meet up with major suppliers of African timber.

Three logging companies join WWF´s CAFTN

Three major logging companies in Cameroon (Groupe Decolvenaere, Pallisco and Transformation Reef Cameroun) have joined the WWF's Central Africa Forest and Trade Network (CAFTN). The move places up to 700,000 ha of natural forest under a sustainable management regime, paving the way for obtaining FSC certification. The three logging companies are the first in the region to join the newly launched CAFTN. The network provides technical assistance, monitors progress and provides market links to purchasers of legally produced and certified products.

Progress in certification/legality in the Congo Basin

On the occasion of the Congo Basin Forest Partnerships (CBFP) meeting on 22 June 2006 in Paris, the French Ministry of Foreign Affairs and the InterAfrican Forest Industries Association (IFIA) organized a meeting on the theme "Certification and legality in the Congo Basin timber sector: State of play and perspectives" on 21 June.

Mr. Hervé Bourguignon, General Secretary of IFIA, praised the rapid expansion of forests undergoing the process of sustainable management in the Congo Basin, corresponding to about half the total area allocated to forest concessions in 2006. He regretted, however, that the application of the management plan relied on the commercialization of secondary species which were not yet accepted by markets at profitable prices. He expressed concern about the rapid reduction in profitability of forestry companies in the Congo Basin as a result of increasing forest taxes, fuel prices and the costs of sustainable management (education, drinking water, electricity for local communities). In terms of legality, 5 million ha of concessions had obtained certificates of legality and 5 other million were committed to this process.

Bernard Cassagne of Forest Resources Management (FRM) compared forest management policies in Brazil and the Congo Basin. In Brazil, the management inventory was carried out in the cutting parcel and not throughout all the concession, preventing an appreciation of all the ligneous potential. He said that, overall, in terms of forest concession management, the Congo Basin had the most experience and was the most in line with the concept of sustainability. Nevertheless, the social aspects were better dealt with in the Brazilian Amazon, although the population densities were much lower than those prevailing in the Congo Basin.

Log Prices

West Africa logs, FOB	€ per m^3		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	221	190	-
Ayous/Obéché/Wawa	221	205	175
Azobe & Ekki	183	167	152
Belli	213	213	-
Bibolo/Dibétou	152	114	-
Bubinga	457	356	335
Iroko	274	259	229
Limba/Fraké	137	114	99
Moabi	244	221	206
Movingui	206	191	152
Niove	145	145	-
Okan	259	259	183
Padouk	289	267	206
Sapelli	244	229	206
Sipo/Utile	274	259	229
Tali	190	190	152

Gabon Okoumé logs, FOB*	US$ per m^3
Grade	
QS	176
CI	150
CE	122
CS	94

*SNBG official prices

Sawnwood Prices

West Africa sawnwood, FOB		€ per m^3
Okoumé	FAS GMS	274
	St. & Bet. GMS Italy	300
	St. & Bet. fixed sizes	270
Sipo	FAS GMS	520
	FAS fixed sizes	519
	FAS scantlings	550
Padouk	FAS GMS	520
	FAS scantlings	540
	Strips	335
Sapelli	Fixed sizes	458
	FAS scantlings	488
Iroko	FAS GMS	458
	Scantlings	519
	Strips	304
Khaya	FAS GMS	396
	FAS fixed	427

Report from Ghana

Log Prices

Ghana logs, domestic	US$ per m^3
Wawa	55-106
Odum	92-184
Ceiba	53-99
Chenchen	49-101
Khaya/Mahogany (Veneer Qual.)	52-110
Sapele	88-168
Makore (Veneer Qual.)	64-166

Sawnwood Prices

Ghana Sawnwood, FOB	€ per m^3	
FAS 25-100mm x 150mm up x 2.4m up	Air-dry	Kiln-dry
Afrormosia	855	-
Asanfina	500	560
Ceiba	205	-
Dahoma	380	440
Edinam (mixed redwood)	340	440
Emeri	350	410
Khaya/African mahogany	550	680
Makore	490	575
Niangon	530	-
Odum	630	720
Sapele	480	585
Wawa 1C & Sel.	245	280

Ghana sawnwood, domestic		US$ per m^3
Wawa	25x300x4.2m	122
Emeri	25x300x4.2m	209
Ceiba	25x300x4.2m	122
Dahoma	50x150x4.2m	244
Redwood	50x75x4.2m	179
Ofram	25x225x4.2m	186

Veneer Prices

Rotary Veneer, FOB	€ per m^3	
	CORE (1-1.9mm)	FACE (<2mm)
Bombax	325	330
Kyere, Ofram, Ogea & Otie	325	360
Chenchen	251	360
Ceiba	265	300
Mahogany	425	460

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

Rotary Veneer, FOB	€ per m^3
Core Grade 2mm and up	
Ceiba	235
Chenchen, Ogea & Essa	295
Ofram	305

Sliced Veneer, FOB	€ per m^2	
	Face	Backing
Afrormosia	1.19	1.00
Asanfina	1.56	0.80
Avodire	1.05	0.80
Chenchen	0.72	0.50
Mahogany	1.45	0.85
Makore	1.20	0.77
Odum	1.54	1.10

Plywood Prices

Plywood, FOB B/BB, Thickness	€ per m^3 Redwoods WBP	Redwoods MR	Light Woods WBP	Light Woods MR
4mm	560	487	500	380
6mm	380	325	335	300
9mm	388	334	290	280
12mm	340	280	270	290
15mm	360	285	280	260
18mm	300	275	245	260

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

Added Value Product Prices

Parquet flooring 1st	FOB € per m^2 10x60x300mm	10x65-75mm	14x70mm
Apa	12.0	14.47	17.00
Odum	10.50	10.18	11.00
Hyedua	13.67	18.22	17.82
Afrormosia	13.25	13.93	17.82

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

Report from Malaysia

Malaysia extends export ban to finger-joint sawn

On 11 July, the Malaysian government announced further measures to ban the export of sawn rubberwood amid fears that the harvesting of rubberwood had outpaced replenishment.

The ban covers export of finger-jointed rough sawn rubberwood with thickness and/or width of more than 2.5 inches and with up to two joints. The ban also covers sawn rubberwood with joining pieces of less than 1 foot, while the length of the finger-jointed rough sawn rubberwood should not be more than 10 feet. The ban, which is an additional measure to the rubberwood sawnwood ban imposed on 28 June 2005, will come into effect on 11 August 2006.

The shortage of rubberwood in Malaysia may worsen in the coming months as rubber latex prices rise together with those of synthetic rubber in tandem with oil prices. Rubber latex prices are already at a 20 year high, exacerbating plantation operators' and owners' reluctance to harvest timber as long as prices of rubber latex remain bullish.

Another factor compounding the rubberwood supply shortage is the recurrence of the forest fires and burning in Indonesia (see below). The haze that threatens to blacken the region may affect the yield of natural rubber latex, thus, pushing rubber latex prices further up.

Log Prices

Sarawak log, FOB	US$ per m^3
Meranti SQ up	267-276⬆
Small	237-252⬆
Super small	207-218⬆
Keruing SQ up	236-247⬆
Small	203-214⬆
Super small	165-175⬆
Kapur SQ up	209-220⬆
Selangan Batu SQ up	239-257⬆

Pen. Malaysia logs, domestic (SQ ex-log yard)	US$ per m^3
DR Meranti	311-342⬆
Balau	246-261⬆
Merbau	370-394⬆
Rubberwood	171-186⬆
Keruing	240-251⬆

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

Sawnwood Prices

Malaysia Sawnwood, FOB	US$ per m^3
White Meranti A & up	406-426⬆
Seraya Scantlings (75x125 KD)	711-742⬆
Sepetir Boards	278-288⬆
Sesendok 25,50mm	422-447⬆
Kembang Semangkok	400-420⬆

Malaysian Sawnwood, domestic	US$ per m^3
Balau (25&50mm,100mm+)	322-332⬆
Merbau	550-564⬆
Kempas 50mmx(75,100 & 125mm)	246-265⬆
Rubberwood	
25x75x660mm up	241-261⬆
50-75mm Sq.	260-277⬆
>75mm Sq.	280-305⬆

Plywood Prices

Malaysia ply MR BB/CC, FOB	US$ per m^3
2.7mm	459-479⬆
3mm	435-456⬆
9mm & up	371-383⬆

Meranti ply BB/CC, domestic	US$ per m^3
3mm	425-438
12-18mm	356-370⬆

Other Panel Prices

Malaysia, Other Panels, FOB	US$ per m^3
Particleboard	
Export 12mm & up	166-186⬆
Domestic 12mm & up	153-173⬆
MDF	
Export 15-19mm	244-259⬆
Domestic 12-18mm	228-239⬆

Added Value Product Prices

Malaysia, Mouldings, FOB	US$ per m^3
Selagan Batu Decking	658-677⬆
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	710-724⬆
Grade B	604-621⬆

Furniture and Parts Prices

Malaysia, Rubberwood, FOB	US$ per piece
Semi-finished dining table solid laminated top 2.5'x4', extension leaf	36-46⬆
As above, Oak Veneer	45-55⬆
Windsor Chair	24-27⬆
Colonial Chair	25-29⬆
Queen Anne Chair (soft seat)	
without arm	27-36⬆
with arm	35-38⬆
Chair Seat 27x430x500mm	7-10⬆

Rubberwood Tabletop	US$ per m³
22x760x1220mm sanded & edge profiled	
Top Grade	581-592↑
Standard	546-567↑

Report from Indonesia

Slash and burn season fuels fires in Indonesia

Indonesia is once again struggling to contain seasonal forest fires that could choke its nearest neighbours. The fires originate from the annual slash and burn activities conducted by plantation owners and farmers across Indonesia.

Senior officials of the Forestry Ministry and Ministry of the Environment informed that 600 such fires were detected by satellites, mainly in Sumatra and Kalimantan. About 58% of the fires were detected inside of forests. Of these, 34 hot-spots were in protected and conservation forests while about 400 were located within logging concessions and industrial timber estates. At least 300 hot-spots were detected in Riau province, another 150 or more in Sumatra, and at least 50 in Kalimantan.

Business braces for another fuel price hike

The Indonesian business community fears another round of fuel price hikes as Indonesia's crude oil imports jumped 39% to 382,000 barrels per day in June. Indonesia, a member of OPEC, is a net-importer of crude oil.

Log Prices (domestic)

Indonesia logs, domestic prices	US$ per m³
Plywood logs	
Face Logs	198-228↑
Core logs	128-149↑
Sawlogs (Meranti)	206-236↑
Falcata logs	134-155↓
Rubberwood	164-185↑
Pine	165-184↓
Mahoni (plantation mahogany)	590-630

Sawnwood Prices

Indonesia, construction material, domestic	US$ per m³
Kampar (Ex-mill)	
AD 3x12-15x400cm	227-239↓
KD	318-330↓
AD 3x20x400cm	342-352↓
KD	361-375↓
Keruing (Ex-mill)	
AD 3x12-15x400cm	262-271↓
AD 2x20x400cm	25-261↓
AD 3x30x400cm	256-268↓

Plywood Prices

Indonesia ply MR BB/CC, FOB	US$ per m³
2.7mm	452-464↑
3mm	386-450↑
6mm	360-381↑

MR Plywood (Jakarta), domestic	US$ per m³
9mm	309-320↓
12mm	288-307↓
15mm	276-304↓

Other Panel Prices

Indonesia, Other Panels, FOB		US$ per m³
Particleboard	Export 9-18mm	197-207↑
	Domestic 9mm	182-194↑
	12-15mm	166-176↑
	18mm	161-167↑
MDF	Export 12-18mm	267-277↑
	Domestic 12-18mm	233-247

Added Value Product Prices

Indonesia, Mouldings, FOB	US$ per m³
Laminated Boards	
Falcata wood	359-367↑
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	673-703↑
Grade B	575-620↑

Report from Myanmar

Teak trade remains robust amid weak processing

The trade of teak logs remains robust and the market active. However, the processing of teak into sawnwood or other processed products continues to be weak.

With regards to other hardwoods, the MTE has raised pyinkadoe prices for direct sales from 10 July 2006, despite trade for this species being comparatively less active. Prices (per hoppus ton) were raised to $500 for East Bago (up from $480), $490 for West Bago (up from $470) and $470 for other areas (up from $450). Sales of gurjan remain fairly active, especially for fresh logs.

Log Prices (natural forest)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)	
Veneer Quality	May	June
2nd Quality	4,677↑ (16 tons)	4,780↑ (15 tons)
3rd Quality	4,343↑ (34 tons)	4,470↑ (31 tons)
4th Quality	3,832↓ (82 tons)	3,553↓ (92 tons)
Sawing Quality		
Grade 1 (SG-1)	2,289↓ (438 tons)	2,254↓ (490 tons)
Grade 2 (SG-2)	1,907↓ (502 tons)	1,874↓ (512 tons)
Grade 4 (SG-4)	1,090↓ (293 tons)	1,335↑ (241 tons)
Grade 5 (SG-5) Assorted	1,052↓ (716 tons)	1,069↑ (297 tons)
Grade 6 (SG-6) Domestic	796↓ (55 tons)	798↑ (338 tons)

Hoppus ton=1.8m³; All grades, except SG-3, assorted and domestic, are length 8' x girth 5' and up. SG-3 is girth 4' and up while assorted and domestic are girth 4' and up. SG-3 grade is higher than SG-4 but with lower girth and price.

Logs, FOB	Avg per Hoppus Ton (traded volume)	
	Tender €	List price $
Pyinkado	399 (203 tons)	470-500
Gurjan (keruing)	144 (1006 tons)	295-320

Prices differ due to quality or girth at the time of the transaction.

Report from Papua New Guinea

Log Prices (average unit values)

Saw/veneer log grade	US$ Avg FOB per m^3 Mar	US$ Avg FOB per m^3 Apr
Malas	62↑	62
Calophyllum (bintangor)	77↓	75↓
Taun	75↑	75
Terminalia	60	60
Pencil Cedar	79↑	77↓
PNG Mersawa	80↓	85↑
Red Canarium	60	60
Erima	58↓	59↑
Dillenia	60↑	60
Burckella	61↓	62↑
Kwila/Merbau	107	109↑

Plantation kamarere logs Diameter	US$ Avg FOB per m^3 Mar	US$ Avg FOB per m^3 Apr
60+cm (Vietnam market)	69↓	n.a.
50-59cm (Vietnam,Japan markets)	63↑	n.a.
40-49cm (Vietnam,Japan markets)	60↑	59↓
30-39cm (Vietnam,Japan markets)	52↑	54↑
20-29cm (Vietnam,Japan markets)	44↑	44

Report from Brazil

SEMA actions drive prospects for solid-wood sector

After six months of adjustment under the new forest management actions by the Environmental Secretary of State (SEMA), the solid-wood sector of Mato Grosso has high expectations for the second half of 2006. The sector has faced difficulties since 2005 when the Curupira Operation was launched to crack down on illegal logging activities in the Amazon, resulting in the arrest of illegal loggers and IBAMA and former FEMA (Mato Grosso's Environmental Foundation) officers as well as the confiscation of illicit timber.

The solid-wood sector, the main economic engine in Northern Mato Grosso, is reported to be making some improvements under the new SEMA's environmental management (previously done by IBAMA). The sector, which accounted for 10,000 lay-offs in 2005 and more than 1,400 in the first semester of 2006, has shown a positive balance of hiring versus lay-offs over the last two months. The Solid-wood Industries Union of Northern Mato Grosso (SINDUSMAD) expects a gradual improvement of the employment as the sector recovers.

Ministry resumes issuance of ATPFs

The Ministry of Environment has made available Wood Transportation Licenses (ATPFs) at the Acre Environmental Institute (IMAC). The announcement followed warnings from firms from the solid-wood sector and sawmills in the Northern Acre that if the suspension of forest management plans and forest product sales lasted 30 more days, it would result in state wide bankruptcies. The suspension was part of IBAMA's *Novo Empate* Operation that resulted in the arrest of operators and public officers involved in ATPF laundering. However, timber companies operating legally were also affected in the process. Solid-wood companies that had submitted ATPF requests on time would be the first to receive timber transport authorizations.

Furniture sector records further decline in exports

Brazilian furniture exports declined in May for the fifth consecutive month. The cumulative exports from January to May reached $369.1 million, down 11% from the same period in 2005. The 11% loss in furniture exports contrasted with the 5% gain experienced by the sector in 2005. The decline was again due to a 25% drop in imports from the USA as a result of the sharp appreciation of the Brazilian currency against the US dollar. USA is Brazil's main market, accounting for one-third of the exports. Of the top ten export markets, five showed increased exports, notably Argentina (up 41% to $24.4 million).

The key furniture Santa Catarina cluster of Sao Bento do Sul has been particularly affected by the appreciation of the *real* over the past several months. Its furniture exports fell 22% to $147.6 million in the period under review. The share of the cluster in the Brazilian furniture exports fell 5% to 40%. Market experts do not see a way out from the crisis in the short term. An alternative highlighted by some companies was to seek new customers in South American markets, given the geographic proximity of these markets.

Log Prices (domestic)

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	103↓
Jatoba	72
Guaruba	49
Mescla (white virola)	55

Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB		US$ per m^3
Jatoba Green (dressed)		554
Cambara KD		460
Asian Market (green)	Guaruba	260
	Angelim pedra	310
	Mandioqueira	230
Pine (AD)		110

Brazil sawnwood, domestic (Green)	US$ per m^3
Northern Mills (ex-mill)	
Ipé	480
Jatoba	364
Southern Mills (ex-mill)	
Eucalyptus (AD)	146
Pine (KD) 1st Grad	198

Veneer Prices

Veneer, FOB (Belem/Paranagua Ports)	US$ per m^3
White Virola Face 2.5mm	240
Pine Veneer (C/D)	140

Rotary cut Veneer, domestic (ex-mill Northern Mill)	US$ per m^3 Face	US$ per m^3 Core
White Virola	196	164

Plywood Prices

Plywood, FOB	US$ per m^3
White Virola (US Market)	
5.2mm OV2 (MR)	413
15mm BB/CC (MR)	363
White Virola (Caribbean market)	
4mm BB/CC (MR)	426
12mm BB/CC (MR)	327

Pine Plywood EU market, FOB	US$ per m^3
9mm C/CC (WBP)	267
15mm C/CC (WBP)	258
18mm C/CC (WBP)	253

Plywood, domestic (ex-mill Southern mill)	US$ per m^3
Grade MR (B/BB)	
White Virola 4mm	669
White Virola 15mm	490

Domestic prices include taxes and may be subject to discounts.

Other Panel Prices

Belem/Paranagua Ports, FOB	US$ per m^3
Blockboard Pine 18mm 5 ply (B/C)	306
Domestic Prices	
Ex-mill Southern Region	
Blockboard White Virola faced 15mm	440
Particleboard (ex-mill) 15mm	260

Added Value Products

FOB Belem/Paranagua Ports	US$ per m^3
Edge Glued Pine Panel	
Korean market (1st Grade)	619
US Market	436
Decking Boards	
Cambara	600
Ipê	1301

Report from Peru

US dollar dips to 7-year low

The US dollar fell to 3.21 Peruvian soles in early July, a seven-year low. The Banco Central de Reserva (BCR, Central Reserve Bank) intervened by buying over $360 million, but this had a limited effect on the exchange rate. The weakness of the US currency is due to increasing exports and overseas remittances from Peruvians living abroad.

Increased US demand for solid hardwood flooring

There has been increased demand for hardwoods products such as tongue and groove flooring and decks in recent months in the USA. In addition, demand for hardwood sawnwood of species such as cumaru, massaranduba and cabreuva for carpentry construction work has also firmed.

CITES spares mahogany from RST

CITES Plants Committee and Mahogany Working Group met on June 29 - July 8 in Lima, Peru. The Committee adopted a recommendation from the report of the Bigleaf Mahogany Working Group, agreeing not to subject the species to the Review of Significant Trade (RST), a mechanism for reviewing biological, trade and other information pertaining to endangered species. The Committee agreed to investigate the high volume of bigleaf mahogany imports to the Dominican Republic. Meanwhile, the discussion of a proposal to include Spanish cedar (*Cedrela odorata*) in Appendix II was postponed.

MFI to assist in combating illegal logging

An independent forest-monitoring system (MFI) for Peru will be designed by the NGO Global Witness to support the efforts by INRENA and the Multi Sector Commission Fighting Illegal Logging (CMTLI). The objectives of the MFI were presented at the "Independent Forest Monitoring" workshop held in Lima in early July. Besides seeking to reduce illegal logging, authorities expect that MFI would motivate forest companies to operate in a legal frame. The workshop also discussed the current forest situation in Peru for an effective implementation of the system. This system is reportedly to have been implemented in Cameroon, Ghana, Mozambique, Cambodia and Honduras.

Sawnwood Prices

Peru Sawnwood, FOB	US$ per m^3
Mahogany S&B KD 16%, 1-2" random lengths (US market)	1800-1850
Spanish Cedar KD select	
North American market	950-1020
Mexican market	930-950
Walnut 1" thick, 6-11' length	
Chilean market	640-660
Pumaquiro 25-50mm AD	
Mexican market	460-490

*Cheaper and small-dimension sawnwood for this market.

Peru Sawnwood, FOB (cont.)	US$ per m^3
Virola 1-2" thick, length 6'-8' KD	
Grade 1, Mexican market	270-300
Grade 2, Mexican market	210-225
Cumaru 4" thick, 6'-11' length KD	
Central American market	760-790
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	355-365

Peru sawnwood, domestic	US$ per m^3
Mahogany	1458-1467
Virola	179-193
Spanish Cedar	607-617
Catahua	171-176
Tornillo	344-352

Veneer Prices

Veneer FOB	US$ per m^3
Lupuna 3/Btr 2.5mm	210-215
Lupuna 2/Btr 4.2mm	220-235
Lupuna 3/Btr 1.5mm	235-240

Plywood Prices

Peru plywood, FOB (Mexican Market)	US$ per m^3
Copaiba, 2 faces sanded,	
B/C, 15x4x8mm	360-370
Virola, 2 faces sanded,	
B/C, 5.24x8mm	405-413
Lupuna, treated, 2 faces sanded	
5.2x4x8mm	350-360
Lupuna plywood	
B/C 15x4x8mm	330-338
B/C 9x4x8mm	345-350
B/C 12x4x8mm	335-340
C/C 4x8x4mm	365-370

Lupuna Plywood BB/CC, domestic (Pucallpa mills)	US$ per m^3
122 x 244 x 4mm	444
122 x 244 x 6mm	435
122 x 244 x 8mm	422
122 x 244 x 10mm	409
122 x 244 x 12mm	415
122 x 244 x 15mm	411
122 x 244 x 18mm	473

Other Panel Prices

Peru, Domestic Particleboard	US$ per m^3
1.83m x 2.44m x 4mm	279
1.83m x 2.44m x 6mm	235
1.83m x 2.44m x 8mm	209
1.83m x 2.44m x 9mm	217
1.83m x 2.44m x 12mm	200

Added Value Product Prices

Peru, strips for parquet	US$ per m^3
Cabreuva/estoraque KD 12% S4S	
Asian market	1320-1380
Cumaru KD, S4S	
Swedish market	610-625
Asian market	570-590
Cumaru decking, AD, S4S E4S	
US market	750-800
Pumaquiro KD # 1, C&B	
Mexican market	465-480
Quinilla KD, S4S 2x10x62cm	
Asian market	570-580

Report from Bolivia

Sawnwood Prices

Sawnwood 1-3"x3x5"x7-19', FOB Arica Port		Avg $ per m^3
Mahogany	(US market)	1200-1700
Spanish Cedar	(US market)	600-800
Oak	(US and EU market)	650

Added Value Product Prices

Doors 13/4"x36"x96", FOB Arica Port	Avg $ per piece
US market	
Mara macho/Tornillo (FSC)	120-230
Yesquero	100-115
Ochoó	140

Report from Guatemala

Log and Sawnwood Prices

Teak, FOB S.Tomas de Castilla Port	Avg $ per m^3
Plantation teak (Indian market)	
Logs 16+cm	250
Sawnwood 8-20.5cm x 9-20.5cm x 2.2m	460

Report from Guyana

Log Prices

Logs, FOB Georgetown	SQ - Avg $ per m^3		
	Std	Fair	Small
Greenheart	110-120	100-109	97-254
Purpleheart	140-160	115-135	80-100
Mora	110-120	100-109	80-95

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

Sawnwood Prices

Sawnwood, FOB Georgetown	Avg $ per m^3	
EU and US markets	Undressed	Dressed
Greenheart		
Prime	460-760	460-630
Select/Standard	420-450	424-445
Purpleheart		
Prime	500-630	508-636↑
Select/Standard	424-450	424-490

Plywood Prices

Plywood, FOB Georgetown Port		Avg $ per m^3
Baromalli		
BB/CC	5.5mm	385-432↑
	12mm	345-378↑
Utility	5.5mm	360-382
	12mm	320-305

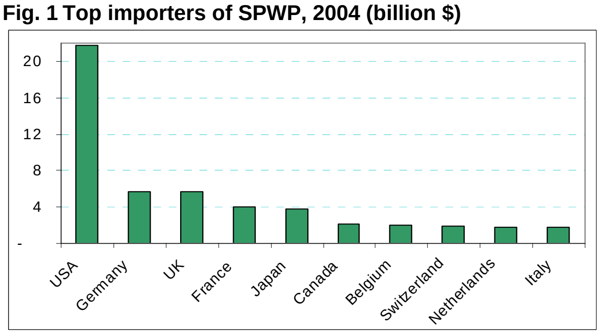
ITTO Annual Review 2005: SPWP trade

The TTM Report continues its feature on the summary of the *ITTO Annual Review and Assessment of the World Timber Situation 2005* recently published. This third article focuses on trade in secondary processed wood products (SPWP).

USA is the engine driving international SPWP trade

Figure 1 shows the top ten importers of SPWP, all of which are ITTO consumer members. ITTO producers accounted for 16% ($9.4 billion) of total SPWP imports by consumers ($58.7 billion) in 2004, down from 17% in 2003 and 19% in 2000.

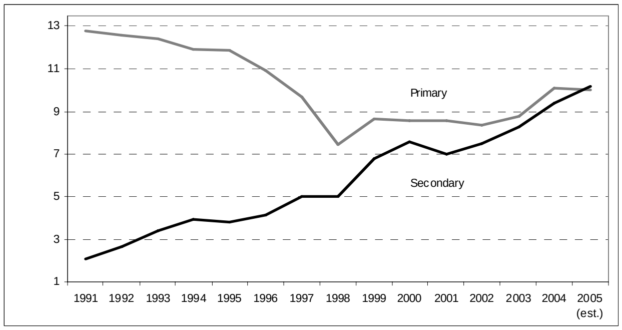
Fig. 1 Top importers of SPWP, 2004 (billion $)



Despite this drop in market share in consumer markets, Figure 2 shows that the value of SPWP imports from

ITTO producers has grown rapidly in the last two decades. ITTO consumers' imports of SPWP from ITTO producers were expected to exceed those of primary products (by 2%) for the first time in 2005.

Fig 2. ITTO Consumer primary and SPWP imports (billion $)



The USA was by far the world's largest importer of SPWP with $21.7 billion (one third of world SPWP imports). The USA was also the largest importer from ITTO producer countries ($4.8 billion or 22% of US SPWP market). USA imports of SPWP have increased almost four-fold in the last decade and by 52% in the last five years. The US market has been the engine driving international SPWP (mainly furniture) trade during this period. Continued growth in US SPWP imports has been propelled by a strong housing market and related demand for interior wood products. US imports came predominantly from other ITTO consumers (70% in 2004), mainly from China, Canada and the EU (notably Italy) in 2004. China, which overtook Canada as the largest US SPWP supplier in 2002, competes fiercely for the large US market. US imports from ITTO consumer countries grew by 57% in value from 2000 to 2004, while imports from producer countries grew more slowly (34%). USA imports of tropical SPWP came mainly from Brazil, Mexico, Indonesia, Malaysia, Thailand and Vietnam in 2004.

The EU region's aggregate imports of SPWP still exceed those of the USA. EU-15 imported $26.3 billion of these products in 2004 (up 11% from 2003), led by Germany, the UK, France, Belgium, the Netherlands and Italy, which together accounted for 79% of the EU-15 total. EU imports of SPWP, which grew moderately for several years until 2001, have since picked up speed, growing by 48% over the five years to 2004. EU imports came mainly from other EU countries (notably Italy and Germany), Poland, China, Indonesia, Romania, Vietnam, Brazil, Malaysia and the Czech Republic in 2004. EU-25 SPWP exports reached $30.1 billion in 2004 following the accession of the 10 new European countries that year. The EU countries continued to import a relatively small proportion (11% in 2004, down from 13% in 2000) of their SPWP from ITTO producer countries. However, the EU is gradually increasing imports of SPWP at the expense of primary wood products and shifting manufacturing facilities to lower cost countries, mainly in Eastern Europe.

The UK has seen a steady growth of SPWP imports over the last several years, which helped it to overtake Japan for third spot in 2001. The UK imported almost $5.7 billion of SPWP in 2004, up 26% from 2003 and twice its imports in 1999. The UK appears set to overtake Germany soon as the world's second largest importer of SPWP. Steady growth in UK SPWP imports were due to a robust economy and housing market. Tropical countries, however, accounted for only 13% of the UK's SPWP market in 2004, down from 19% in 2000. UK SPWP imports came predominantly from the EU (notably Italy), China, Malaysia and Indonesia.

France became the fourth largest global SPWP importer after overtaking Japan in 2004. French SPWP imports jumped 23% to over $4 billion in 2004, 55% higher than in 2000. France's main SPWP suppliers in 2004 were other EU countries (notably Italy and Poland), China, Romania, Indonesia and Brazil.

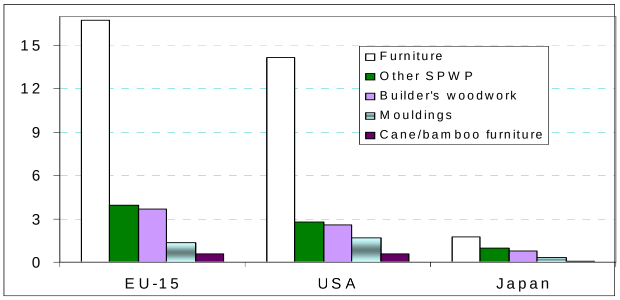
Japan, formerly the world's third largest SPWP importer until 2000, fell to the fifth place in 2004 despite a 16% SPWP import increase. However, ITTO producers hold a larger share of the Japanese market (almost one-third of Japan's $3.8 billion SPWP market) compared with other major markets. Most Japanese SPWP imports came from China (41% of Japanese SPWP imports), the EU (notably Italy), Indonesia, Thailand, the Philippines, Malaysia and Vietnam in 2004. The market share of ITTO producers, however, has been declining since 2000 (when it was over 35%) due to a growing gain in market share by China and other ITTO consumers.

Canada overtook the Netherlands and Belgium in 2004 to become the world's sixth largest importer of SPWP at over $2.1 billion. Canada is the only major market where ITTO producers have gained market share, growing from 12% in 2000 to 15% in 2004.

Two-thirds of SPWP imports are wooden furniture

Figure 3 shows the breakdown of SPWP imports by major product categories in 2004. Just under two-thirds of SPWP imports by the EU and USA were wooden furniture. Other SPWP (14%) and builder's woodwork (13%) were far behind as the second and third most valuable types of SPWP imports. Over half of EU wooden furniture imports came from other EU countries in 2004. The UK, France and the Netherlands had the greatest proportion of wooden furniture in their SPWP imports at 68% or over in 2004. The USA was the world's largest single importer of wooden furniture (and all other SPWP categories), with over $14.1 billion worth entering the country in 2004. The USA imported most of its wooden furniture from China (43% of total imports), Canada and Italy in 2004. Italy was its main supplier of upholstered furniture while Asia (notably China) was its main supplier of ready-to-assemble furniture. US tropical furniture imports came primarily from Malaysia, Mexico, Indonesia, Thailand, Vietnam and Brazil in 2004.

Fig 3. Types of SPWP imported by consumers (billion $)

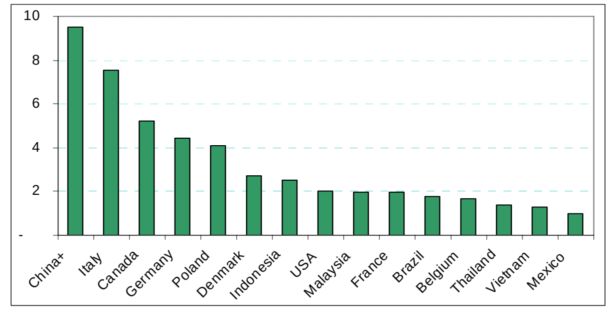


China overtakes Italy as largest SPWP exporter

Figure 4 shows the top exporters of SPWP in 2004. With SPWP exports of $9.5 billion, China remained the world's largest exporter of SPWP. This figure accounted for almost one-quarter of ITTO consumer SPWP exports of $42.2 billion, up from 14% in 2000. The strong upward trend of growth in China (including Hong Kong and Macao S.A.R.s) has been evident since 1990 and it has steadily climbed in the rankings of top exporters, overtaking Germany in 1997 and Canada in 2000, before displacing Italy from the top position in 2003. China's SPWP exports climbed 27% in 2004 and have more than doubled over the 2000-2004 period. China's rapid growth has been helped by its booming exports of wooden furniture to the USA, which absorbs almost half of Chinese SPWP exports (see below). Many companies from the USA, Taiwan PoC, Singapore and other traditional Asian producers continue to establish furniture and other SPWP joint ventures in southern China because of the low wages and policies encouraging downstream timber processing. SPWP manufacturers based in China have been successful in penetrating high-value markets such as Japan, and, particularly, the USA with their furniture.

Italy's SPWP exports were relatively stable at just over $6 billion between 1995 and 2002. Italian SPWP exports were affected by often unfavourable euro/dollar exchange rates during this period and strong competition from China and elsewhere which led to widespread decreases in market share. Despite these market share declines, Italy's SPWP exports still grew by 10% in 2003, when it was overtaken by China, and a further 11% in 2004 to a record $7.6 billion. Around 79% of Italian exports were absorbed by other ITTO consumer countries, predominantly fellow EU members (led by France, UK and Germany) and the USA. Italy's exports comprised just under one-third of the $24.4 billion worth of EU-15 SPWP exports in 2004 (EU-25 SPWP exports reached $33.6 billion that year). The EU-15 accounted for 58% of ITTO consumer country exports of SPWP in 2004.

Fig. 4 Top exporters of SPWP, 2004 (billion $)
*China includes Hong Kong and Macao S.A.R.s



Canada is the world's third largest SPWP exporter, after China and Italy. Canada's SPWP exports grew 14% to $5.2 billion in 2004. Canada's upward export trend has been largely due to increased exports to the booming US market which absorbs virtually all Canadian SPWP exports. Germany (the world's fourth largest SPWP exporter) and Poland (fifth) were also major exporters of SPWP in 2004. German SPWP exports have recovered in recent years together with its economy, growing by 52% through 2000-2004, while Polish SPWP exports have doubled during the same period. Poland's SPWP exports, which go primarily to Germany (43%) and other EU countries, is rapidly approaching Germany's export levels. Poland's wood processing sector has been substantially privatized and German investment has helped develop it into one of the three largest in Europe. Polish furniture exports are largely produced in wholly or partially German owned factories.

Indonesia, Malaysia and Brazil among top exporters

Indonesia and Malaysia are the world's seventh and ninth largest SPWP exporters. Indonesian SPWP exports, which contracted in 2001, have been growing since 2002 to reach over $2.5 billion in 2004. Indonesia shipped nearly three-quarters of its SPWP to the EU, USA and Japan in 2004. Malaysia's SPWP exports have been growing gradually since late 1980s to just under $2 billion in 2004. Malaysia's SPWP exports grew by 20% between 2000 and 2004, outpacing Indonesia's 13% growth. Malaysia is set to overtake the USA as the world's eighth largest SPWP exporter. Most of Malaysia's SPWP exports went to the USA, the EU and Japan in 2004. Indonesian and Malaysian SPWP exports continue facing fierce competition from China in the US, EU and Japanese markets.

Brazil, Thailand, Vietnam and Mexico were other major tropical exporters of SPWP, all with exports over $986 million. ITTO producers accounted for 16% of world SPWP exports in 2004, down from 17% in 2001. ITTO producers' exports of SPWP amounted to over $9.9 billion in 2004, up 23% from 2003 due to increases in exports from the top four major producer exporters, in response to increased demand for SPWP in the USA and Europe. The increased focus on SPWP production and exports in many tropical countries also played a role in doubling the value of SPWP exports by ITTO producers between 2000 and 2004. However, ITTO producers' market share in the global market shrank from an average 1.5% in 2000-2003 to 1.4% in 2004, due mainly to market share gains by China.

Brazil's SPWP exports have been booming in recent years. Since 1998, its SPWP exports have grown almost four-fold to nearly $1.8 billion in 2004, after overtaking Mexico in 2001 and Thailand in 2003 to become the third largest tropical exporter. Brazil is rapidly approaching Malaysia's SPWP export level. Brazil's SPWP exports, mainly to the major markets of the USA, Europe and Latin America (notably Chile and Mexico), include significant amounts of pine and other species from its non-tropical south.

Thai exports of SPWP contracted in 2001 and 2003, affected by the slowdown in the USA economy in 2001 and fierce competition for SPWP markets from China in both years. Thai exports rebounded by 22% in 2004, however, due to a boost in the exports of wooden furniture and parts. Thailand, like Malaysia, has also linked the development of its furniture industry to its rubberwood resources. Thai SPWP exports go mainly to the markets of the USA, Japan and Europe.

Vietnam's SPWP exports continued to boom as the country consolidates as a competitive source of SPWP. Vietnam's SPWP exports of nearly $1.3 billion in 2004 were up five-fold from 2000 and double the level of 2003. Vietnam overtook the Philippines in 2002 and Mexico in 2004 to become the fifth largest tropical exporter. This sharp upward export trend was the result of a bilateral trade agreement signed with the USA in 2000 and the anti-dumping tariffs imposed by the USA on China's wooden bedroom furniture in 2004. Vietnam's exports went mainly to the EU, USA and Japan in 2004. However, Vietnam's SPWP production is heavily dependent on timber imports, with over 80% of the wood processed being imported.

Mexico was the sixth largest exporter of SPWP in the tropics in 2004, although a large part of its exports come from its temperate coniferous forests. Mexico's SPWP exports grew gradually until 2000 to over $1.1 billion, fell to just over $900 million between 2001 and 2003 (due to a slowdown in the USA) and rebounded 9% to $986 million in 2004. Other tropical Latin American SPWP exporters were minor compared to Brazil and Mexico.

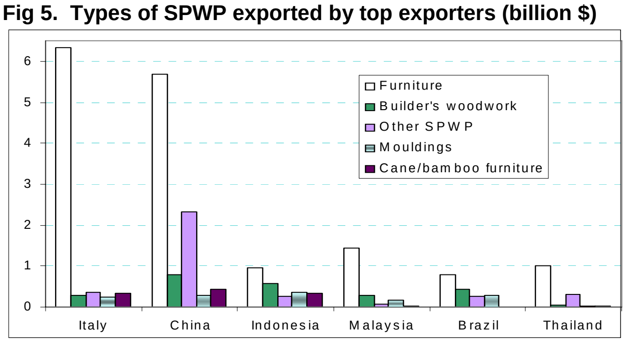
Asia-Pacific is the dominant SPWP exporting region

Asia-Pacific was by far the dominant exporting region in the tropics (69% of all ITTO producers' SPWP exports in 2004), with Latin America (primarily Brazil and Mexico) a distant second (28%). Although still minimal, value-added processing in the African region grew gradually until 2000, fell in 2001-2002, resumed its upward trend in 2003 and reached $92 million in 2004. The relatively low level of SPWP exports from Africa has been due largely to a lack of investment and infrastructure. Nevertheless, many African governments such as Côte d'Ivoire, Ghana, Nigeria and Cameroon were making the development of secondary processing of timber a priority. Côte d'Ivoire and Ghana made up the bulk of SPWP exports from Africa in 2004. African SPWP exports were mainly directed to the EU (notably Italy, France and the UK) and USA markets.

China rapidly narrows the gap with Italy in furniture

Figure 5 shows that around 60% of world's SPWP exports consisted of wooden furniture, mostly shipped to ITTO consumers. Builder's woodwork (16%) and other SPWP (14%) were far behind as the second and third most important SPWP export categories. Italy remained the world's largest exporter of wooden furniture (over $6.3 billion in 2004) and the world's second exporter of cane and bamboo furniture after China. Italy has been particularly successful in furniture markets because of its high-quality, fashionable designs, skilful labour, state-of-the-art technology, good service and exceptional access to high-value markets. Upholstered furniture and chairs constitute the main type of wooden furniture exported by Italy. The Italian furniture sector remained, nevertheless, under increased pressure from competitors (notably China and Eastern Europe), particularly with a strong euro. In the USA, its number one market, Italy has lost share to China and Canada. In Germany, its second furniture market, Italian manufacturers have faced increased competition from Poland and the Czech Republic. Italian furniture manufacturers were striving for product diversity and design, and production innovation to cope with increased competition. Italy has gained market share in other markets, however, notably in Russia. Russia is now Italy's third furniture market, after the EU and USA.

Fig 5. Types of SPWP exported by top exporters (billion $)



China is the world's second largest exporter of wooden furniture, and is rapidly narrowing the gap with Italy. China leads the exports of other SPWP (packaging/pallets, casks, barrels and others) and cane/bamboo furniture and parts. China has seen an impressive upward trend in furniture production driven by strong growth in both furniture exports and domestic consumption. From 1995 to 2004, the total value of wooden furniture exports rose six-fold from $932 million to $5.7 billion, and wooden furniture exports accounted for only about one-quarter of China's total furniture output in 2004. China's furniture was exported mainly to the USA (around 50% of all exports), the EU and Japan, with substantial re-exports reported by Hong Kong as transiting through its S.A.R. Markets are also being developed in other countries around the world. Many USA manufacturers have outsourced the production of semi-finished components or nearly finished furniture pieces to Chinese Original Equipment Manufacturers (OEMs), with only final finishing to high USA market standards carried out in their own plants. Most Chinese exports to the USA are now from OEMs. Since 2001, China has replaced Canada as the leading supplier of furniture to the USA.

The rapid growth and low prices of Chinese exports has led to concerns in major markets. In mid-2004, the USA Department of Commerce imposed anti-dumping duties ranging from 4.8% to 198% on Chinese wooden bedroom furniture imported into the USA.

Turning to the other types of SPWP, Canada was the world's largest exporter of builder's woodwork and the world's second largest exporter of mouldings after Indonesia. Cane and bamboo furniture exports from ITTO consumers were over $1.05 billion in 2004, compared to only $490 million in total exports of these products by all ITTO producer countries. China was the only consumer country with substantial production and exports of cane and bamboo furniture based on domestic raw materials. Removing China's exports from the ITTO consumer total still leaves $630 million of consumer country exports based largely on imported raw materials, illustrating a potential market opportunity for producer countries.

Half of ITTO producers' SPWP exports is furniture

Figure 5 also shows that almost half of ITTO producers' exports of SPWP consisted of wooden furniture in 2004. However, the main types of SPWP produced and exported vary significantly from country to country. Compared to many other exporters, Indonesia has a more balanced portfolio of export products. The major categories of Indonesia's exports were wooden furniture (38%), builder's woodwork (23%), mouldings (15%), cane and bamboo furniture (13%), and other SPWP (10%). Indonesia was the world's largest exporter of mouldings and the largest tropical exporter of builder's woodwork and cane/bamboo furniture in 2004. However, most Indonesian rattan is exported unprocessed to the furniture industries of Hong Kong and Singapore.

Malaysia's exports of wooden furniture make up the bulk of its SPWP exports (72%). Malaysia is the world's sixth largest exporter of wooden furniture and the largest supplier among tropical producers. About 70% of Malaysian furniture is manufactured from rubberwood, which has been successfully marketed in the USA, the EU and Japan. Policies in the country favour further processing, restricting exports of raw rubberwood.

The major categories of Brazilian and Latin American SPWP exports in 2004 were wooden furniture (44%) and builder's woodwork (25%). Brazil was the second largest exporter of builder's woodwork, other SPWP and mouldings among tropical countries. Most of Brazilian export furniture is made from solid pine and reconstituted panels. Brazil's southern states of Santa Catarina, Rio Grade do Sul and Parana are the country's leading furniture producers. While most of Brazil's wooden furniture exports are non-tropical, tropical SPWP exports are also growing. Tropical exports of furniture and other SPWP mainly originate from the northern Brazilian state of Para and have been growing since 1999. Brazil was fast gaining a share in the supply of wooden furniture (particularly bedroom categories) to the USA. From 2004, all Brazilian furniture started bearing a seal of guarantee granted by the Brazilian Association of Furniture Industries (ABIMOVEL) aimed at stimulating exports.

Thailand was the largest tropical exporter of other SPWP and the third largest tropical exporter of furniture, after Malaysia and Vietnam. Like Malaysia, Thailand has successfully penetrated high value markets, particularly in Japan, with rubberwood furniture. The rapid growth of Chinese furniture exports is an on-going concern to Thailand and many other producer country exporters. China replaced Thailand as Japan's largest furniture supplier in 2000 and continued rapidly gaining market share in other major markets.

Vietnam's SPWP export boom has largely been based on furniture, the major category (87%) of its SPWP exports in 2004. Production costs in Vietnam were reportedly even lower than in China, attracting significant foreign investment including from furniture manufacturers in China. The main categories of Mexican SPWP exports were wooden furniture (69%) and other SPWP (17%). Most of Mexico's furniture and other SPWP exports are shipped to the USA, its main trading partner.

The major category of Africa's negligible SPWP exports in 2004 was mouldings (73%). This is in contrast to other tropical regions where this was one of the smallest components of SPWP trade and may indicate a possible market niche for African exporters.

To put ITTO producer exports into a global perspective, the combined value of SPWP exports from all ITTO producer countries was only 4% greater than China's exports of SPWP to global markets in 2004. While China's leading position in SPWP markets appears unassailable, it is worth recalling that producer countries have recently made up substantial ground on other major exporters like Italy. In the mid-1990s, Italian shipments of SPWP to the world were almost double those of all ITTO producers but now they are about 25% smaller than total producer exports. Producer countries will need to focus on quality and relentlessly reduce costs if they hope to make a similar gain on China's position.

Report from Japan

Log supplies and stocks sink to new lows in Japan

Total supply of Southeast Asian logs to Japan declined substantially by 24.7% to 382,300 m^3 during January-April 2006, compared with a year earlier. Log stocks in Japan are also dipping to new lows, falling 30% to 253,200 m^3 in April, equivalent to 2.4 months of demand. In May 2006, imports of Southeast Asian lumber were 44,900 m^3, bringing the total January-May supply to 215,300 m^3.

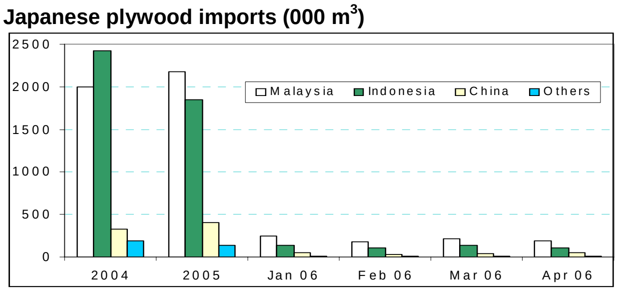
JSLC trims forecast on demand for Southeast timber

Japan's Southeast Lumber Conference (JSLC) has recently trimmed its forecast demand of Southeast Asian logs and lumber for 2006. The new projection sets log demand at 1.34 million m^3, down 6.4 % from 2005 and lumber demand at 520,000 m^3, down 5%. About 90.6% of the logs would be for plywood and the balance for lumber production. The decline is mainly due to dwindling supplies from Southeast Asia.

Chinese plywood continues to gain market share

Japanese imports of plywood (regular, special, blockboards, etc.) in April declined 14% to 367,000 m^3 (down 6.7% to ¥17.49 billion CIF), compared with April 2005. Imports from Malaysia fell 4.5% to 192,000 m^3 while those from Indonesia dropped 36% to 112,000 m^3. In contrast, imports from China showed their tenth consecutive monthly increment in April, reaching 54,000 m^3, up 56% from the same month last year.

Japanese plywood imports (000 m^3)



Overall, Japanese imports from Indonesia have declined 29% to 500,000 m^3 in the first quarter of 2006, compared with the same period last year. In contrast, supplies from Malaysia grew 9.6% to 836,000 m^3 in the first quarter of 2006, accounting for 54% of total plywood imports. Imports from China reached 171,000 m^3 in the first quarter of 2006, up 44% from the same period in 2005.

Indonesia's plywood exports to halve in 2006

Japan Lumber Importers Association (JLIA), Japan Federation of Plywood Manufacturers, Indonesian Plywood Association (Apkindo), Malaysian Panel Manufacturer's Association (MPMA) and Sarawak Timber Association (STA) recently held a plywood conference in Singapore. Apkindo and STA informed their Japanese counterparts that higher prices are not expected to result in increased exports because of the worsening log supply problem. Apkindo further informed that Indonesia's plywood export volume continued to decline in the first half of 2006 and was expected to halve to 1.5 million m^3 by the end of the year, down from 3.4 million m^3 in 2005. Apkindo said it was aware that the current situation could speed up substitution in Japan, but it believed it was still a dominant supplier of quality thin plywood. Regarding concrete forming plywood, both Indonesia and Malaysia agreed that this product had not been very profitable in the last decade.

Housing starts hit fourth consecutive monthly rise

Housing starts reached 108,652 units in May, up 6.7% from May last year and the fourth consecutive monthly gain. Total housing starts during January-May 2006 has risen 7.3% to 504,124 units over the corresponding period in 2005. Seasonally adjusted annual housing starts stood at 1,294,000 units. Wood based units rose to 47,883, up 4.3% from May last year, due to an increase in owner-occupied units (up 4.5%). Wooden units accounted for 44.1% of the total housing starts in May, up 2.6 points from the previous month. The general recovery of the economy and improved corporate performance continued to encourage construction activity in the country.

JLIA to verify other panel products

The Japan Lumber Importers Association (JLIA) has announced that it will verify the legality and origin of imported fiberboard, particleboard and OSB products in addition to primary products such as logs, lumber and plywood. JLIA indicated that, since this year, any JLIA member importing these products would need to pay a fee to the association.

Prices of panel adhesives raised by 10-16%

Oshika Corporation, a major Japanese adhesive manufacturer, raised by 10-16% the prices of adhesive of melamine, phenol and urea for the manufacturing of fiberboard and plywood as of 1 July. The price rise was due to higher fuel costs, particularly naphtha. The last price hike took place in April 2005. Oshika had also raised prices of adhesives for the woodworking, furniture and laminated lumber by 10-15%.

Japan ends "zero-rate" policy

The Bank of Japan has decided to end its zero interest rate policy and lift the overnight call rate target to 0.25%, putting an end to more than six years of zero interest
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Log and Sawnwood Prices in Japan

Logs for Ply Manufacture, CIF	Yen per Koku
Meranti (Hill, Sarawak)	(Koku=0.278 m^3)
Medium Mixed	7,450↑
Standard Mixed	7,550↑
Small Log (SM60%, SSM40%)	6,650↑
Taun, Calophyllum, others (PNG)	6,200↑
Mixed light hardwood, G3-G4 grade (PNG)	5,700↑
Okoumé (Gabon)	8,600
Keruing MQ & up (Sarawak)	8,900
Kapur MQ & up (Sarawak)	8,500

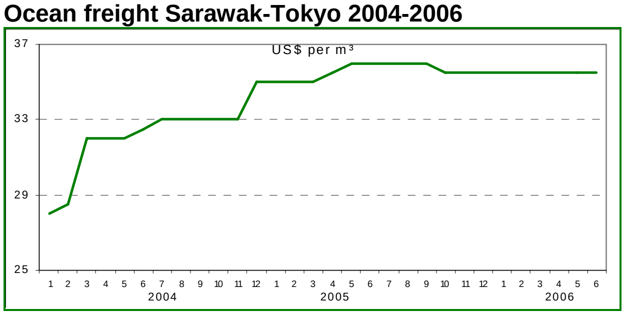
Logs for Sawmilling, CIF	Yen per Koku
Melapi (Sarawak) High Select	9,000
Agathis (Sarawak) High Select	8,800

Lumber, FOB	Yen per m^3
White Seraya (Sabah)	
24x150mm, 4m, Grade 1	115,000
Mixed Seraya, Sangi	
24x48mm, 1.8-4m, S2S	47,000↑

Wholesale Prices

		June	July
Indonesian Plywood	Size (mm)	(¥ per sheet)	
2.4mm (thin plywood, F 4star, type 2)	920 X 1830	400 ↑	410 ↑
3.7mm (med. thickness, F 4star, type1)	910 X 1820	560 ↑	580 ↑
5.2mm (med. thickness, F 4star, type 1)	910 X 1820	690 ↑	690
12mm for sheathing (F 3star, type 2)	910 X 1820	1030 ↑	1080 ↑
12mm for foundation (F 4star, special)	910 X 1820	1110 ↑	1250 ↑
12mm concrete-form ply (JAS)	900 X 1800	1050 ↑	1200 ↑
11.5mm flooring board	945 X 1840	1350	1350
3.6mm baseboard for overlays (OVL)	1230 X 2440	850	850
Malaysian Plywood			
2.4mm (thin plywood, F 4star, type 2)	920 X 1830	400 ↑	410 ↑
3.6mm (med. thickness, F 4star, type1)	910 X 1820	560 ↑	580 ↑
5.2mm (med. thickness, F 4star, type 1)	910 X 1820	680 ↑	690 ↑
12mm for sheathing (F 3star, type 2)	910 X 1820	1030 ↑	1080 ↑
12mm for foundation (F 4 star, special)	910 X 1820	1100 ↑	1250 ↑
11.5mm concrete-form ply (JAS)	900 X 1800	1050 ↑	1200 ↑
11.5mm flooring board	945 X 1840	1350	1350
3.6mm baseboard for overlays (OVL)	1230 X 2440	850	850
OSB (North American)			
12mm foundation of roof (JAS)	910 X 1820	980	980
9mm foundation for 2 by 4 (JAS)	910 X 2440	1030	1030
9mm conventional foundation (JAS)	910 X 2730	1230	1200 ↓
9mm conventional foundation (JAS)	910 X 3030	1330	1300 ↓

Ocean freight Sarawak-Tokyo 2004-2006



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

Report from China

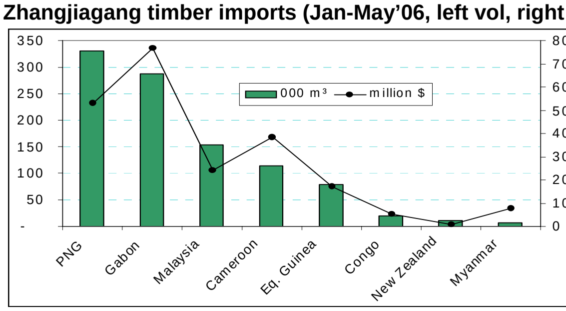
Unrelenting surge in China's plywood exports

Chinese plywood exports have been expanding rapidly in the last few years. Plywood exports more than doubled from 2 million m^3 in 2003 to 4.2 million m^3 in 2004 and rose 29% to 5.4 million m^3 in 2005, according to Hongfan Li, President of China Wood International. Jiangsu Province accounted for the bulk of the exports in 2004. The USA was the top export market with 34% of the exports while Japan accounted for 8%.

Zhangjiagang Port handles more timber imports

According to Zhangjiagang customs statistics, timber imports (mainly logs) through Zhangjiagang Port reached 992,000 m^3 worth $224 million during January to May 2006, up 37% and 56%, respectively, from the same period last year. Main sources of imports were Africa (494,000 m^3, accounting for 50%), PNG (330,000 m^3, 33%) and Malaysia (153,000 m^3, 15%).

Zhangjiagang timber imports (Jan-May'06, left vol, right val.)

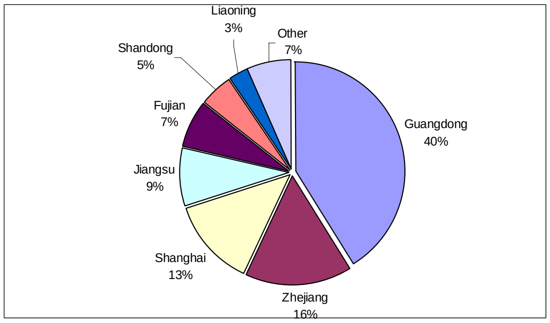


Timber imports from Africa featured many batches with small volume of high-value logs per batch. There were new African log species such as parinari, koto, eveuss and sorro. African logs included rotary timber (e.g., 167,000 m^3 of okoume) and timber for furniture and flooring manufacturing (e.g., 80,000 m^3 of okan). Some African species had been substituting merbau for flooring manufacturing due to the declining availability of this species in Southeast Asia. Log imports from PNG rose 29% and included species such as taun, bintangor, ter and mal, and an increasing demand for dil and kam. A Shenzhen company imported 12 containers (295 m^3) of 18 species of logs from Suriname, including tamarind angelim (*Marmaroxylon racemosum*), tauari and ipe. These precious species were mainly used for high-grade furniture, solid flooring, carving craftwork and musical instruments.

Eastern region is China's largest furniture exporter

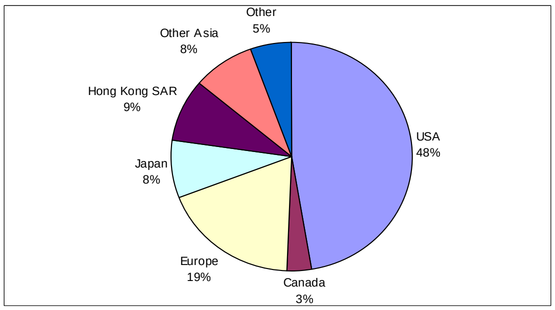
China's furniture exports (including wooden, metal, plastic and glass furniture) reached $13.77 billion in 2005, up 33% from 2004. There were 206 export destination countries and regions. The figure below shows that Guangdong furniture exports accounted for the largest proportion of the national total (40%) in 2005. Five eastern provinces (Zhejiang, Shanghai, Jiangsu, Fujian and Shandong) accounted for another 50% of the exports. Furniture exports from Zhejiang, Shanghai and Jiangsu were growing faster than Guangdong's.

Furniture exports per province, 2005 (% of $13.77 million)



The next figure shows that the main export markets in 2005 were the USA (48%), Asia (25%, of which Hong Kong SAR 9% and Japan 8%) and Europe (19%).

China's furniture export markets, 2005 (% of $13.77 million)



IKEA builds largest furniture making base in China

IKEA Furniture manufacturing Co., Ltd is building in Dalian a $20 million furniture manufacturing base, its largest in China. The base is expected to start operating in September 2006 with an annual output of $30 million, mainly of middle and high-end tables and chairs, 90% of which will be for the export market. China is IKEA's largest market with production bases in Tianjin, Shanghai and Chengdu.

Guangzhou City Imported Timber Market

Logs	Yuan per m³
Radiata 6m, 30cm diam.	1080⬆
Luan	1900-2100⬇
Merbau 6m, 60cm diam.	4000-5500⬆
Kapur	4300-4400
Keruing 60cm+ diam.	2100-2300
Beech 6m,30cm veneer Qual.	3300-3600
Sawnwood	
Teak Boards 4m+	11500-14500⬆
US Maple 2" KD	8800-12500⬆
US Cherry 2"	15000-15500⬆
US Walnut 2"	11000-15000⬆
SE Asian Sawn 4m+, KD	3800-4000⬇
Plywood	Yuan per sheet
4x8x3mm	20-32⬆
4x8x18mm	140-170⬇

Shanghai Furen Wholesale Market

Logs		Yuan per m³
Wenge (Africa)		-
Sawnwood		
Beech KD Grade AB		2400-3000
US Cherry, 25mm		12500-13000
US Red Oak, 50mm		10500-11000
Sapele 50mm FAS (Congo)	AD	5800-5900⬇
	KD	6600-6700⬇

Shandong De Zhou Timber market

Logs		Yuan per m³
Larch	4m, 24-28cm diam.	950
	6m, 24-28cm diam.	950
White Pine	4m, 24-28cm diam.	950
	6m, 24-28cm diam.	960
Korean Pine	4m, 30cm diam.	1500
	6m, 30cm diam.	1800

Hebei Shijiangzhuang Wholesale Market

Logs		Yuan per m³
Korean Pine 4m, 38cm+ diam		1650
Mongolian Scots Pine	4m,30cm diam.	1050⬇
	6m,30cm+ diam.	1090⬇
Sawnwood		
Mongolian Scots Pine	4m,5-6 thick	1350
	4m,10cm tick	1350

Tian Jin City Huan Bo Hai timber Market

Logs	Yuan per m³
Okoume 80cm+	3,000
Sapele 80cm+	5,350⬆
Sawnwood	
US Black Walnut 2.2-4m, 5cm thick	16000
Padauk 2.2-3.2m, 5cm thick	11000
Sapele 2.2-2.6m, 5cm thick	6800
Ash 4m, 5cm thick	4300

Combi-plywood Prices (US Market)

Plywood 4'x8', Shanghai Port	FOB $ per m³
Okoume face, Poplar core	
18mm, BB/CC	215
15mm, BB/CC	225
Birch face, Poplar core	
18mm, B/B	300
15mm, B/B	315
Poplar through & through	
18mm, C/C	245
15mm, C/C	255

Birch- and poplar-poplar ply have low yield rate due to small diameter and bad quality, and are therefore more expensive than okoume-poplar ply.

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

Report from Europe

Euroconstruct raises forecast in construction

Euroconstruct, a group of 19 European construction research institutes, raised the expected investment in construction in its 19 member countries by 2.6% to almost €1.3 billion in 2006. In the next 2 years, the association believes the growth rate will slow to 1.7% and 1.8%, respectively. Developments in the Euroconstruct region would continue to be led by Germany, the UK, Italy, France and Spain, which together account for 72% of construction activities. Although Poland, the Czech Republic, Slovakia and Hungary accounted for 4% of the investment in 2005, these four central European countries were expected to show the strongest growth in investment. The residential construction sector accounted for 48% of the total construction activity in 2005. This share was 50% in west Europe (notably 66% in Ireland and 58% in Germany) while 25% in east Europe.

FFIF and WWF agree to cooperate on legal wood

The Finnish Forest Industries Federation (FFIF), WWF Russia and WWF Finland have agreed to cooperate to promote the sourcing of legal wood. In a joint statement, FFIF committed to contribute towards further development of the existing tracing systems in local participatory processes and international dialogue to better identify and exclude different kind of illegalities and to increase the transparency of the systems. WWF and FFIF have also decided to establish a working group to further develop wood tracking systems. Both partners also committed to participate and support public and private efforts to combat illegal logging and timber trade.

The joint statement made special emphasis on Russia because of the significant imports of timber from that country by Finland. Estimates of wood with unknown origin in Russia vary from 0.6% to 27%, which, according to the groups, has created confusion for the industry and society to deal adequately with the problem.

Consumption propels French particleboard imports

According to the EPF (European Panel Federation) Annual Report, 2005 was a good year for the French particleboard industry. France particleboard production surged 7% in 2005 to rank second among European particleboard producers. Two thirds of the total production was raw particleboard and one third was melamine-laminated.

Increased particleboard production was brought about by greater consumption (due, in turn, to a 2.5% and 3.3% growth of the furniture industry and construction sector, respectively). French imports of particleboard, in particular, climbed 40% from 558,000 m^3 in 2004 to 783,000 m^3 in 2005.

Panel sector expresses concern over rising costs

The European Panel Federation (EPF) and the European Federation of the Plywood Industry (FEIC) organised their General Assembly in Helsinki, Finland, on 13-16 June 2006. According to the EPF, production and consumption of particleboard expanded in 2005 (see above). Production and consumption of MDF and OSB continued setting new records, sustained particularly by resumed construction activities.

However, the EPF expressed concern about wood prices and other production costs, which increased sharply in 2005. Noting important regional differences, EPF believed wood costs were generally rising significantly throughout Europe. The EPF members feared that production costs would be increasing at a pace of 5-10% per quarter in 2006 and in certain regions this could even higher. EPF did not see any reason for this trend to change in the foreseeable future.

Upholstered furniture imports show steady growth

France’s imports of upholstered furniture continued to increase in 2005, rising 11% to €723 million. Upholstery imports have been increasing by 7.9% on average since 2000. The bulk of these imports (over 82%) came from the enlarged EU-25 region, while imports from the 10 new EU member countries now total over €60 million. The highest increases were recorded for imports from Poland, Romania, Bulgaria, Slovakia and the Czech Republic.

Imports from the Asia-Pacific region were also increasing, climbing 75% to €103 million in 2005 and accounting for 14.3% of total French imports. Imports from China soared 50% to €75 million, accounting for almost 73% of the region’s total. Italy remains by far France’s leading upholstery supplier with €340 million, accounting for 47% of total French imports.

Report from the UK

House builders upbeat amid robust economy

The UK economy grew faster than originally estimated in the first quarter of the year according to the Office of National Statistics. Boosted by higher business activity, the economy grew 0.7% compared with the last three months of 2005 and by 2.4% on the year earlier. The balance of payments gap also fell. A key index of factory activity has grown at the fastest pace for nearly two years in June. This has increased pressure on prices and on the likelihood of the Bank of England raising interest rates.

House prices fell unexpectedly by 1.2% in June according to Halifax, UK’s biggest mortgage lender. Mortgage debt has gone through the £1 trillion level according to the Bank of England, but the volume of unmortgaged property is much higher at about £3.6 trillion. Overall, nonetheless, UK house prices rose 2.6% on average during the second quarter of 2006.

House builder George Wimpy has revealed total group completions for the first half of 2006 rose 29% to 7,822 units, the highest in 25 years. Buyer confidence has improved over 2005 but prices remain competitive. Forward orders were up, both in value 8% and volume 1%. These sentiments were echoed by many other builders, but costs are rising. Manufacturing industry’s fortunes are also picking up. The Purchasing Managers survey was at its strongest level for two years.

In contrast, 'Floors to Go', the largest laminate and wooden flooring retailer in the UK, has warned that full year prospects are likely to be below expectations after suffering a further sales slide. Sales in the second quarter of 2006 were down 8.6% as total sales fell by 2%. The market was described as difficult.

TTF brands PNG and Solomon timber as "high risk"

The Timber Trade Federation (TTF) has told its members that sourcing wood products made from timber from PNG or the Solomon Islands was "high risk". The announcement followed an investigation by TTF into Greenpeace's last year allegations that PNG-sourced bintangor face veneers on Chinese plywood were illegal. TTF said that in the absence of credible evidence of legality, products made from wood from these countries had to be considered high risk and advised its members to avoid them. TTF added that the current situation in PNG and the Solomon Islands meant there was very little or no material meeting the environmental standards which the UK market requires.

Chinese ply expands market share in the UK

UK imports of Chinese plywood jumped 20% to 29,800 m^3 in the first quarter of 2006, compared with the same period in 2005, according to Timbertrends. Malaysian imports rose slightly 2.2% to 34,700 m^3. Conversely, UK imports of Brazilian hardwood plywood dropped 35% to 27,000 m^3 while Indonesian plywood imports plummeted over 42% to 13,500 m^3 in the same quarter.

Aggregated UK plywood imports from these four supplier countries declined 15% to 105,000 m^3 in the first quarter of this year. The decline was due to crackdown on illegal logging in Indonesia and Brazil, strikes in Brazil's Ibama and raw material shortages in Southeast Asia. UK buyers were also holding back purchases hoping for prices to fall. Despite environmental pressures from NGOs, experts anticipate increasing import volumes of Chinese plywood in the UK, including products such as door skins and film-faced ply.

Log Prices

FOB plus commission		€ per m^3
N'Gollon (khaya)	70cm+ LM-C	220-230
Ayous (wawa)	80cm+ LM-C	230-240
Sapele	80cm+ LM-C	240-250
Iroko	80cm+ LM-C	300-320

Sawnwood Prices

FOB plus Commission	Pounds per m^3
Brazilian Mahogany FAS 25mm	925*
Teak 1st Quality 1"x8"x8'	2035-2350
Tulipwood FAS 25mm	425-435
Cedro FAS 25mm	420-450
DR Meranti Sel/Btr 25mm	410-420
Keruing Std/Btr 25mm	285-305
Sapele FAS 25mm	360-385
Iroko FAS 25mm	450-475
Khaya FAS 25mm	395-405
Utile FAS 25mm	410-420
Wawa No.1 C&S 25mm	185-210

*When last available

Plywood and MDF Prices

Plywood Panels 8x4", CIF	US$ per m^3
Brazilian WBP BB/CC 6mm	630
Brazilian Mahogany 6mm	1265*
Indonesian WBP BB/B 6mm	610-640
MDF	Pounds per $10m^2$
Eire, BS1142 12mm	47.75

*When last available

Report from the Netherlands

Vivid demand stays as summer vacation begins

Now that the summer-vacation period has started, there has been an obvious decline in trade activities in the Dutch timber market. Nevertheless, the impression is that, contrary to previous years, some good demand will still remain, simply due to the fact that end users are enjoying well filled order portfolios and ample work throughout the year thanks to active housing market and building activity. Therefore, analysts predict a quiet spell for several weeks until early September but not a complete standstill as in earlier years.

The demand for tropical hardwoods, regardless of origin, remains very good while supply is limited. The whole range of sawnwood sizes, from strips to 3x5" and 4x5", from meranti to sapele, is in keen demand. Fresh quotations of Brazilian sapupira are increasingly hard to obtain while those of FSC certified material are not available at all. Prices for all timber (including softwood) both free-delivered buyers' yard and CNF Rotterdam continue moving upward.

Thanks to the higher sales prices and the vivid demand, some traders have already reached the same turnover in value or volume as in the whole 2005. The second semester of the year looks equally promising. Traders, however, hope that the market does not overheat and prices do not escalate further, since it may force buyers to look for alternatives. Perhaps the holiday-season may contribute to a stabilization of the market.

NTTA highlights timber procurement policy

At a recent seminar in Kuala Lumpur on timber market changes in Europe, Mr. Paul van den Heuvel of the Netherlands Timber Trade Association (NTTA) outlined the association's timber procurement policy objectives by 2009 as follows:

- Origin of all timber products imported and traded by NTTA members must be known.
- 75% of all timber imported and trade by NTTA members should originate from proven sustainable managed forests.
- 100% of the softwood imported by members should originate from proven sustainably managed forests.
- 50% of the tropical hardwood imported should be proven legally produced, while 25% of all hardwood should originate from proven sustainably managed forests.
- 75% of the imported panel products should originate from proven sustainably managed forests.

Sawnwood Prices

CNF Rotterdam	US$ / Ton of 50 ft^3
Malaysian DRM KD Sel/Btr PHND in 3x5"	
Bukit	1910
Nemesu	n.a.
Seraya	1910
MTCC/Keurhout certified Seraya	1960
MTCC/Keurhout certified Bukit	1960⬆
Merbau DRM KD Sel/Btr Sapfree in 3x5"	1720⬇
Merbau 1¾x12"	1760⬇
Indonesian DRM KD Sel/Btr PHND,3x5"	
Bukit	n.a.
Seraya	n.a.
Sapupira (Angelim pedra) AD FAS 3x5"	US$ per m^3
Non FSC-certified	750
FSC-certified	n.a. (last 1000)

1 ton of 50 Cu.ft. = 1.416 m^3; PHND= Pin hole no defect grade.

Okoumé Plywood Prices

Small 250x122, 18mm thick., through and through (landed, incl. imp. duty)	€ per m^2
Non-KOMO (China)	9.74⬆
KOMO (China)	10.70⬆
KOMO (France/Morocco)	12.81⬆

KOMO is a Dutch building sector's quality standard. Import duty is 10% as of 1 Jan. 06.

Wijma uses FSC-certified African timber

The Dutch group Royal Wijma, which holds an FSC certified forest concession in south Cameroon since late last year (see TTM 10:20), has been implementing construction work in Europe using certified African timber. This includes 70 m³ of certified azobé (ekki) for a new roller-coaster "Deep in Africa" in Phantasialand, Germany with 7 bridges built in a traditional African way; 1,000 m^3 of certified bangkirai decking for balconies of luxury apartments in Switzerland; the world's first bridge made of certified azobé in Kampen, the Netherlands; and the renovation of a sea dyke and promenade in Oostende, Belgium using 275 m³ of mainly certified azobé.

Chinese combi plywood prices

122x244, 18mm thick BB/CC WBP FOB China	US$ per m^3
DRM, poplar core	250
Okoumé, poplar core	255
DRM, pinus radiate core	270
DRM, hardwood core	300

DRM: dark red meranti.

Report from North America

Minor changes in veneer HTS Classification

There have been some slight changes to the US Harmonized Tariff Schedule (HTS) found in the HTS Supplement 1 effective 1 July 2006. The HTS is updated every six months in January and in July. In January 2007, some reclassifications at the HTS six-digit level will be enacted after amending by the World Trade Organization. A preview of those changes can be seen at www.usitc.gov/tata/hts/other/rel_doc/fr/index.htm, Appendix B of Chapter 44. Also in early 2007, the US Congress will begin its five-year review of duties and tariffs of HTS codes.

European suppliers retreat from US lumber market

European softwood lumber producers have retreated from the US market, arguing lower prices and the euro's continued strength against the US dollar, according to Random Lengths. Robust demand within Europe has also contributed to the trend, as many European suppliers have focused increasingly on taking advantage of stronger returns in domestic markets, notably in Germany. Part-time European suppliers have withdrawn entirely while larger suppliers have limited shipments to filling contracts. Some European producers reportedly plan to cut shipments 25-40% in coming months.

Exchange rates also have contributed to a decline in US imports from Brazil, which are down 21% through April compared to the first quarter in 2005. Brazil has been losing market share in 2006 due also to higher domestic log costs. Chile has filled some of the gap, with export volume rising 14% through April.

USA denies Brazil´s petition for duty-free plywood

The office of the US Trade Representative (USTR) announced that pursuant to a federal ruling in late June 2006 denying a petition from Brazil, US imports of certain southern yellow pine plywood from Brazil (HTS 4412.19.40) will continue to be subject to an 8% duty in effect since July 2005.

In 2004, Brazil supplied 52% of all US imported softwood plywood, measured by value, surpassing the Generalized System of Preferences' (GSP) competitive-need limitation and triggering the duty. That percentage rose to 54% in 2005. But through April 2006, Brazil's share of imports by value dipped to 47% (61% by volume). Analysts think that the duty, the weak US dollar, higher log costs in Brazil and the crack down on illegal logging will weigh on Brazil's plywood exports to the US for the reminder of 2006.

Renewal of US GSP in jeopardy

Opposition by key Capitol Hill chairmen to renewing the General System of Preferences (GSP) continues after Doha Round talks between WTO trade ministers ended 1 July in a stalemate, IWPA informed. Senate Finance Committee Chairman Charles Grassley (R-IA) and House Ways and Means Committee Chairman Bill Thomas (R-CA) have been using the threat of non-renewal to force good faith negotiations from large developing countries such as India and Brazil. GSP will expire on 31 December 2006 and its expiration will mean the end of duty-free imports from selected developing countries.

US plywood imports – Part II

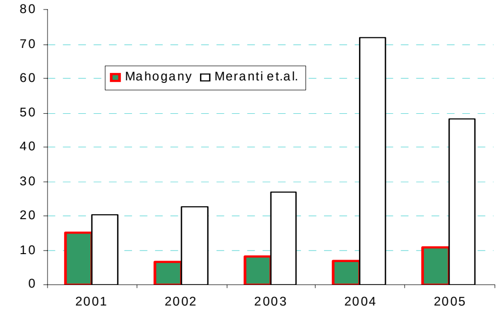
This is the second part of an analysis of US plywood imports. This article focuses on tropical plywood (HS 441213) or any plywood with at least one outer layer of tropical wood. In fact, most imported tropical plywood has an inner core of non-tropical plies, such as birch, walnut, cedar and other non-tropical woods. But it excludes veneered panels with a core of MDF, particleboard, hardboard or a similar substrate.

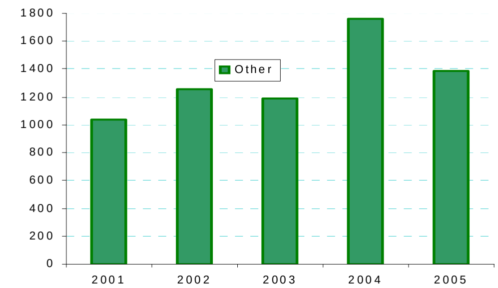
About 3.34% of 5.33 million m^3 of the US imports of tropical plywood is meranti, white lauan, sipo, limba and similar species ("meranti et. al."). Another 0.74% is mahogany plywood while the remaining 96% is a wide variety of different tropical species not specified in the US Foreign Agricultural Service (FAS) statistics.

The share of mahogany plywood used to be twice as high earlier this decade and ranked above meranti et. al. In fact, US mahogany plywood imports fell 29% from 15,032 m^3 ($7.94 million) in 2001 to 10,689 m^3 ($5.55 million) in 2005. Brazil was the most important source of mahogany plywood with 5,711 m^3 ($2.19 million) and at an average price of $383.8 per m^3. Canada followed with 3,527 m^3 ($2.48 million) of higher added-value mahogany plywood with an average price of $702.3 per m^3. China was a distant third but its mahogany plywood exports to the USA are growing at above average rate.

All other US tropical plywood imports experienced a growing trend between 2001 and 2005, both in volume and value. This was particular the case of meranti et. al. imports, whose volume and value went up by 136% and 228%, respectively. During this period, the share of meranti et. al. doubled to 3.34%. However, meranti et. al. plywood has lost some ground both its volume and value in early 2006.

US tropical plywood imports by species (000 m^3)





Almost two-thirds of all US meranti et. al. plywood imports (29,782 m^3) came from China in 2005 and this share continues to grow rapidly. However, since Chinese meranti et. al. plywood is relatively inexpensive (average $232.9 per m^3), its value ($6.94 million) accounted for only 41.3% of all US meranti et. al. imports. About one quarter of US meranti et. al. plywood imports (10,066 m^3 worth $3.96 million in 2005) came from Brazil. Taiwan PoC is an insignificant supplier of meranti et. al. plywood in terms of volume (2,191 m^3 in 2005) but its above average price ($1,887.3 per m^3) placed it second after China in import value ($4.14 million).

There are considerable price differences between the various tropical plywood products. The average price for meranti et. al. plywood rose 38.9% from $250.9 per m^3 in 2001 to $348.5 per m^3 in 2005, but has declined during the first few months of this year. In contrast, average prices of mahogany plywood fell slightly (1.7%) from $528.2 per m^3 in 2001 to $519.3 per m^3 in 2005. The price decline accelerated in 2006. Nevertheless, mahogany plywood still claims a considerable price premium (approximately 50%) over other product categories, but it is generally subject to quite erratic price fluctuations.

The average import price in the USA for all other (combined) tropical plywood products (except mahogany and meranti et. al.) surged 27% from $282.4 per m^3 in 2001 to $358.7 per m^3 in 2005. Prices for these plywood products have eased slightly so far this year.

US Imported Veneer Prices (average $ per m^2)

	Mar	Apr
By species (all countries)		
Meranti	2.3↓	28.3↑
Non-meranti	1.5	1.2↓
By country (all tropical species)		
China	1.0↑	0.7↓
Ghana	1.0↓	1.1↑
Côte d'Ivoire	n.a.	1.2↑
India	n.a.	11.3↑
Thailand	0.9↓	7.3↑
Gabon	1.1↓	1.3↑
Brazil	n.a.	n.a.
Italy	3.1↑	3.2↑

US Imported Sawnwood Prices

FOB unit value prices		Avg $ per m^3	
		Mar	Apr
Balsa*	(Ecuador)	413↑	429↑
Mahogany**	(Peru)	1,302↓	1,354↑
	(Bolivia)`	1,702↑	1,805↑
Mahogany*	(Peru)	1,659↓	1,786↑
Virola**	(Brazil)	382↑	613↑
Virola*	(Brazil)	399↑	428↑
Red Meranti	(Malaysia)	831↑	755↓
	(Indonesia)	762↑	724↓
Teak**	(Taiwan)	3,245↑	3,477↑
Keruing**	(Malaysia)	539↑	568↑
Keruing*	(Malaysia)	597↑	612↑

*Dimension lumber; **Rough lumber
Quality variations may greatly influence monthly average prices.
Data is subject to frequent revisions.

Internet News

Cuba is one of the few countries with soil studies of its entire territory, an important tool for planning agriculture, forestry and water projects.
http://www.periodico26.cu/english/news_cuba/soil071006.htm

The current funding regime of the Iwokrama International Centre (IIC) ends in 2007 and the institution has launched a five-year plan focusing on eco-tourism and timber with an airstrip to complement these developments.
http://www.stabroeknews.com/index.pl/article_local_news?id=56498727

Kakamega Forest, the only remaining tropical rainforest in Kenya, is threatened with extinction.
http://www.eastandard.net/hm_news/news.php?articleid=1143955087

A new assessment of Africa's massive Congo Basin rain forest finds that it is less degraded than environmentalists feared. The findings were announced in Paris, where African and Western officials ended a two-day conference on an international initiative to conserve this rare, tropical forest.
http://voanews.com/english/2006-06-23-voa33.cfm

PNG will host an international forest seminar in Port Moresby in September, an avenue where the forestry sector will address the "misconception" on illegal logging. Terry Warra, acting managing director of the National Forest Service (NFS), said there were logging projects in the country operating legally, but some local and international communities say that PNG had illegal logging practices. "All legal logging operations issued with timber permits conform to the procedures under the PNG Forestry Act," he said.
http://www.thenational.com.pg/071206/business2.htm

Three major logging companies in Cameroon have joined the WWF's Central Africa Forest and Trade Network (CAFTN) in setting a new standard for responsible forest exploitation in the forests of the Congo Basin.
http://allafrica.com/stories/200607061047.html

The Timber Trade Federation (TTF) has told its members that sourcing wood products made of timber from PNG or the Solomon Islands was 'high risk'. The move comes after Greenpeace alleged that PNG sourced bintangor face veneers on Chinese plywood in Trafalgar Square were illegal.
http://www.newbuilder.co.uk/news/NewsFullStory.asp?ID=1472

The Programme Team Leader of Tropenbos International-Ghana said there was the need to review existing forestry policies and laws to regularize chain saw activities. He said no regularized chain saw operators freely harvest timber and other non-timber species from the forest without paying stumpage fees.
http://www.ghanaweb.com/GhanaHomePage/regional/artikel.php?ID=107092

The World Bank pledged to overhaul a much-criticized forestry program in Cambodia, saying it would increase local participation and better address environmental concerns in future projects. The comments came in response to an internal review that found the bank's $4.6 million forestry program in Cambodia allowed illegal logging to flourish, failed to alleviate poverty and largely ignored the concerns of local residents.
http://www.chinapost.com.tw/i_latestdetail.asp?id=39372

A pine beetle infestation that has already killed off billions of trees in Canada's British Columbia is threatening to start a deadly cross-country trek.
http://www.cbc.ca/canada/british-columbia/story/2006/07/04/pine-beetle.html

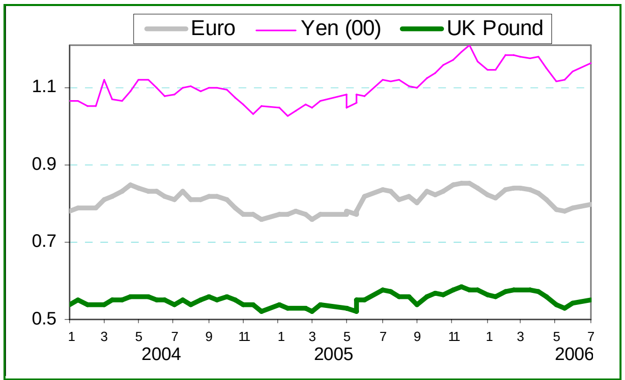
Attacks, threats and lesser altercations involving US Forest Service workers reached an all-time high last year. Incidents ranged from gunshots to stalking and verbal abuse.
http://www.usatoday.com/news/nation/2006-06-25-forest-service_x.htm

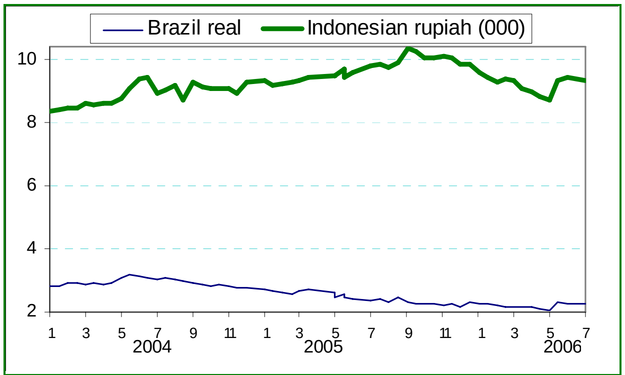
The International Court of Justice (ICJ) decided that current circumstances are not such as to require the exercise of ICJ power to indicate provisional measures against Uruguay as requested by Argentina in the case concerning pulp mills on the River Uruguay.
http://www.icj-cij.org/icjwww/idocket/iau/iauframe.htm

Main US Dollar Exchange Rates

As of 14th July 2006

Brazil	Real	2.217	⬆
CFA countries	CFA Franc	519.124	⬆
China	Yuan	7.998	
EU	Euro	0.791	⬆
Indonesia	Rupiah	9,175.00	⬆
Japan	Yen	116.31	⬇
Malaysia	Ringgit	3.671	⬆
Peru	New Sol	3.241	⬆
UK	Pound	0.545	⬆





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
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

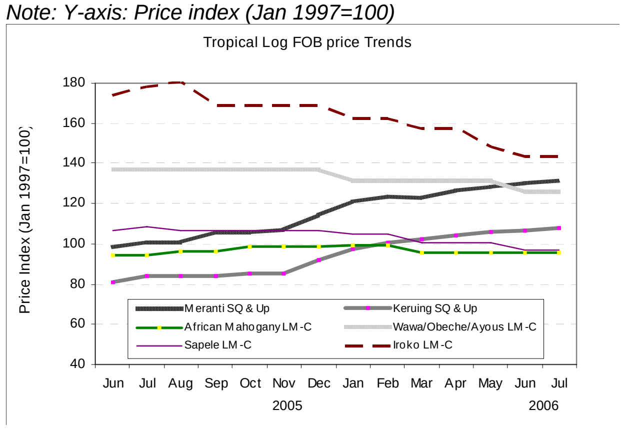
Ocean Freight Index

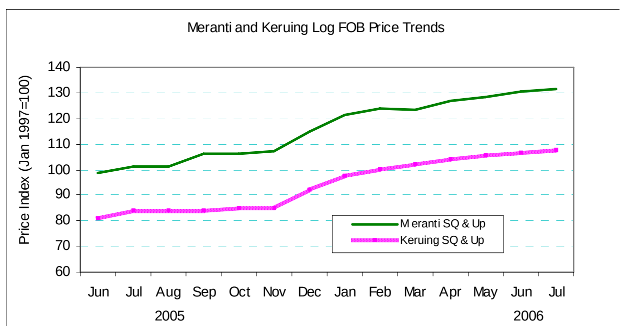
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major timecharter routes. It is based on a 52,454 mt bulk carrier carrying commodities such as timber.

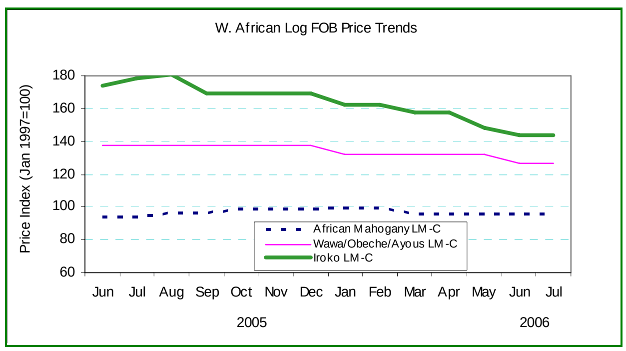
Appendix. Tropical Timber Price Trends

Tropical Log Price Trends

Note: Y-axis: Price index (Jan 1997=100)

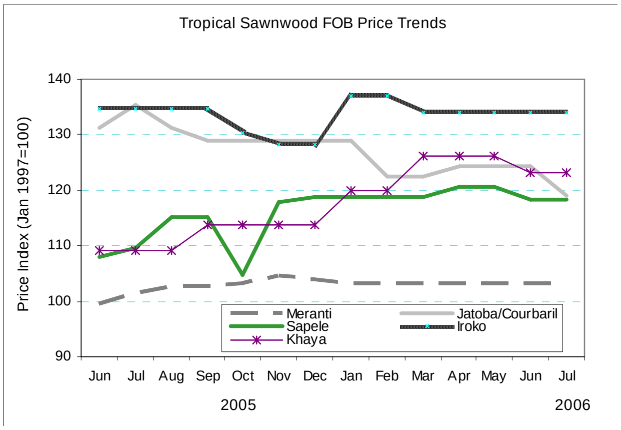


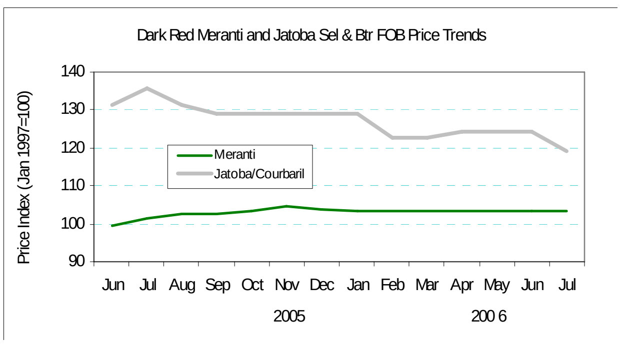


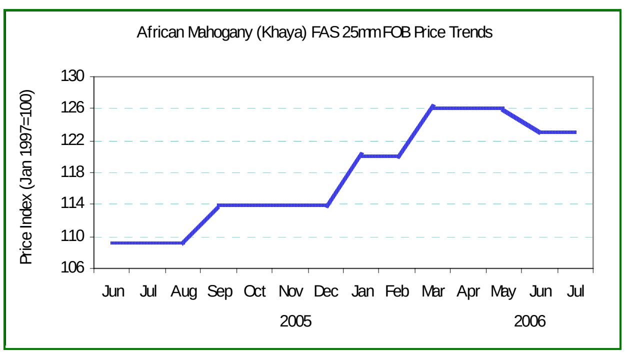


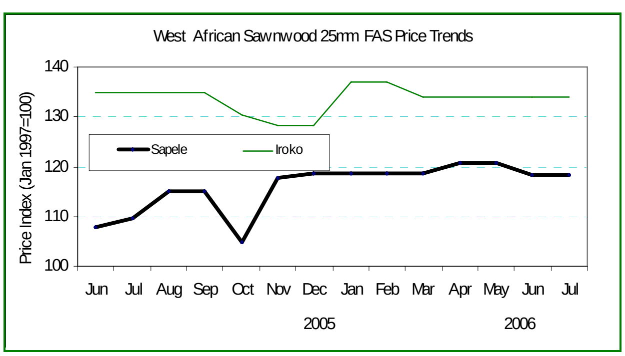
More price trends in Appendix 4, ITTO's Annual Review http://www.itto.or.jp/live/PageDisplayHandler?pageId=199

Tropical Sawnwood Price Trends

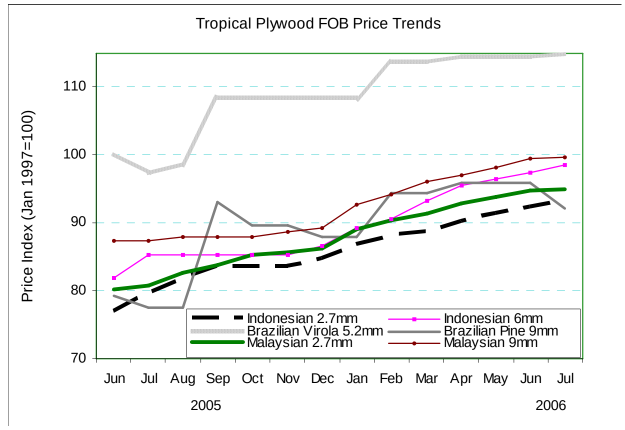


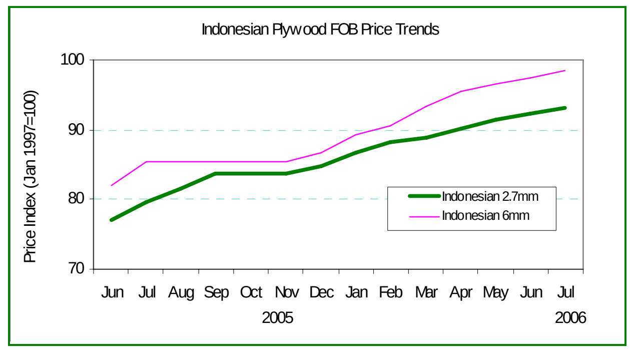


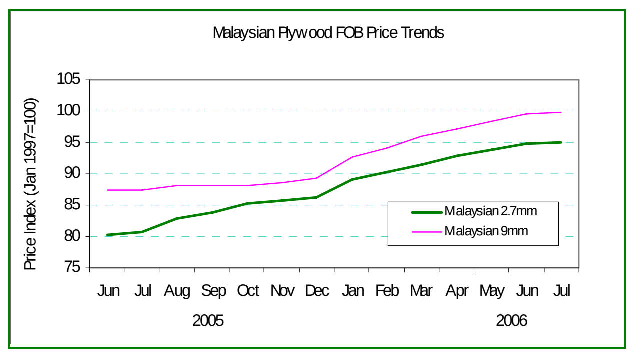


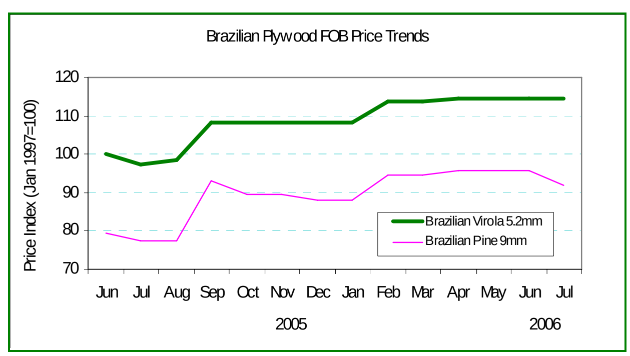


Tropical Plywood Price Trends









International Tropical Timber Organization (ITTO)
Market Information Service (MIS)

International Organizations Center - 5th Floor, Pacifico-Yokohama
1-1-1 Minato-Mirai, Nishi-ku, Yokohama 220-0012, Japan
E-mail: itto-mis@itto.or.jp **Website:** http://www.itto.or.jp