# Tropical Timber Market Report

Volume 15 Number 9, 1st – 15th May 2010



## Contents



## Top Story

**Log ban comes into effect**

The log export ban in Gabon takes effect as planned from midnight on 15th May. This puts an end to speculation about when the ban would come into force. Producers and traders in the region will now have to adapt to the new market conditions.

In the meantime, most of the very active log trading in the West and Central African region is centred in Cameroon and there has been frenetic bidding for all kinds of logs.

Sellers are insisting that depending on the total value of each transaction, a large proportion of the purchase price must be paid in advance and in cash. The balance is required immediately against the bills of lading. These rather ad-hoc transaction methods make the determination of the current price levels very difficult.

(see details on page 2)

## Headlines

## Report from Central/West Africa

**Log ban comes into effect**

The log export ban in Gabon takes effect as planned from midnight on 15th May. This puts an end to speculation about when the ban would come into force. Producers and traders in the region will now have to adapt to the new market conditions.

The situation is causing some unrest among the labour unions that this will inevitably lead to unemployment in the timber industry. According to reports, the port workers are already taking strike action and reports suggest that other labour unions are also considering similar action.

In the meanwhile, the industry is determining how to proceed given the current conditions in the sawn and processing markets. It is clear that current sawn lumber prices may have to rise in line with the recent surge in log prices. Exporters of further processed products have experienced even more difficult market conditions this year, as shown by the decline in exports of processed products from Ghana in particular, as well as from other West African producers.

Producers in Gabon say that much of their logging and transport equipment will be made redundant by the log export ban. For some, this would be around 50% of their total logging bulldozers and log haulers.

Local transport companies including the railways are expected to be hard hit by the removal of 1million tonnes of annual freight.

Although it is not possible for the time being to quantify any changes in log prices, some species such as okume, okan and tali have already experienced increasing prices before the ban.

The producers and traders in the region are now adapting to the new market conditions and planning their future production and market strategies. The log importing countries will also have to determine how to adapt to the reduced availability of logs from W. Africa.

**Prices difficult to determine**

Most of the very active log trading in the West and Central African region is centred in Cameroon and there has been frenetic bidding for all kinds of logs.

Sellers are insisting that depending on the total value of each transaction, a large proportion of the purchase price must be paid in advance and in cash. The balance is required immediately against the bills of lading.

These rather ad-hoc transaction methods make the determination of the current price levels very difficult. However, it is estimated that prices of most species are up by at least €5 - €10 per cu.m and still rising due to strong demand from buyers mainly for China and India. Also, demand in Europe is showing some slight improvement.

**West Africa Log Prices**

| West Africa logs, FOB | € per $m^3$ | | |
|---|---|---|---|
| Asian market | LM | B | BC/C |
| Acajou/ Khaya/N'Gollon | 205 | 205 | 153 |
| Ayous/Obéché/Wawa | 190 | 190 | 145 |
| Azobe & Ekki | 200 | 200 | 122 |
| Belli | 230 | 230 | - |
| Bibolo/Dibétou | 140 | 130 | |
| Bubinga | 580 | 510 | 390 |
| Iroko | 257 | 250 | 200 |
| Okoume (60% CI, 40% CE, 20% CS) (China only) | 200 | - | - |
| Moabi | 270 | 270 | 206 |
| Movingui | 180 | 145 | 140 |
| Niove | 130 | 130 | - |
| Okan | 290 | 290 | 135 |
| Padouk | 350 | 325 | 235 |
| Sapele | 220 | 220 | 155 |
| Sipo/Utile | 260 | 240 | 190 |
| Tali | 250 | 250 | 114 |
| | C1 | CE | CS |
| Okoume | 160 | 150 | 115 |

**West Africa Sawnwood Prices**

| West Africa sawnwood, FOB | | € per $m^3$ |
|---|---|---|
| Ayous | FAS GMS | 300 |
| Okoumé | FAS GMS | 370 |
| | FAS. fixed sizes | 340 |
| | Std/Btr GMS | 275 |
| Sipo | FAS GMS | 475 |
| | FAS fixed sizes | 320 |
| | FAS scantlings | 490 |
| Padouk | FAS GMS | 540 |
| | FAS scantlings | 490 |
| | Strips | 300 |
| Sapele | FAS Spanish sizes | 380 |
| | 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 | 295 |

## Report from Ghana

**Difficulties in attesting origin**

The Lacey Act Amendment, a law passed by the United States Congress in 2008, is significantly affecting handcraft exports from Ghana. The law requires that any product imported through the US customs is not among threatened or endangered species and complies with laws of origin.

According to the President of the Ghana Handicrafts Exporters Association, Mr. Osei Opoku- Ampomah, the Lacey Act poses a problem because many of the artisans producing for export are illiterate and thus unable to complete the necessary documentation. The association is working with the Forestry Commission in Ghana to develop a system that will assist the artisans.

Other timber product exporters from West Africa are facing the same problem. The West African Trade Hub organised a regional workshop to help exporters understand what the Lacey Act actually requires and how to comply with the requirements.

**Loans for SMEs resume**

Barclays Bank in Ghana has resumed offering credit facilities to small and medium sized companies, reports Business & Financial Times.

During the recent credit squeeze, the bank suspended loan facilities for SMEs because of non-performance and loan repayment problems by many borrowers. However, the bank has now resumed providing loans to SMEs on flexible terms.

**Ghana Log Prices**

| Ghana logs, domestic | US$ per m³ | |
|---|---|---|
| | Up to 80cm | 80cm+ |
| Wawa | 120-140⬆ | 145-160⬆ |
| Odum Grade A | 160-170 | 175-185 |
| Ceiba | 100-110 | 115-130⬆ |
| Chenchen | 85-100 | 105-120 |
| Khaya/Mahogany (Veneer Qual.) | 95-105 | 110-135 |
| Sapele Grade A | 135-150 | 160-175 |
| Makore (Veneer Qual.) Grade A | 125-135 | 140-166 |

**Ghana Export Sawnwood Prices**

| Ghana Sawnwood, FOB | € per m³ | |
|---|---|---|
| FAS 25-100mm x 150mm up x 2.4m up | Air-dried | Kiln-dried |
| Afrormosia | 855 | - |
| Asanfina | 500 | 545 |
| Ceiba | 205 | 260⬆ |
| Dahoma | 315 | 390 |
| Edinam (mixed redwood) | 400 | 430 |
| Emeri | 350 | 400 |
| African mahogany (Ivorensis) | 556 | 665 |
| Makore | 520 | 585 |
| Niangon | 475 | 620 |
| Odum | 630 | 690 |
| Sapele | 530 | 590 |
| Wawa 1C & Select | 250 | 290 |

| Ghana sawnwood, domestic | | US$ per m³ |
|---|---|---|
| Wawa | 25x300x4.2m | 247 |
| Emeri | 25x300x4.2m | 310 |
| Ceiba | 25x300x4.2m | 205 |
| Dahoma | 50x150x4.2m | 270 |
| Redwood | 50x75x4.2m | 295 |
| Ofram | 25x225x4.2m | 310 |

**Ghana Veneer Prices**

| Rotary Veneer, FOB | € per m³ | |
|---|---|---|
| | CORE (1-1.9mm) | FACE (<2mm) |
| Bombax | 315 | 350 |
| Ofram, Ogea & Otie | 315 | 350 |
| Chenchen | 315 | 350 |
| Ceiba | 310 | 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 m³ |
|---|---|
| Ceiba | 262⬆ |
| Chenchen | 295⬆ |
| Ogea | 295 |
| Essa | 285 |
| Ofram | 300 |

| Sliced Veneer, FOB | € per sq. m | |
|---|---|---|
| | Face | Backing |
| Afrormosia | 1.19 | 1.00 |
| Asanfina | 1.40 | 0.80 |
| Avodire | 1.12 | 0.60 |
| Chenchen | 1.25 | 0.54 |
| Mahogany | 1.25 | 0.70 |
| Makore | 1.20 | 0.63 |
| Odum | 1.80 | 0.95 |

**Ghana Plywood Prices**

| Plywood, FOB B/BB | € per m³ | | | |
|---|---|---|---|---|
| | Redwood | | Light Wood | |
| | WBP | MR | WBP | MR |
| 4mm | 560 | 465 | 500 | 380 |
| 6mm | 340 | 335 | 335 | 315 |
| 9mm | 365 | 320 | 295 | 280 |
| 12mm | 300 | 305 | 280 | 275 |
| 15mm | 310 | 290 | 280 | 270 |
| 18mm | 300 | 285 | 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 | 10.18 | 11.00 |
| Hyedua | 13.67 | 13.93 | 17.82 |
| Afrormosia | 13.72 | 18.22 | 17.82 |

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

| Mouldings (FOB export) | € per m³ |
|---|---|
| Dahoma grade 1 | 485 |
| Denya grade 1 | 516 |
| Hotrohotro grade 1 | 580 |
| Wawa grade 1 | 490 |
| Wawa grade 2 | 420 |
| Ekki grade 1 | 475 |
| Wawabimba Laminated grade 1 | 750 |

## Report from Malaysia

**Challenges in expanding trade**

The Timber Exporters' Association of Malaysia (TEAM) is expecting exports of timber and timber products to grow between 5% to 10% during the current year, up from RM19.5 billion registered in 2009.

The Malaysian timber industry is seeking new export opportunities in the Middle-East countries and India, in addition to its traditional markets in Japan, Europe and the US.

The timber industry is facing challenging times in finding workers and obtaining trade financing from local financial institutions. Some financers apparently perceive the timber industry as lacking environmental friendliness and as a sunset sector.

Some downstream timber companies may consider relocating their operations to countries like Vietnam or China to overcome the problem of finding workers.

The upward trend in freight charges over the last one year is also a serious challenge for the industry, especially as the weak demand makes it difficult to pass the increasing freight costs through price increases without risking a loss in sales.

### Three new furniture complexes in Sarawak

The Sarawak Timber Industry Development Corporation (STIDC) is proposing new furniture complexes to be located in Bintulu, Kapit and Lawas under the Tenth Malaysia Plan, a national development plan undertaken by the Federal government.

The three complexes are in addition to another three that are already in operation in Sarawak. These furniture complexes are set up to attract local furniture vendors as well as to provide training for them.

Currently, there are 47 vendors in Sarawak's existing furniture complexes and the plan is to have up to 5 vendors for each new complex. Complexes will function as incubation centres until the vendors are capable of setting up their own furniture production facilities.

### Decline in exports of logs from Sarawak

In the TTM Report Volume 15 Number 7, 1st–15th April 2010, it was reported that exports of wood products from Sarawak declined in the first two months of 2010 compared to the same period in 2009. This is incorrect as the decline was only in respect of exports of logs.

**Log Prices**

| Sarawak log, FOB | US$ per $m^3$ |
|---|---|
| Meranti SQ up | 232-256 |
| Small | 215-246 |
| Super small | 207-231 |
| Keruing SQ up | 220-232 |
| Small | 200-230⬆ |
| Super small | 178-208⬆ |
| Kapur SQ up | 211-236 |
| Selangan Batu SQ up | 190-227⬆ |

| Pen. Malaysia logs, domestic (SQ ex-log yard) | US$ per $m^3$ |
|---|---|
| DR Meranti | 238-257 |
| Balau | 303-332 |
| Merbau | 333-365⬆ |
| Rubberwood | 68-102⬆ |
| Keruing | 222-238 |

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 $m^3$ |
|---|---|
| DR Meranti | 396-432 |
| White Meranti A & up | 284-314 |
| Seraya Scantlings (75x125 KD) | 436-449 |
| Sepetir Boards | 253-275 |
| Sesendok 25,50mm | 347-365 |
| Kembang Semangkok | 304-327⬆ |

| Malaysian Sawnwood, domestic | US$ per $m^3$ |
|---|---|
| Balau (25&50mm,100mm+) | 327-347 |
| Merbau | 460-512 |
| Kempas 50mmx(75,100 & 125mm) | 261-301 |
| Rubberwood | |
| 25x75x660mm up | 214-264⬆ |
| 50-75mm Sq. | 253-285⬆ |
| >75mm Sq. | 275-304⬆ |

**Plywood Prices**

| Malaysia ply MR BB/CC, FOB | US$ per $m^3$ |
|---|---|
| 2.7mm | 411-473 |
| 3mm | 391-421 |
| 9mm & up | 338-410 |

| Meranti ply BB/CC, domestic | US$ per $m^3$ |
|---|---|
| 3mm | 334-425 |
| 12-18mm | 318-347 |

**Other Panel Prices**

| Malaysia, Other Panels, FOB | US$ per $m^3$ |
|---|---|
| *Particleboard* | |
| Export 12mm & up | 230-253 |
| Domestic 12mm & up | 215-232 |
| *MDF* | |
| Export 15-19mm | 283-314 |
| Domestic 12-18mm | 273-291 |

**Added Value Product Prices**

| Malaysia, Mouldings, FOB | US$ per $m^3$ |
|---|---|
| Selagan Batu Decking | 539-549 |
| Red Meranti Mouldings 11x68/92mm x 7ft up | |
| Grade A | 554-567 |
| Grade B | 507-517 |

**Furniture and Parts Prices**

| Malaysia, Rubberwood, FOB | US$ per piece |
|---|---|
| Semi-finished dining table solid laminated top 2.5'x4', extension leaf | 64-80 |
| As above, Oak Veneer | 71-85 |
| Windsor Chair | 63-65 |
| Colonial Chair | 61-66 |
| Queen Anne Chair (soft seat) | |
| without arm | 61-69 |
| with arm | 61-70 |
| Chair Seat 27x430x500mm | 49-54 |

| Rubberwood Tabletop 22x760x1220mm sanded & edge profiled | US$ per $m^3$ |
|---|---|
| Top Grade | 580-613 |
| Standard | 564-584 |

## Report from Indonesia

### Surge in revenue from processed timber exports

The state revenue from the processed timber exports increased to US$1.6 billion in the first quarter of 2010. The leap was significant compared to the same period last year valued at US$133 million.

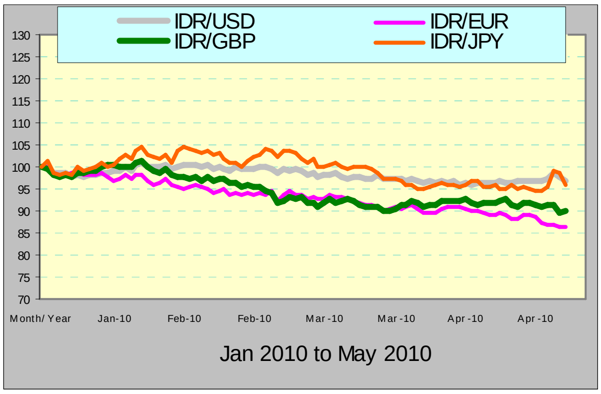
### Rupiah sustains strength

The prices of Indonesian timber products remain broadly stable. The downward trend in exchange rates of the main currencies against Indonesian Rupiah has the effect of making Indonesian exports more expensive.

In particular, the Euro is weakening due to the effect of the Greek crisis and the UK pound is also being dragged down.

However, increasing demand from the Asian markets is propping up timber export prices.

**Daily exchanges rates of the main currencies against the Indonesian Rupiah (Index 4th Jan 2010=100)**




### Lack of competitiveness of legal timber

Despite the favourable export figures, the Indonesian Forest Society (IFS) representing forestry companies in Indonesia is concerned about the vitality of Indonesian forestry companies.

Those companies which utilise illegally harvested logs which are cheaper than legally harvested, have a competitive advantage. This situation undermines the viability of companies operating within the law.

The smuggling of cheap illegal logs to overseas buyers also undercuts domestic businesses. This is dramatically weakening the profitability and vitality of the timber industry in Indonesia, says Sudradjat Djajapertjunda, the chairman of the Indonesian Forest Society.

A study by the Center for International Forestry Research (CIFOR) found that the average price for legally harvested logs was almost three fold compared to illegally harvested logs.

**Log Prices (domestic)**

| Indonesia logs, domestic prices | US$ per m$^3$ |
|---|---|
| Plywood logs | |
| Face Logs | 192-235 |
| Core logs | 173-206⬆ |
| Sawlogs (Meranti) | 183-244⬆ |
| Falcata logs | 150-184⬆ |
| Rubberwood | 60-84⬆ |
| Pine | 165-204 |
| Mahoni (plantation mahogany) | 474-502 |

**Sawnwood Prices**

| Indonesia, construction material, domestic | US$ per m$^3$ |
|---|---|
| Kampar (Ex-mill) | |
| AD 3x12-15x400cm | 182-201⬆ |
| KD | 203-237 |
| AD 3x20x400cm | 224-247 |
| KD | 226-255 |
| Keruing (Ex-mill) | |
| AD 3x12-15x400cm | 239-253 |
| AD 2x20x400cm | 226-244 |
| AD 3x30x400cm | 208-227 |

**Plywood Prices**

| Indonesia ply MR BB/CC, FOB | US$ per m$^3$ |
|---|---|
| 2.7mm | 396-453 |
| 3mm | 353-394 |
| 6mm | 332-374 |

| MR Plywood (Jakarta), domestic | US$ per m$^3$ |
|---|---|
| 9mm | 255-266 |
| 12mm | 247-257 |
| 15mm | 236-250 |

**Other Panel Prices**

| Indonesia, Other Panels, FOB | | US$ per m$^3$ |
|---|---|---|
| *Particleboard* | Export 9-18mm | 219-228 |
| | Domestic 9mm | 199-211 |
| | 12-15mm | 191-202 |
| | 18mm | 182-194⬆ |
| *MDF* | Export 12-18mm | 253-266 |
| | Domestic 12-18mm | 235-246 |

**Added Value Product Prices**

| Indonesia, Mouldings, FOB | US$ per m$^3$ |
|---|---|
| Laminated Boards | |
| Falcata wood | 301-314 |
| Red Meranti Mouldings 11x68/92mm x 7ft up | |
| Grade A | 489-523 |
| Grade B | 445-466 |

## Report from Myanmar

### LUS promoted in MHFF'10

The Myanmar Hardwood Furniture Fair (MHFF'10) was held jointly by two governmental agencies: Myanmar Timber Enterprise (MTE) and Myanmar Timber Entrepreneurs' Association (MTA). The fair was held at the Myanmar Convention Centre in Yangon.

The furniture fairs have been held once every two years since 2004. Previous fairs focussed exclusively on teakwood furniture and the MHFF'10 was the first to have a theme on non-teak hardwood furniture.

At the fair, the Forestry Minister pointed out the need to increase utilisation of Lesser Used Species (LUS). The MHFF'10 was to promote sustainable and more efficient use of forest resources, expansion of the domestic furniture production and the utilisation of modern technology in processing LUS.

Both the public and private sectors were urged to make use of the technical information and experience gained from the MHFF'10, and to promote the LUS in lieu of traditional timber species like Teak and Pyinkadoe.

The fair presented various types of furniture and secondary wood products such as plywood, parquet floorings, doors, a special item called 'Environmentally friendly and Economical floorings' and rattan furniture. The products were mainly made from Gurjan and other LUS.

**ASEM Conference**

Seven participants from Myanmar attended the ASEM Conference on Forests, Forest Governance and Forest Products Trade: Scenarios and Challenges for Europe and Asia held in Cambodia from 4th to 5th May 2010.

Analysts say that many from the timber sector in Myanmar welcome the FLEGT and Timber Certification schemes as means of promoting legal trade.

**Myanmar Log Prices (natural forest logs)**

| Teak Logs, FOB | € Avg per Hoppus Ton (traded volume) | |
|---|---|---|
| *Veneer Quality* | Mar | Apr |
| 2nd Quality | nil | 6,501 (3 tons) |
| 3rd Quality | 6,001 (5 tons) | 5,639 (4 tons) |
| 4th Quality | 4,899 (10 tons) | 5,038 (12 tons) |
| *Sawing Quality* | | |
| Grade 1 (SG-1) | 3,105 (39 tons) | 3,054 (41 tons) |
| Grade 2 (SG-2) | 2,600 (37 tons) | 2,656 (41 tons) |
| Grade 3 (SG-3) | nil | nil |
| Grade 4 (SG-4) | 2,005 (217 tons) | 1,749 (217 tons) |
| Grade 5 (SG-5) Assorted | 1,408 (181 tons) | 1,259 (68 tons) |
| Grade 6 (SG-6) Domestic | 1,244 (58 tons) | 1,084 (103 tons) |
| Grade 7 (ER-1) | 905 (103 tons) | 807 (189 tons) |
| Grade 8 (ER-2) | nil (-) | 605 (3 tons) |
| Short Logs 6 ft. / 7 ft. | nil | nil |

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

## Report from India

**Strong demand and Rupee push prices up**

The market demand and flow of imports of plantation teak logs and squares are good and prices are firming. The strengthening of the Indian Rupee against the US$ is benefiting the Indian importer.

Plywood mills are facing scarcity of raw materials coupled with rising costs of logs and a shortage of labour. Consequently, some plywood mills in the north part of the country have seen it necessary to increase plywood prices.

**Indian trade scene**

Some issues in India concerning the EU FLEGT Action Plan were raised at the ASEM Conference in Cambodia on 4th and 5th May 2010.

The speaker from India pointed out that authenticated documentation is required on imports to prevent any illegal timber entering from producing countries. However, third-party authentication is problematic and there can be illegal timber flows through a third country that is difficult to identify.

Illegal imports are perceived to have a negative effect on local employment and state income. Smuggled products sold at low prices depress domestic timber production. Educating the domestic industry on responsible procurement and creating balanced markets for responsible wood suppliers are necessary to prevent forest law violations and smuggling.

Several measures and regulations have been set up in India to prevent domestic illegal logging. In most of the states wood processing factories are not authorised to operate within 10 km from forest the boundary. Factories are obligated to have licences to operate which are granted only if all inputs are certified. CITES-listed species and any other illegal exports are seized at the boundaries to prevent trade in these species.

**Prices firm at Gujarat hardwood auctions**

Auction sales in the North and South Dang's depots in Gujarat were held recently. The total volume of Teak traded amounted to 7,500 cu.m. Brisk trade kept prices at the same levels as in two preceding auctions.

Teak from Gujarat forests is favoured by domestic boat builders because the logs are of a length suitable for keels and masts. These long Teak logs were traded at between US$1,700-1,780 per cu.m and few batches with longer lengths fetched US$3,100 per cu.m.

Teak suitable for use as beams in house construction attracted average price of US$1,320 per cu.m while smaller sizes for doors and windows were priced around US$930-1,160 per cu.m. Medium quality sawing grade logs ranged from US$620 to US$780 per cu.m.

Laurel and Haldu were the main non-teak species traded and prices were around US$310 per cu.m. Prices for a few special batches reached as high as US$620 per cu.m.

**CNF Plantation Teak**

| | US$ per m$^3$ |
|---|---|
| Sudan sawn | 750-800 |
| Ivory Coast logs | 550-600 |
| PNG logs | 450-500 |
| El-salvador logs | 375-400 |
| Guatemala logs | 395-415 |
| Ghana logs | 425-450 |
| Benin logs | 425-450 |
| Brazil squares | 450-475 |
| Togo logs | 325-350 |
| Ecuador logs | 275-300 |
| Costa Rica logs | 400-425 |
| Panama logs | 300-325 |

**India Sawnwood Prices (domestic)**

| Sawnwood (Ex-mill) | Rs. per ft$^3$ |
|---|---|
| Myanmar Teak (AD) | |
| Export Grade F.E.Q. | 4500-5500 |
| 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$^3$ |
|---|---|
| Merbau | 1400 |
| Balau | 1150 |
| Kapur | 1000 |
| Red Meranti | 650 |
| Bilinga | 650 |
| Radiata Pine (AD) | 375-400 |

| Sawnwood, (Ex-warehouse) (KD) | Rs per ft$^3$ |
|---|---|
| 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 | 22.5⬆ |
| 6 mm | 32.5⬆ |
| 12 mm | 47.0⬆ |
| 15 mm | 56.0⬆ |
| 18 mm | 68.0⬆ |

| Locally Manufactured Plywood "Commercial Grade" | Rs per sq.ft | |
|---|---|---|
| | Rubberwood | Hardwood |
| 4mm | Rs.8.50⬆ | Rs.15.5⬆ |
| 6mm | Rs.13.00⬆ | Rs.22.5⬆ |
| 8mm | Rs.16.00⬆ | Rs.25.5⬆ |
| 12mm | Rs.19.50⬆ | Rs.27.5⬆ |
| 18mm | RS.24.50⬆ | Rs.36.0⬆ |
| 5mm Flexible ply | Rs.16.0⬆ | Rs.20.0⬆ |

## Report from Brazil

**Economic package to boost exports**

Companies located in the southern state of Rio Grande do Sul expect to gain competitiveness in foreign markets since an economic package to stimulate exports was announced in the beginning of May.

According to the Ministry of Finance, 10 measures are considered essential to address the country's external balance, which recorded a deficit of US$12.14 billion in the first quarter of 2010, the highest since 1947.

Among the initiatives to boost export performance is the guaranteed return of 50% of the federal tax within 30 days, instead of the current five years. The remaining 50% of tax returns will follow the current rule.

The Ministry hopes that the measure will have an immediate and positive impact on the competitiveness of Brazilian production. According to the Industry Federation of Rio Grande do Sul (FIERGS), the sales price of manufactured goods could be reduced by at least 5% as a result of the new tax refund system. The measure, however, applies only to companies that have at least 30% of their revenues from exports over the past two years.

According to the Association of Furniture Industry of Rio Grande do Sul (MOVERGS), the furniture industry may benefit from the new tax return measure. The industry also expects an increase in export credit offered by the Export-Import Bank.

**Wood furniture industry sees growth in 2010**

The Brazilian Furniture Industry Association (ABIMÓVEL), forecasts a 10% growth in the sector for this year bringing output back to levels in 2008.

In 2008, Brazilian production of wood furniture reached R$22 billion. In 2009, sales fell 18% to about R$18 billion due to the global economic crisis. In the same period, exports declined by 28%. Furniture valued at R$2 billion were exported in 2008 but only R$1.3 billion was exported in 2009.

The performance of the sector from December 2009 to February this year has shown an upward trend. Sales during this period increased 13% and the mill capacity utilisation rose from 70% to 85%.

Argentina, the largest importer of Brazilian wood furniture, increased imports by 50% in 2009 compared to 2008. The second largest importer was France, despite an 11% decrease in purchases. Other major importers were the UK and the US, with 27% and 23% increase in imports respectively.

**Forest Concessions at Amaná National Forest, Pará**

The Brazilian Forest Service has announced some details of the forest concessions available in the Amaná National Forest in Pará state. A total of 210,000 hectares will be available for legal and sustainable logging. Timber production is expected to reach 150,000 cubic metres per year and generating revenue around R$6.7 million.

Besides timber, the forest concession bid winners can utilise non-timber forest products and carry out ecotourism activities. The revenue obtained from the concession shall be distributed among all levels of government (Union, State and Municipalities) and 30% will be designated to monitoring and control of concession areas. The remaining revenue must be used to promote conservation and sustainable forest practices.

**Brazil Log Prices (domestic)**

| Brazilian logs, mill yard, domestic | US$ per m$^3$ |
|---|---|
| Ipê | 144 |
| Jatoba | 103 |
| Guariuba | 68 |
| Mescla (white virola) | 75 |

**Brazil Export Sawnwood Prices**

| Sawnwood, Belem/Paranagua Ports, FOB | | US$ per m$^3$ |
|---|---|---|
| Jatoba Green (dressed) | | 827 |
| Cambara KD | | 477 |
| Asian Market (green) | Guariuba | 266 |
| | Angelim pedra | 619 |
| | Mandioqueira | 231 |
| Pine (AD) | | 192 |

| Brazil sawnwood, domestic (Green) | | US$ per m³ |
|---|---|---|
| *Northern Mills* (ex-mill) | Ipé | 692 |
| | Jatoba | 530 |
| *Southern Mills* (ex-mill) | Eucalyptus (AD) | 185 |
| | Pine (KD) 1st grade | 237 |

**Brazil Veneer Prices**

| Veneer, Export (Belem/Paranagua Ports) FOB | US$ per m³ |
|---|---|
| White Virola Face 2.5mm | 293 |
| Pine Veneer (C/D) | 206 |

| Rotary cut Veneer, domestic | US$ per m³ | |
|---|---|---|
| (ex-mill Northern Mill) | Face | Core |
| White Virola | 253 | 211 |

**Brazil Plywood Prices**

| Plywood, FOB | US$ per m³ |
|---|---|
| White Virola (US Market) | |
| 5.2mm OV2 (MR) | 475 |
| 15mm BB/CC (MR) | 410 |
| White Virola (Caribbean market) | |
| 4mm BB/CC (MR) | 519 |
| 12mm BB/CC (MR) | 416 |

| Pine Plywood EU market, FOB | US$ per m³ |
|---|---|
| 9mm C/CC (WBP) | 276 |
| 15mm C/CC (WBP) | 252 |
| 18mm C/CC (WBP) | 247 |

| Plywood, domestic (ex-mill Southern mill) | | US$ per m³ |
|---|---|---|
| Grade MR (B/BB) | White Virola 4mm | 867 |
| | White Virola 15mm | 633 |

Domestic prices include taxes and may be subject to discounts.

**Other Brazil Panel Prices**

| Belem/Paranagua Ports, FOB | US$ per m³ |
|---|---|
| Blockboard Pine 18mm 5 ply (B/C) | 311 |
| *Domestic Prices,* Ex-mill Southern Region | |
| Blockboard White Virola faced 15mm | 552 |
| Particleboard 15mm | 351 |

**Brazil Added Value Products**

| FOB Belem/Paranagua Ports | | US$ per m³ |
|---|---|---|
| Edge Glued Pine Panel | | |
| Korean market (1st Grade) | | 634 |
| US Market | | 486 |
| Decking Boards | Cambara | 604 |
| | Ipê | 1,583 |

## Report from Peru

### Techical support for Lorento concessionaires

Peru's Agency for Supervision of Forest Resources and Wildlife (OSINFOR) has proposed that forest concessionaires in Loreto should establish strategic alliances to strengthen forest management.

In this regard, Osinfor will provide technical assistance to forest concessionaires to enable them to prepare, implement and monitor their management and annual operational plans efficiently.

### Changing operational environment for carpentry

The Peruvian woodwork sector fell 15% during the economic crises. This year, production is expected to grow but there is a need to develop the furniture sector in terms of design and technological innovations.

At present, houses tend to be smaller when different styles and designs for interior products and furniture are required. This makeover has been employing the woodwork and furniture industry.

The woodwork and furniture sector was recently promoted in the carpenters fair held in Lima.

### Progress in drafting new forest law

The process of drafting the new forestry law continues. Progress has been made in the text concerning aspects of institutional strengthening and control.

The proposed text also emphasises economic and social aspects based on the premise that forest degradation is generally a product of the informal sector and illegal logging.

The new law intends to introduce interesting innovations to facilitate private investment. In addition, while it is recognised that the owner of forest is the state, rights can be assigned to others.

**Peru Sawnwood Prices**

| Peru Sawnwood, FOB Callao Port | | US$ per m³ |
|---|---|---|
| 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 | 529-579⬆ |

| Peru Sawnwood, FOB Callao Port (cont.) | US$ per m³ |
|---|---|
| Virola 1-2" thick, length 6'-8' KD | |
| Grade 1, Mexican market | 302-354⬆ |
| Grade 2, Mexican market | 248-265⬆ |
| Cumaru 4" thick, 6'-11' length KD | |
| Central American market | 831-855 |
| Asian market | 829-888 |
| 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 Sawnwood, FOB Iquitos | US$ per m³ |
|---|---|
| Spanish Cedar AD Select Mexican market | 887-909 |
| Virola 1-2" thick, length 6'-13' KD | |
| Grade 1, Mexican market | 286-310⬆ |
| Grade 2, Mexican market | 242-256⬆ |
| Grade 3, Mexican market | 132-151 |
| Marupa (simarouba) 1", 6-13 length KD | |
| Grade 1, Mexican market | 211-222 |

| Peru sawnwood, domestic | US$ per m³ |
|---|---|
| Mahogany | 887-923 |
| Virola | 52-69 |
| Spanish Cedar | 268-321 |
| Marupa (simarouba) | 59-72 |

**Peru Veneer Prices**

| Veneer FOB | US$ per m³ |
|---|---|
| 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 m³ |
|---|---|---|
| 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 | US$ per $m^3$ |
|---|---|
| (Iquitos mills) | |
| 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 $m^3$ |
|---|---|
| 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 $m^3$ |
|---|---|---|
| Cabreuva/estoraque KD12% S4S, Asian market | | 1348-1444 |
| Cumaru KD, S4S | Swedish market | 788-897 |
| | Asian market | 1077-1234↓ |
| Cumaru decking, AD, S4S E4S, US market | | 929-1103 |
| Pumaquiro KD # 1, C&B, Mexican market | | 423-511 |
| Quinilla KD, S4S 2x10x62cm, Asian market | | 502-527 |
| | 2x13x75cm, Asian market | 712-779 |

## Report from Guyana

**Market news**

Average prices for logs remain relatively stable. Maximum prices for Purpleheart logs held at US$ 250 per cubic metre for all three quality groups.

Prices for Mora standard sawmill quality logs increased while small sawmill quality logs recorded a decline in prices.

For the period under review, the lesser utilised species exported included Kautaballi (Licania majuscule) and one of Guyana's rare species, Dukaliballi (Brosmium spp).

Sawnwood exports contributed positively to the total export earnings for this fortnight period with Greenheart rough sawn (Undressed) select quality seeing some price increase compared to the previous period (US$ 848/742).

Rough sawn (Undressed) Purpleheart and Mora average prices remained stable for this period.

Dressed Greenheart sawnwood fetched an average price level of US$ 1030 per cu.m. Guyana's Ipe (Washiba) achieved a high average price for this fortnight period (US$ 1750 per cubic metre).

Only BB/CC Baromalli plywood was exported and price levels, as recorded during the previous two weeks, were maintained.

Splitwood also made a significant contribution to the total export earnings for this fortnight period.

Value added products such as doors, mouldings, indoor furniture, crafts, non timber forest products, windows and wooden utensils have all contributed positively to the total export value earnings for this fortnight period.

**Guyana Log Prices**

| Logs, FOB Georgetown | SQ - $ Avg unit value per $m^3$ | | |
|---|---|---|---|
| | Std | Fair | Small |
| Greenheart | 160-170↑ | 150-160↑ | 145 |
| Purpleheart | 200-250↓ | 170-250↓ | 150-250↑ |
| Mora | 120-145↑ | 115-120 | 110↓ |

*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 $m^3$ | |
|---|---|---|---|
| EU and US markets | | Undressed | Dressed |
| Greenheart | Prime | 666↓ | - |
| | Standard | - | 649-1030↑ |
| | Select | 575-848↑ | |
| | Sound | - | |
| | Merchantable | - | |
| Purpleheart | Prime | - | - |
| | Standard | - | 700-784↓ |
| | Select | 657-750 | |
| | Sound | - | |
| Mora | Prime | - | |
| | Select | 500 | |
| | Sound | 450 | |
| | Merchantable | 400 | |

**Guyana Plywood Prices**

| Plywood, FOB Georgetown Port | | | $ Avg unit val. per $m^3$ |
|---|---|---|---|
| Baromalli | BB/CC | 5.5mm | No export |
| | | 12mm | 390-430↓ |
| | Utility | 5.5mm | No export |
| | | 12mm | No export |

## Report from Japan

**Tropical logs**

Prices for tropical logs in Japan have risen due to the higher FOB prices being demanded by suppliers and because of increased freight costs.

Market prices for Sarawak Meranti Regular are currently around Yen 6,400-6,500 per koku CIF up Yen 100 from the level in April. Prices of Yen 5,400 for Meranti Small are also up Yen 100. The JLR is forecasting Meranti Regular prices as high as Yen 7,000 if the bullish attitude of suppliers continues.

Current FOB prices for Sarawak Meranti Regular are around US$195 per cu.m, up slightly from a month ago due to pressure from the suppliers who are still asking for a price of US$200. For Meranti, Small FOB prices are around US$165-168 per cu.m.

The JLR reports that the price difference between Regular and Small and Super Small Meranti logs is narrowing mainly due to the preference for Small and Super Small logs by the mills in Sarawak.

Kapur prices in Sabah are also climbing upward reaching US$280 as a result of increasing purchases from China and India.

Plywood mills in Japan utilising imported tropical hardwoods are maintaining much reduced production levels. The JLR says that, because plywood demand in Japan remains very subdued, mill output is only around 30% of full capacity.

Monthly consumption of tropical logs in Japan at around 45,000 cu.m remains unchanged from the previous month. However, log stocks have declined and some mills are actively purchasing tropical logs in spite of the higher prices being demanded.

**Plywood**

Prices for both domestically manufactured and imported plywood have risen slightly. The domestic softwood plywood market in particular has seen price increases largely due to the determination of manufacturers to push prices upwards.

12mm 3x6 panels were selling at Yen 700 per sheet but for May deliveries, the manufacturers have been demanding Yen 750 per sheet. The JLR reports that plywood inventories at the end of March were less than 162,700 cu.m, some 34% down compared to the level in March 2009 and almost 5% down on the level in February.

The availability of imported 2x6 coated formboard is said to be tight and prices have moved up to Yen 740-750 per sheet. 3x6 panels are selling at Yen 1,030-1,040 per sheet.

The JLR reports that prices for thin and medium thin panels are also moving up.

**Supply of Chilean Radiata**

The first shipment of radiata pine sawnwood from Chile since the early March earthquake has arrived in Japan. While the transport and shipping infrastructure in Chile had been badly damaged, the ports of Coronel and Lirquen are back in operation.

Japanese importers have been forced to look for alternatives sources of crating material and have increased imports of Radiata from New Zealand but at much higher prices than the Radiata from Chile.

The recent arrival in Japan of around 35,000 cu.m of Chilean Radiata will temporarily ease the shortage because inventories are still low and the demand is holding, says the JLR.

**March housing starts**

Total housing starts in Japan during March were 65,008 units, 2.4% less than in the same month a year earlier. However, the seasonally adjusted housing starts rose 7.6% from February.

The rate of housing starts has been negative over a year but the pace of decline has eased. The JLR reports that March building permits were 9% more than in March 2009 and have been increasing for the past five months.

**Subsidies for energy saving**

There are several energy saving measures being considered in Japan and one involves the insulation and construction industry, reports the JLR.

In support of the energy saving standard which came into force last year, the Japanese government is offering a subsidy of a maximum of Yen 300,000 if householders reform their homes to meet the new standard. When new homes are built to the current standard, homeowners can also benefit from a 1% reduction in the mortgage interest rate. The JLR reports that the government plans to make it compulsory for all newly built homes to meet the energy saving standard.

The tropical timber industry could benefit from the energy saving initiatives in Japan if the excellent thermal insulation properties of wood are promoted.

**Formaldehyde standard**

In 2003, the Japanese Building Standards Act set formaldehyde standards for housing components. This Act stipulates that emissions from building components such as plywood, fibreboard, particleboard and adhesives must meet the F4-star rating. In 2004, the JIS standard for formaldehyde emissions from furniture was introduced but in contrast to the standard for housing components, the JIS standard (JIS S1021-2004) only requires that furniture meet the F3-star rating, except in the case of some school furniture.

Members of the National Federation of Joinery Manufacturers in Japan have now started a voluntary labelling scheme to alert consumers that furniture made in Japan from locally manufactured panel products and low emission paints and adhesives are less than the minimum F3star emission levels as set in the JIS standard.

It is pointed out in the JLR that imported furniture has only to meet the lower F3-star rating as defined in the JIS standard on furniture.

**Hardwood stock in the USA growing**

The USA is the major hardwood exporter in the world. According to JLR, the American hardwood Export Council (AHEC) has indicated that the USA has a 10 billion cu.m hardwood standing stock with an annual growth at around 300 million cu.m, of which only around half is harvested annually.

AHEC is actively encouraging the US industry to acquire forest certification to secure its domestic and overseas markets.

**Log and Sawnwood Prices in Japan**

| | |
|---|---|
| Logs for Ply Manufacture, CIF | Yen per Koku |
| Meranti (Hill, Sarawak) | (Koku=0.278 $m^3$) |
| Medium Mixed | 6,300⬆ |
| Standard Mixed | 6,500⬆ |
| Small Log (SM60%, SSM40%) | 6,300⬆ |
| Taun, Calophyllum, others (PNG) | 8,000 |
| 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 $m^3$ |
| 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) | Apr | May |
|---|---|---|---|
| | | (¥ 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 | 890 | 890 |
| 12mm for foundation (F 4star, special) | 910 X 1820 | 920 | 940 |
| 12mm concrete-form ply (JAS) | 900 X 1800 | 870 | 890 |
| 12m coated concrete-form ply (JAS) | 900 X 1800 | 1010 | 1050 |
| 11.5mm flooring board | 945 X 1840 | 1150 | 1150 |
| 3.6mm baseboard for overlays (OVL) | 1230 X 2440 | 740 | 740 |
| **OSB (North American)** | | | |
| 12mm foundation of roof (JAS) | 910 X 1820 | - | - |
| 9mm foundation for 2 by 4 (JAS) | 910 X 2440 | - | - |
| 9mm conventional foundation (JAS) | 910 X 2730 | - | - |
| 9mm conventional foundation (JAS) | 910 X 3030 | - | - |

## Report from China

### First quarter imports soar

In the first quarter of 2010, total log imports to China were 7.7 million cu.m valued at US$1.3 billion, up 37% in volume and 60% in value over the same period last year.

Of the total, log imports from Russia rose 5% to 3.5 million cu.m, imports from New Zealand soared 144% to 1.3 million cu.m and imports from Malaysia increased 144% to 264,200 cu.m.

Tropical log imports amounted to 2 million cu.m, increasing 48% over the last year. Tropical logs accounted for 27% share of the total exports.

### Sawnwood imports

Around 3 million cu.m of sawnwood (including sleepers) valued at US$691 million were imported in the first quarter of 2010. Sawnwood imports increased 83% in volume and 85% in value over the first quarter period last year.

Russia, the major supplier of sawnwood, saw China's imports increase by 40% from the same period last year. Canada, USA and Thailand also improved their exports to China significantly.

### Imports of panels, veneer and plywood

Veneer imports amounted to 9 200 tonnes (US$15 million) rising 13% in volume and 19% in value during the first quarter of 2010.

Particleboard imports followed the trend increasing 83% in volume and 85% in value totalling 73,500 tonnes valued at US$23 million.

On the other hand, fibreboard imports showed more moderate increase, up 5% in volume and 10% in value. The total imports were 54,500 tonnes valued at US$26 million.

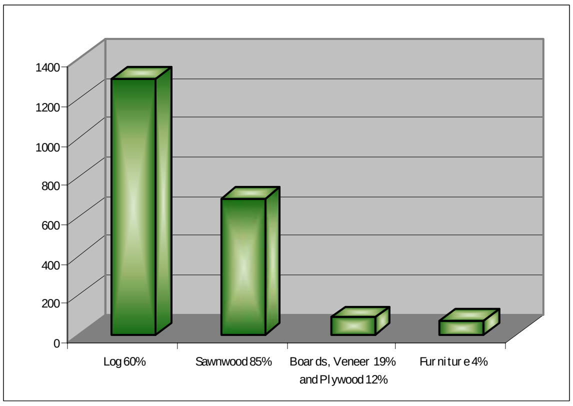
Similarly, plywood imports were 40,100 cu.m in volume and US$22 million in value, increasing 20% and 12% respectively over the same period.

### SPWPs and wooden furniture imports

Imports of secondary processed wood products (SPWPs) including wooden doors, windows, knockdown kitchen furniture, handicraft and packaging etc. amounted to US$23 million, up 45% over the same period last year.

The first quarter furniture imports by China were valued at US$72 million. These imports included wooden frame seats, office furniture, kitchen furniture and bedroom furniture. China's furniture imports were up 4% in value from the same period last year.

**Forest Product Imports to China (million US$) in the first quarter of 2010. The percentage is the increase in value over the same period in 2009.**




### Sharp increase in exports

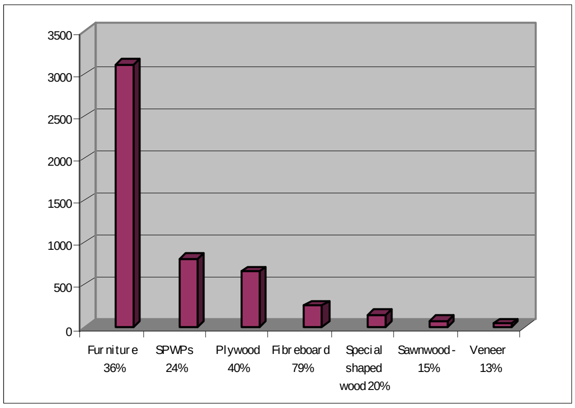
The total value of wooden furniture exported was US$3,119 million, up 36% from the first quarter period of last year. Data from China Customs showed that wooden furniture is still the major timber product exported.

The second largest export category was other SPWPs including wooden doors and windows, flooring, wooden handicrafts and wooden packaging. A total of US$808 million was exported in this category, up 24% over the same period in 2009.

Similarly, plywood exports increased considerably in the first quarter of 2010. A total of 1.4 million cu.m valued at US$649 million of plywood was exported, an increase of 46% in volume and 40% in value over the same period in 2009. Plywood exports to the US were 252,600 cu.m, up 13%. China's exports to the US accounted for 18% of total plywood exports. Exports to United Arab Emirates, UK, Japan and Korea also rose 110%, 85%, 68% and 83% respectively.

Other wood product exports were 436,800 tonnes of fibreboard (US$247 million, up 79%), 97,500 tonnes of mouldings (US$148 million, up 20%), 114,800 cu.m of sawnwood (US$72 million, down 15%) and 20,900 tonnes of veneer (US$43 million, up 13%).

**Forest Product Exports from China (million US$) in the first quarter of 2010. The percentage is the increase in value over the same period in 2009.**




### Developments and problems of wooden door industry

The rapid economic growth and fast development of the construction sector have resulted in the rapid expansion of China's wooden door industry which has grown at the annual rate of 20% over the last ten years. According to available statistics, the output of this industry amounted to 60 billion Yuan in 2009, up 20% over the year before. The value of exports was 3.1 billion Yuan, accounting for 5% of the total output value.

However, according to analysts domestic production of wooden doors could not still meet the huge domestic demand. The annual consumption of doors is approximately 100 million square metres or 60-70 million door sets each year. The domestic production capacity, say local analysts, can only meet less than one-third of the total demand.

Over half of the 5,000 wooden door manufacturers in China are not able to produce to a standard demanded by consumers. Problems such as low efficiency, poor quality and varying industry standards are some of the limiting factors.

### Wood Plastic Composite emerging

Wood plastic composite (WPC), a material made of waste wood and waste recyclable plastic is said to combine the best properties of both wood and plastic.

In China, about 2.5 million tonnes of waste plastic, over 8 million tonnes of waste wood, 10 million tonnes of logging residues, 200 million tonnes of crop stalks and 35 million tonnes of rice husk are produced each year. There is thus a huge potential in recovery and utilisation of residues.

China has limited wood resources relative to its needs and the Chinese government has been supporting the recovery and integrated utilisation of wood. As a result, rapid progress has been made in the development of wood plastic composites.

It is reported that China currently has 170 enterprises producing wood plastic composites with an annual output value of RMB 1 200 million, the second largest production in the world.

Experts believe that this industry will grow at a rate of 30–50% annually in the near future.

**Guangzhou City Imported Timber Market**

| | |
|---|---|
| *Logs* | Yuan per $m^3$ |
| Lauan (50-60cm) | 1900-2100 |
| Kapur (up to 79cm) | 2000-2100↑ |
| Merbau 6m, (up to 79cm) | 3500-4000 |
| Teak | 11000-13000 |
| Wenge | 5200-5300 |
| *Sawnwood* | |
| Teak sawn grade A (Africa) | 9300 |
| US Maple 2" KD | 7500-10000 |
| US Cherry 2" | 10000-13000 |
| US Walnut 2" | 14000-15500 |
| Lauan | 5500↑ |
| Okoume | 4500-5000 |
| Sapele | 6300-6500 |

**Shanghai Furen Wholesale Market**

| | | |
|---|---|---|
| *Sawnwood* | | Yuan per $m^3$ |
| Beech KD Grade A | | 4900-5000↑ |
| US Cherry, 1 inch | | 9500-10000 |
| US Red Oak, 50mm | | 6500-7000 |
| Sapele 50mm FAS (Congo) | | |
| | KD (2", FAS) | 6500-6600↑ |
| | KD (2",grade A) | 5500-5800↓ |

**Shandong De Zhou Timber market**

| | | |
|---|---|---|
| *Logs* | | Yuan per $m^3$ |
| Larch | 6m, 24-28cm diam. | 1160↓ |
| White Pine | 6m, 24-28cm diam. | 1280 |
| Korean Pine | 4m, 30cm diam. | 1350↓ |
| | 6m, 30cm diam. | 1450↓ |
| Mongolian Scots Pine | 6m, 30cm diam. | 1320 |

**Hebei Shijiangzhuang Wholesale Market**

| | | |
|---|---|---|
| *Logs* | | Yuan per $m^3$ |
| Korean Pine 4m, 38cm+ diam | | 1700 |
| Mongolian Scots Pine | 4m, 30cm diam. | 1250↓ |
| | 6m, 30cm+ diam. | 1350 |
| *Sawnwood* | | |
| Mongolian Scots Pine | 4m, 5-6cm thick | 1450↑ |
| | 4m,10cm thick | 1500↑ |

**Zhejiang Jiashan Kaihua International Timber Market**

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

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

## Report from Europe

**First step to ban illegal timber trade**

On 4th May 2010, the European Parliament's Environment Committee adopted a draft recommendation for a second reading to ban trade of illegally logged timber.

The paper included adoption of prohibition on trading illegally harvested timber and timber products, extension of traceability requirements throughout the supply chain and minimum standards for penalties. These key issues were disregarded by the Council during the first Council's reading last year.

The European Parliament and Council have now started negotiations to formulate a consensus text before the Parliament's plenary vote scheduled for July.

**Just-in-time becoming the norm in the UK**

The TTJ's recent hardwood market report highlights the extent to which the UK has shifted away from speculative purchasing towards just-in-time ordering. The shift has become more obvious during the recession.

Hardwood traders have been acting as "the customer's stock-holder" as manufacturers and merchants have responded to tight credit and uncertainty over future consumption by reducing their own stocks. The TTJ speculates that this effect is long term and today's just-in-time approach may be the new norm, especially with smaller companies.

The market conditions for sawn hardwood in the UK have improved slightly in the second quarter of the year and there is a cause for cautious optimism. Although the new-build construction market is still very slow, sales for repair, maintenance and improvement (RMI) have been improving.

However, the improvement in demand could be temporary. According to the TTJ, the recent market uptick is probably partly due to a "catch-up after the appalling winter". Demand from the public sector may also have been boosted as many government organisations were getting to the end of budget periods and were rushing to spend money allocations.

Although sapele remains the dominant tropical hardwood in the UK, short supply, particularly in 63mm, is boosting sales of alternatives such as sipo and bossé. Demand for framire and iroko is steady, while demand for ipe and bangkirai decking has risen with improving spring weather. Meranti, however, is losing out to beech and yellow poplar/tulipwood in paint-grade applications.

Despite slow consumption, concerns are mounting about the supply side of the equation. Lead times for tropical hardwood species are now very lengthy, extending into the last quarter of this year for African species. Even for American hardwood species, which buyers have been accustomed to receive within a couple of weeks, lead times may extend to 2 months. American shippers are tending to offer available supplies to their most reliable long-term customers first.

UK CIF prices quoted in GBP for most hardwood species have risen significantly over recent weeks. The TTJ suggests that while some UK distributors are still selling stock at well below the replacement cost, the price rises from the supply side are beginning to move up the distribution chain as grounded stocks run increasingly thin.

Despite the long lead times, the weakness of the GBP against other international currencies in recent weeks has been a further disincentive to UK buyers to enter the forward market. By mid May, the economic problems in Greece and uncertainties over the outcome of the UK election were contributing to particularly high levels of uncertainty in foreign exchange markets.

At present, the GBP is strengthening slowly against the euro, but both the euro and the GBP are weakening rapidly against the US dollar. For the UK buyer, this means that CIF prices for tropical hardwood products from the Far East (quoted in dollars) have increased dramatically, while prices for African hardwoods (quoted in euros) have eased slightly.

**Newly elected UK government commits to Lacey-style legislation**

The agreement reached between the Conservative and Liberal parties to form a coalition government following the UK Prime Ministerial election on 6th May includes a commitment to impose "Measures to make the import or possession of illegal timber a criminal offence".

The implication is that the UK is now committed to the introduction of legislation similar to the US Lacey Act which will provide an added incentive to UK wood product importers to avoid any wood at risk of being derived from an illegal source. This law is now very likely to be introduced in the UK irrespective of the outcome of current EU deliberations on proposed legislation that would place mandatory requirements on all European wood importers to introduce "due diligence" systems.

The commitment to Lacey-style legislation by the newly elected coalition government comes alongside a wide range of other environmental commitments. Particularly there are attempts to a low carbon economy, which suggest there will be market interest in green building and sustainable materials.

**EC forecasts only a very gradual recovery**

Based on a comprehensive review of economic conditions across the EU, the European Commission issued its Spring 2010 forecast on 5th May. The report concludes that recovery is underway in the EU, albeit a gradual one.

Continent-wide GDP started to grow again in the third quarter of 2009, up by 0.3% compared to the same period in 2008 ending the longest and deepest recession in the EU's history.

Looking ahead, the report suggests that EU is likely to benefit from a stronger-than-expected turnaround in the global economy, particularly in Asia, which has improved financial-market conditions and should assist Europe's export growth. The recovery has been firm, especially in the manufacturing sector.

On the other hand, several issues are expected to restrain domestic demand for years to come. These include: the downsizing of the construction sector which is still ongoing in a number of Member States; weak private consumption growth as disposable income is held back by weak wage and employment growth; heightened risk aversion that will weigh on private investment; higher financing costs for firms and households; and government deficits which have tripled in total across the EU in recent years and which will greatly restrict potential for further public spending.

**Optimism following successful Milan furniture show**

The Milan Saloni 2010 furniture show during the 6 day period from 14th April proved to be a huge success, both in terms of numbers of visitors and exhibitors. The signs are that European furniture designers and manufacturers remain confident about their long-term future despite the economic downturn.

While the show itself seems to have risen above the challenges of the economic downturn, it was clear from the displays that designers and manufacturers are being forced to adapt to the changed economic landscape. This year companies introduced far fewer new products than usual and made them less technically ambitious. The show reflected a new situation in which furniture buyers are much more careful and want products whose value matches the pricetag. Also increasing concern for sustainable consumption was reinforced from the last year.

The emphasis on sustainability and simplicity was essentially good news for wood. The vast majority of the wood on display at the show was in temperate hardwood. A leading advocate for wood at this and previous Milan shows was the Italian manufacturer Riva.

**Tropical wood under pressure in the outdoor furniture segment**

Design trends apparent in Milan were generally working less well for tropical wood. The fashion towards combining furniture for indoor and outdoor use – first identified at last year's show – has intensified. Unfortunately this seems to be associated with a significant shift to materials considered lighter-weight than tropical wood.

In fact all of the buzz in the outdoor furniture sector in Milan was around non-wood products, claimed to be environmentally friendly because they have been made locally and therefore reducing the need for exotic imports.

At least the show revealed new possibilities for the marketing of tropical hardwoods to the European furniture sector. The show indicated growing interest in design references from outside Europe, including from South East Asia and Africa. Furthermore many furniture designers are very keen to exploit the narrative associated with the materials they use, particularly where there is a strong sustainability message. With appropriate packaging and communication, the extraordinary back-story associated with the sustainable management of tropical hardwoods could be a major selling point amongst European designers in the future.

**The Netherlands Sawnwood Prices**

| FOB (Rotterdam) | US$ per m$^3$ |
|---|---|
| Sapele KD | 847⬇ |
| Iroko KD | 1003⬇ |
| Sipo KD | 1010⬇ |
| DRM Bukit KD | 946 |
| DRM Seraya KD | 953 |
| DRM Meranti KD Seraya MTCC cert. | 968 |
| Merbau KD | 1218 |
| Sapupira (non FSC) KD | 946 |
| Sapupira (FSC) KD | 1483 |
| | |
| Anti-slip decking AD C&F Rotterdam | |
| Selangan batu | 1483 |

**UK Log Prices**

| FOB plus commission | | € per m$^3$ |
|---|---|---|
| N'Gollon (khaya) | 70cm+ LM-C | 330-360 |
| Ayous (wawa) | 80cm+ LM-C | 230-240 |
| Sapele | 80cm+ LM-C | 310-330 |
| Iroko | 80cm+ LM-C | 310-350 |
| African Walnut | 80cm+ LM-C | 320-350 |

**UK Sawnwood Prices**

| FOB plus Commission | | GB Pounds per m$^3$ |
|---|---|---|
| Framire | FAS 25mm | 470-480⬇ |
| Sipo | FAS 25mm | 670-690⬇ |
| Sapele | FAS 25mm | 575-585⬇ |
| Iroko | FAS 25mm | 680-700⬇ |
| Wawa | FAS25mm | 290-310⬇ |
| | | |
| CIF plus Commission | | |
| Tulipwood FAS 25mm | | 355-380⬆ |
| Meranti Tembaga Sel/Btr (KD 2"boards) | | 560-580⬆ |
| Balau/Bangkirai Decking | | 1000-1050⬆ |
| White Oak | | 580-630⬆ |

**UK Plywood and MDF Prices**

| Plywood Panels 8x4", CIF | US$ per m$^3$ |
|---|---|
| Brazilian WBP BB/CC 6mm | 540-560 |
| Malaysian WBP BB/CC 6mm | 550-570⬆ |
| China (hardwood face, eucalyptus core) 18mm | 380-390 |
| China (tropical hardwood face, poplar core) 18mm | 350-370 |

## Report from North America

**Rebates for energy efficiency renovation**

The US House of Representatives passed a bill that will give homeowners cash for renovating their homes with better insulation and energy-saving doors and windows. The Home Star bill would have US$5.7 billion to pay for improvements over the next two years.

The programme would provide rebates of up to US$3000 for specific energy-efficient improvements in homes. Up to US$8000 would be available for homeowners who conduct comprehensive energy audits of their homes and implement measures that reduce energy use throughout by more than 20%.

The bill is separate from an energy tax credit of up to US$1500 that was part of the 2009 economic stimulus act. The Home Star bill moves to the Senate now.

The National Association of Home Builders supports the initiative as it would increase employment in the remodeling and home improvement sector. Improving the energy efficiency of the existing housing stock would create jobs to the sector, which was seriously affected by the recession.

The programme's potential impact on the tropical hardwood sector is difficult to estimate, but it is clear that the focus of home improvements would shift towards energy efficiency projects in the coming two years. This may reduce demand for products used in other types of remodeling, including flooring, millwork and outdoor decking.

**Green Globes rating system to become an accredited national standard**

The Green Globes rating system for commercial buildings, which is administered by the Green Building Initiative, has been approved by the American National Standards Institute (ANSI) to become an accredited national standard. The standard will now enter a limited pilot phase, accepting applications beginning 1st May.

From the wood products industry perspective, the standard's materials and resources section is of interest because it now incorporates life cycle assessment (LCA). LCA considers materials over the course of their entire lives in terms of impact indicators, including embodied energy, solid waste, air and water pollution and global warming potential. Design professionals will now be able to compare alternate design scenarios and building assembly choices by using an LCA software tool. Wood products generally perform well in LCA compared to other building materials in similar building types.

The software tool provides LCA results for hundreds of common building assemblies, including exterior walls, roofs, intermediate floors, interior walls, windows, and columns and beams. The results take into account: resource extraction and processing, product manufacturing, on-site construction of assemblies, all related transportation, maintenance and replacement cycles over an assumed building service life, structural system demolition and transportation to landfill.

More information is available at www.thegbi.org.

**Tropical lumber prices**

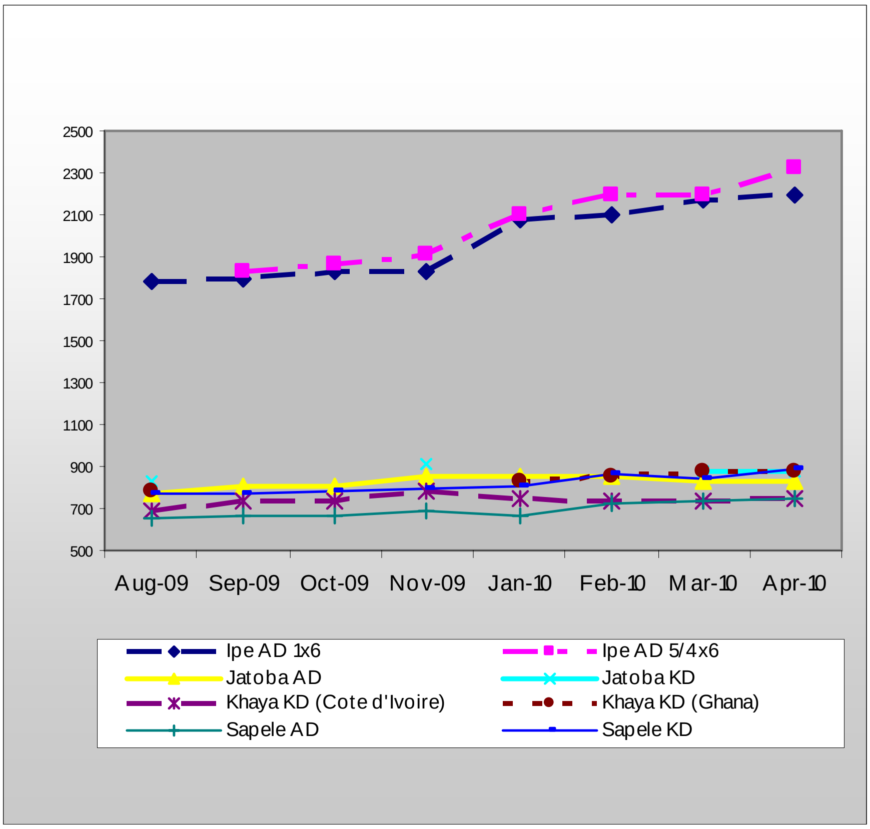
Demand for Ipe and Jatoba increased with the arrival of the spring building season. Availability of Ipe is low and Ipe prices from Brazil have been mounting since November 2009.

Prices for Sapele increased from last period as there is good demand from all markets while supply is difficult. The supply situation is not likely to improve much with mills booked until the end of 2010.

**US Timber prices**

| | Mar-10 US$ per Cu.m | Apr-10 US$ per Cu.m |
|---|---|---|
| Ipe (Brazil) Decking Premium Grade AD, 1x6, FOB Belem | 2175 | 2195⬆ |
| Ipe (Brazil) Decking Premium Grade AD, 5/4x6, FOB Belem | 2200 | 2325⬆ |
| Jatoba (Brazil) No.1 Common & Better AD, FOB Belem | 830 | 830 |
| Jatoba (Brazil) No.1 Common & Better KD, FOB Belem | 875 | 875 |
| Khaya (Cote d'Ivoire) FAS KD, FOB Abidjan | 730 | 745⬆ |
| Khaya (Ghana) FAS KD, FOB Takoradi | 875 | 880⬆ |
| Sapele (Cameroon) FAS AD, FOB Douala | 730 | 750⬆ |
| Sapele (Cameroon) 4/4 to 8/4 FAS KD, FOB Douala | 840 | 890⬆ |

**Progress of US market tropical timber prices (US$ per cu.m)**



## 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.***

As consumers and businesses have begun to seek green products in recent years, environmental certification has become an increasingly crowded and contested field.
http://www.washingtonpost.com/wp-dyn/content/article/2010/05/02/AR2010050203005.html

By the end of this year, governments may have finalised arrangements to preserve developing countries' forests under the UN climate convention. However, according to a viewpoint published by the BBC, forests used to belong to local people - and these people are being left out of the equation.
http://news.bbc.co.uk/2/hi/science/nature/8660845.stm

In the trade agreement between the European Union and the Cameroonian government, Cameroon agreed to certify its hardwood traded within the country and exported to the EU and other destinations worldwide.
http://www.efi.int/portal/news___events/press_releases?id=248

Floridians don't have to look much farther than high air conditioning bills and disappearing beaches to see how climate change is already threatening the state's economy. Saving the rainforests might be the answer for their troubles.
http://articles.sun-sentinel.com/2010-05-02/news/sfl-newmezz5210_1_rainforests-climate-change-carbon-dioxide

A French research report may provide valuable insight into a future mature forest carbon market making its contribution to emissions reductions in developed countries. CDC Climate Research in Paris has published a detailed report identifying opportunities for a range of carbon forestry activities accessing the voluntary carbon market.
http://www.carbonpositive.net/viewarticle.aspx?articleID=1983

The Kingdom of Saudi Arabia is considering the implementation of a comprehensive National Strategy to boost the country's stock of affordable housing. HRH King Abdullah Bin Abdulaziz has emphasized the need to expedite measures for facilitating easier access to housing for low- to middle-income citizens.
http://www.bi-me.com/main.php?id=46340&t=1&c=61&cg=4&mset=1011

Researchers from Wageningen University in the Netherlands looked at reports on the management of 123 tropical forests that were covered by kitemarking schemes such as that offered by Forest Stewardship Council to see how well they lived up to their claims.
http://www.edie.net/news/news_story.asp?id=18041&channel=0&title=Sustainable+timber+kitemarks+%27are+working%27

Timber exports from Southeast Asia to Europe are on the decline, a trend that could be exacerbated by the tightening of European Union import regulations and the lack of an effective certification system in Southeast Asia, claimed some forestry experts.
http://www.phnompenhpost.com/index.php/2010050638801/National-news/certification-of-timber-might-boost-exports-forestry-experts-say.html

Timber from some African districts has finally secured a reliable market in the United Kingdom following FSC certification of the UK's clarinet manufacturer, Hanson Clarinets.
http://allafrica.com/stories/201004220957.html

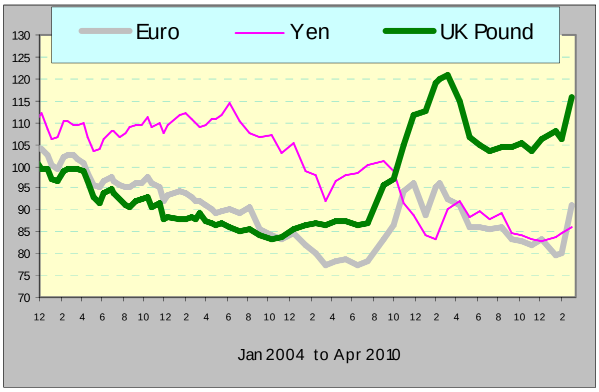
The US residential construction industry, which plunged to its lowest level of activity since World War II in the wake of the credit crisis, now seems to have stabilised at a low level. But the non-residential construction business is still declining and may be particularly vulnerable to government spending reductions.
http://www.nytimes.com/2010/05/08/business/economy/08charts.html?partner=rss&emc=rss

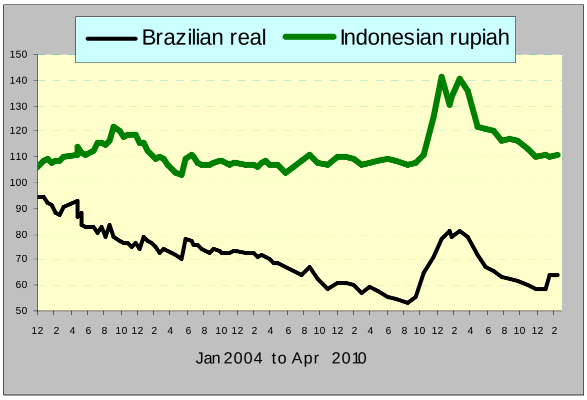
## Main US Dollar Exchange Rates

**As of 14th May 2010**

| | | |
|---|---|---|
| Brazil | Real | 1.7489 |
| CFA countries | CFA Franc | 495 |
| China | Yuan | 6.8250 |
| EU | Euro | 0.7575 |
| India | Rupee | 45.5166 |
| Indonesia | Rupiah | 9042 |
| Japan | Yen | 94.09 |
| Malaysia | Ringgit | 3.2165 |
| Peru | New Sol | 2.8474 |
| UK | Pound | 0.6583 |

**Exchange rates index (Dec 2003=100)**

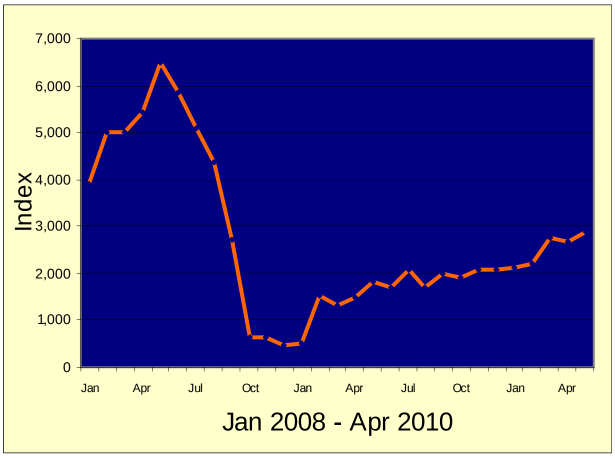



## Abbreviations and Equivalences

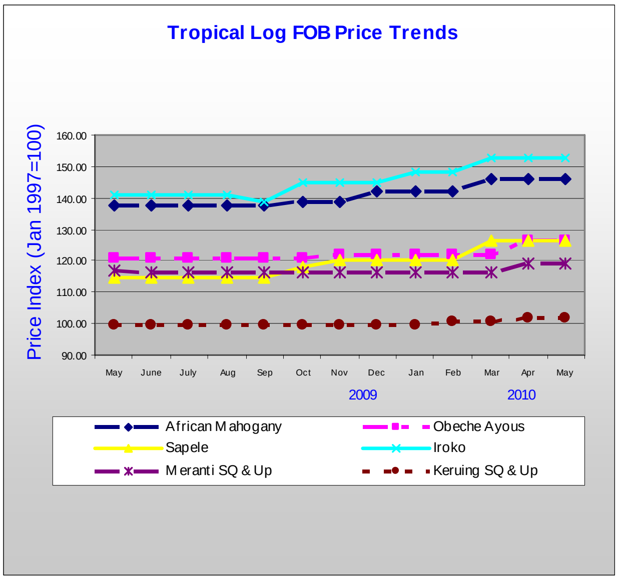
| | |
|---|---|
| LM | Loyale Merchant, a grade of log parcel |
| QS | Qualite Superieure |
| CI, CE, CS | Choix Industriel, Economique or Supplimentaire |
| FOB | Free-on-Board |
| CIF; CNF | Cost, insurance and freight; Cost and freight |
| KD; AD | Kiln Dry; Air Dry |
| Boule | A log sawn through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

## Ocean Freight Index

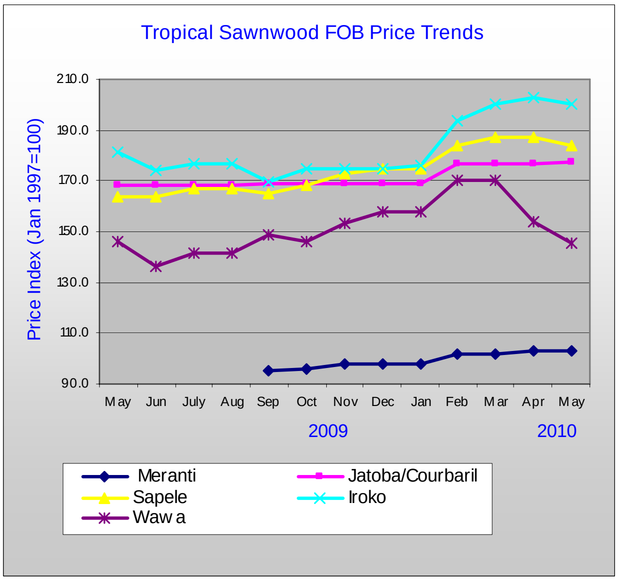



The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes. It is based on a 52,454 mt bulk carrier carrying commodities such as timber.

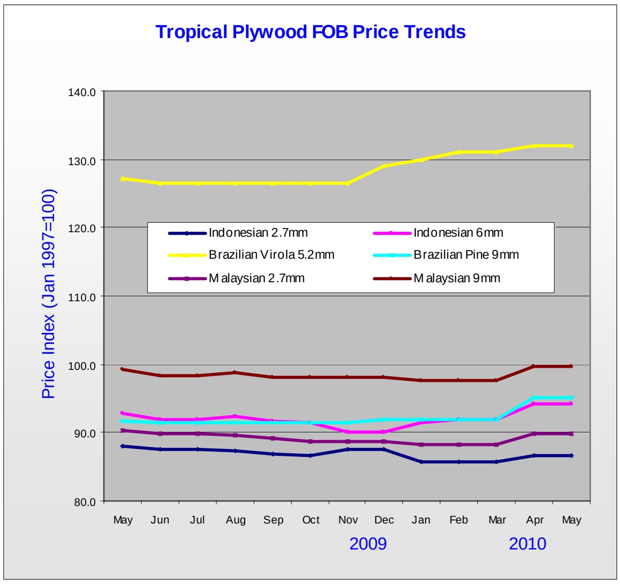
## Tropical Log Price Trends




## Tropical Sawnwood Price Trends




## Tropical Plywood Price Trends




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

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