

Tropical Timber Market Report

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Top Story

Ideas on log export quota floated

The news from Gabon is of a series of meetings between industry and government focusing on proposals for the future trading of sawnwood and logs and how government revenues from the sector can be maintained.

Ideas have been floated for very tight controls on log inputs to processing mills and for a log export allowance.

Proposals are for 60% of log production to be processed with 40% being permitted for export for 2010. For 2011 the proportion proposed would be 75% - 35% and for 2012 the proportions would change to 80% of log production to be processed and the balance 20% approved for export as logs.

There has also been a discussion of a limit on total log exports, possibly at 1.2 mil. cu.m in 2010 reducing to 800,000 cu.m by 2012. These proposals have been put to government and are now under consideration

Report from Central/West Africa

EU buyers in the market

Over the past two weeks there have been some movements in log prices partly due, say analysts, to the Gabon log export ban and also to an increased interest from European buyers. This has led to some price increases. Sapele logs are up by Euro 20 - 25 per cu.m for LM while B grade logs are up Euro 15 – 20 per cu.m.

Sipo log prices are also up by Euro 5 - 10 while Moabi log prices are up Euro 5 per cu.m with Movingui prices also trending upwards.

Prices for Okan logs for Asia increased again during the second half of the month, as anticipated, by another Euro 5 - 10 per cu.m.

Talk of Gabon log export quotas

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There has also been a discussion of a limit on total log exports possibly at 1.2 mil. cu.m in 2010 reducing to 800,000 cu.m by 2012. These proposals have been put to the government and are now under consideration.

This would not affect the already agreed arrangement that the stocks existing at 31 December 2009 - about 500,000 cu.m, can be exported as logs up until 31 March 2010.

Further relaxation of log exports

In Cameroon, it appears for trade reports that there has been a further relaxation of the log exports regulations. It is now reported that, with special permission, all species can be exported in log form. However no official confirmation of this has been made.

In Congo Brazzaville it is reported that there are some difficulties in controlling the 75% processing, 25% log export quota system. In other news, millers in the country are reportedly re-opening previously closed mills and running them at around 50% capacity levels.

Sawnwood prices trend up

For sawnwood there are just a few price increases being reported, reflecting some improvement in market sentiment but, as has become the norm, these are only for the currently favoured species.

Analysts report some increased interest in Azobe large squares and prices are up Euro 10 – 20 per cu.m. Douka sawnwood prices have moved up by Euro 20 per cu.m while Sapele sawn prices are tending to firm on the back of reported higher prices for Dark red Meranti and millers are looking for Euro 5 – 10 per cu.m increases on last month prices.

Sipo sawn prices are also trending upwards and it is likely that Sapele and Sipo prices will move higher as stocks in Europe are still low. Overall the trade has a slightly more optimistic market outlook.

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	190	190	125	
Belli	230	230	-	
Bibolo/Dibétou	140	130		
Bubinga	550	490	390	
Iroko	257	250	200	
Okoume (60% CI, 40% CE, 20% CS) (China only)	200	-	-	
Moabi	275↑	270	206	
Movingui	165	135	125	
Niove	130	130	-	
Okan	220	220	122	
Padouk	315	295	235	
Sapele	220↑	200↑	150	
Sipo/Utile	265↑	245↑	190	
Tali	230	225	114	
Okoume	C1 160	CE150	CS115	

West Africa Sawnwood Prices

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

Report from Ghana

2009 export performance

Timber and wood product exports from Ghana dropped to 426,230 cu.m in 2009 compared to 545,920 cu.m in 2008. This translates to a 22% drop in volume and a 31% drop in value compared to 2008.

There were declines in exports for all product areas, most notably for of plywood, mouldings, boules, parquet floorings and veneers (sliced, rotary and curls).

With the cessation of production by Scanstyle Mim Ltd, previously the sole exporter of furniture parts in Ghana, there were no exports of this product.

Declines reported

The country earned a total of just Euro128.23 million from wood product exports in 2009. Sharp declines in the value of 2009 exports were recorded for Plywood (- 35%), air dried lumber (- 20%) and kiln dried lumber (- 16%). A decline in export volumes was also recorded for Sliced Veneer (-6.9%), Mouldings (-3.3%), Rotary Veneer (- 2.4%) and Parquet/Flooring (-0.3%).

Exports of manufactured products earned Euro 8.13 million or 6.3% of the total 2009 wood product export value. 2008 exports of the same product range generated some Euro 14.18 million in comparison.

Trade grows with ECOWAS

Ghana's trade with other African countries in 2009 was 200,440 cu.m and this generated Euro 52.68 million or 47% in volume and 42% in value of total wood exports for 2009.

ECOWAS countries mainly Nigeria, Senegal, Niger, Gambia, Mali, Benin, Burkina Faso and Togo, imported some Euro 45.62 million from Ghana and this represented around 87% of Africa's Euro 52.68 million wood imports from Ghana in 2009.

Plywood and air dried lumber (especially Ofram and Ceiba) continued to interest the Nigerian and Niger markets.

Exports to US and EU down

Trade with the US accounted for 4% and 6% of the total volume and value respectively in 2009 compared to 8.4% and 11.5% for 2008. Exports of rotary veneer, which previously dominated Ghana's exports to the US, dropped to 10,060 cu.m in 2009 from 29,050 cu.m in 2008.

Ghana's trade with European markets, at 83,420 cu.m, accounted for 20% of total wood product exports in 2009. These exports earned Euro 37.75 million and the key markets included Italy, France, Germany, UK, Belgium, Spain, Ireland and Holland.

Asian markets firm

Ghana's trade with the Asia/Far East markets contributed Euro 23.10 million to export earnings or around 18% of the total wood exports in 2009. India, Malaysia, Taiwan P.o.C, China, Singapore and Thailand were the main importing countries. India continued to be the leading importer of Teak poles and billets as well as air dry Teak sawnwood.

The Middle East countries, notably Saudi Arabia, Lebanon, United Arab Emirate and Israel together contributed Euro 6.44 million (4.79%) to total export earnings in 2009.

Investment inflows

At an Africa Investment Forum in Accra, Ghana's President J E A Mills, said Ghana registered some 300 investments in the non-mining and petroleum sectors in 2009 with an estimated value of more than US\$700 million.

If total investment flows into mining, petroleum and free zone operations were included; investment into the country in 2009 was around US\$2 billion, indicating a brighter prospect this year.

Cost of credit to ease

Ghana's annual inflation fell to 14.8% in January 2010 down from 16% in December2009, putting the country on track to achieve single digit inflation in 2010. Because of this there is a greater chance of interest rate cuts for this year.

In a related development, the Monetary Policy Committee has decided to reduce its Policy Rate by 200 basis points from 18% to 16%. This is the biggest rate cut in three years.

Inflation slowed after the Cedi exchange rate stabilised against the US dollar. After falling 15% percent in the first six months of 2009, the currency gained 4.3% since July 2009.

Meanwhile, the Association of Ghana Industries (AGI) business barometer survey for the last quarter maintained that the cost of credit, inflation and, access to credit are the three major challenges to doing business.

Bamboo energy source

To support the management and sustainable development of bamboo as a new source of energy for Africa, the European Union (EU) is contributing funds for a pilot biomass project in Ghana. The support is being granted under the Project for Bamboo as Sustainable Biomass Energy, said to be a sustainable alternative for firewood and charcoal production in Africa.

The project is reportedly funded from the budget of the European Union and the Global Intervention which has some Euro 450 million to assist countries with 'Environment and Sustainable Management of Natural Resources' and energy projects are included.

Ghana Log Prices

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

Ghana Export Sawwood Prices

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

Ghana sawwood, domestic	US\$ per m ³
Wawa 25x300x4.2m	247
Emeri 25x300x4.2m	325
Ceiba 25x300x4.2m	220
Dahoma 50x150x4.2m	285
Redwood 50x75x4.2m	295
Ofram 25x225x4.2m	310

Ghana Veneer Prices

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

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

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

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

Ghana Plywood Prices

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

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

Ghana Added Value Product Prices

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

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

Back to business

The local timber industry is getting back to business after the annual Chinese Lunar New Year holidays. Prices of timber products for domestic consumption are soft as the local construction industry remains weak.

A number of building contractors complained that the number of projects has been falling since the beginning of this year.

Building sector waits for direction

Purchases of commercial building lots in major towns and cities remain sluggish with a glut of commercial properties in the country.

Businesses and entrepreneurs alike are looking for clear directions in the national economy before embarking on any major investments in the rental, lease or purchase of commercial properties.

However, Malaysian housing developers are hopeful that new measures taken by the Singaporean government to cool the heated Singaporean property market may spell good news over the border in Malaysia.

Singaporean buyers have long been the traditional driving force behind the Malaysian property market.

The Singaporean government intends to impose a new stamp duty of up to 80% of the property prices for homes sold within the first year of ownership.

Plywood manufacturers optimistic

Plywood manufacturers remain optimistic as they try to decipher mixed signals from the Japanese property market. While investors have described the Japanese retail property market as attractive, this does not necessarily mean that the market is in an expansion phase.

Moreover, Japanese retail sales declined for 16 months straight as wages and job creation remain stagnant. Winter bonuses, paid out in December and which in previous years amounted to several months of pay, slid 15% in 2009, according to the Japanese Business Federation.

Greek crisis seen as a threat

Sawnwood producers are hoping that the Greek debt crisis will not have a bearing on the EU construction market, even as Greece struggles to bring its sovereign debt under control.

Furniture manufacturers are more optimistic that sales will pick up in the near future as defaults on mortgage loans on residential housing are on a decline in the US. US Stocks have also made gains for four straight months on the back of higher factory orders and profits.

Log Prices

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

Pen. Malaysia logs, domestic (SQ ex-log yard)	US\$ per m ³
DR Meranti	233-252
Balau	298-327
Merbau	323-355
Rubberwood	60-94↑
Keruing	216-232

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

Sawnwood Prices

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

Malaysian Sawnwood, domestic	US\$ per m ³
Balau (25&50mm,100mm+)	325-345
Merbau	451-503
Kempas 50mmx(75,100 & 125mm)	261-301
Rubberwood	
25x75x660mm up	208-258↑
50-75mm Sq.	247-279↑
>75mm Sq.	269-298↑

Plywood Prices

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

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

Other Panel Prices

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

Added Value Product Prices

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

Furniture and Parts Prices

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

Rubberwood Tabletop	US\$ per m ³
22x760x1220mm sanded & edge profiled	
Top Grade	570-603↑
Standard	554-573↑

Report from Indonesia

Oil palm in forest concessions

The Indonesian Ministry of Forestry reportedly suggested that a new regulation may be in the pipeline to allow commercial forestry companies to plant crops such as oil palm in new concession areas.

The purpose of the new mixed forestry concept is to enable forestry companies to survive the low timber prices in the current market as well as to grow biofuel crops to mitigate the country's current petroleum energy shortage.

Commercial forestry companies hold concessions on some 37 million ha. of commercial forests in Indonesia, while the government holds another 45 million ha.

The new regulation (if approved) would permit the allocation of a portion of a forest concessions to be planted with commercial tree crops.

Seeking greater foreign investments

The Indonesia trade minister hopes that the coming visit by the US president will help to divert some US investment from China to Indonesia.

Amongst the targeted companies will be those involved in the production and sourcing of timber products such as furniture..

Coco-wood flooring

Meantime, Indonesian flooring made from coconut wood has been lauded at the recent Fraser Valley Home & Garden Expo, held in British Columbia, Canada.

Marketed under the name Palm Global Flooring, the flooring is made from trees between 60 to 80 years old harvested from coconut plantations in Indonesia.

With a selling price of US\$11.00 per square foot, the flooring board register a rating of 1600 on a Janka hardness scale for wood, rendering it harder than oak, teak or maple,

Thai Furniture Fair participation

Indonesian furniture manufacturers will be participating in the Thailand International Furniture Fair 2010 (TIFF 2010), to be held at the IMPACT Exhibition Center, Nonthaburi, Thailand, next month.

Some 200 companies from Thailand, Malaysia, Cambodia, Laos and Myanmar, apart from Indonesia will be exhibiting their products in 800 booths, over a floor space of 30,000 m².

An estimated 30,000 visitors from Japan, US, EU, ASEAN countries, India, Gulf Cooperation Council states, Africa, Canada and Australia are expected to attend.

Log Prices (domestic)

Indonesia logs, domestic prices	US\$ per m ³
Plywood logs	
Face Logs	187-230
Core logs	169-202
Sawlogs (Meranti)	178-239
Falcata logs	147-181
Rubberwood	52-76▲
Pine	160-199
Mahoni (plantation mahogany)	468-495

Sawnwood Prices

Indonesia, construction material, domestic	US\$ per m ³
Kampar (Ex-mill)	
AD 3x12-15x400cm	178-197▲
KD	200-234▲
AD 3x20x400cm	220-243▲
KD	224-251▲
Keruing (Ex-mill)	
AD 3x12-15x400cm	235-249▲
AD 2x20x400cm	222-240▲
AD 3x30x400cm	205-224▲

Plywood Prices

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

MR Plywood (Jakarta), domestic

	US\$ per m ³
9mm	250-261
12mm	242-252
15mm	231-245

Other Panel Prices

Indonesia, Other Panels, FOB	US\$ per m ³
<i>Particleboard</i> Export 9-18mm	215-224
Domestic 9mm	195-207▲
12-15mm	187-198▲
18mm	177-189▲
<i>MDF</i> Export 12-18mm	249-262
Domestic 12-18mm	231-242

Added Value Product Prices

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

Market Outlook

Analysts report that the results of the latest auction indicate that market conditions for teak remain the same as reported in January.

February teak tender prices fluctuated wildly mainly because of aggressive buying for the Indian market. Buyers purchasing for the Indian market were determined in the February sale. It is expected that at least 710 tons out of 983 tons put on sale in February will be exported to India.

Teak logs of SG6, SG7 and SG8 grade recorded sharp price declines compared to January.

The quality of the logs may have been a major factor in this decline say some traders.

The Myanmar teak market has changed drastically over the years. Sawing Grade 7 (SG7) seems now to be the most abundant grade available. Generally speaking, the availability of better grades like SG1, SG2, SG4 is diminishing.

Consequently consumers needing the higher grades will find prices rising as availability declines but there is a limit and some contraction in this market is expected.

Europe and Japan, which previously purchased the higher grade logs, seem to have less interest in the grades now available in Myanmar.

Unless the MTE can sell more logs it will be faced with reduced earnings from teak log exports. Additionally, if the extraction of teak logs is handed to private contractors the MTE will play a smaller role in the teak trade in the coming years.

Buyers at the February auction

Hong Kong	1 buyer	90 tons
Singapore	1 buyer	2 tons
Thailand	4 buyers	181 tons
India	5 buyers	710 tons

Myanmar Log Prices (natural forest logs)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)	
Veneer Quality	Jan	Feb
2nd Quality	-	-
3rd Quality	-	5,050 (2 tons)
4th Quality	3,646 (10 tons)	4,259 (9 tons)
Sawing Quality		
Grade 1 (SG-1)	2,483 (36 tons)	2,865 (34 tons)
Grade 2 (SG-2)	2,181 (41 tons)	2,291 (41 tons)
Grade 3 (SG-3)	-	-
Grade 4 (SG-4)	1,681 (226 tons)	1,780 (222 tons)
Grade 5 (SG-5) Assorted	1,316 (145 tons)	1,379 (180 tons)
Grade 6 (SG-6) Domestic	1,159 (65 tons)	664 (175 tons)
Grade 7 (ER-1)	732 (183 tons)	611 (306 tons)
Grade 8 (ER-2)	-	533 (14 tons)
Short Logs 6 ft. / 7 ft.	-	-

Hoppus ton=1.8m³; All grades, except SG-3/5/6, are length 8' x girth 5' & up. SG-3/4/6 are girth 4' & up. SG-3 grade is higher than SG-4 but with lower girth and price.

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

Hardwood log Prices (FOB)

	€ per hoppus ton
Pyinkado	486 (70 tons)
Gurjan (keruing-export quality)	218 (682 tons)
Tamalan (export reject)	567 (31 tons)
In-gujan	-
Yamane (export)	-

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

Report from India

Manufacturing sector revival

India's Manufacturing Index climbed to its highest level in one and a half years to 57.6 in January 2010. The Index stood at 55.6 in December 2009. From the recently released data, the new export orders Index showed a more than 5 point jump, the highest since October 2007.

The pick-up in exports is heartening and the hope is that this will be sustained through improvements in the global economy. Export values recently released show a continued upward trend over the past three months.

Provisional figures from the Ministry of Commerce for January show exports at US\$14 billion which are about 13% higher than the level in January 2009.

Imports higher

Imports are also returning to positive territory for the first time since the financial crisis, in December imports grew 27%. These figures suggest that the domestic economy is

well on its way to recovery and this is reflected in demand for new housing projects. The property market is booming once again, firming the demand for wood and wood products.

Hardwood auction prices rise

Prices for Teak and other hardwoods in auctions in Gujarat remained firm. New log arrivals continue in the government depots and quality is reported to be good. With housing demand firming, the demand for hardwood logs is expected to remain strong.

In Central Indian depot auctions price levels for Adina, Laurel and Pterocarpus marsupium (kinowood) have seen a rise of 10 to 15 % over past twelve months.

Teak prices have increased even more rising by 20 to 25% over the past twelve months. Average prices in Central Indian Teak depots are as follows:

Girth in cms.	Length	Avg rate per cft.
41 to 50	2 to 3 m	Rs.800 to 850
51 to 60	2 to 3 m	Rs.850 to 900
61 to 75	2 to 3 m	Rs.1000 to 1050
76 to 90	2 to 3 m	Rs.1050 to 1100
91 to 105	2 to 3 m	Rs.1200 to 1250
106 to 120	2 to 3 m	Rs.1400 +/-

C&F Plantation Teak

	US\$ per m ³
Sudan sawn	650-800
Ivory Coast logs	500-550
PNG logs	425-450
El-salvador logs	375-400-
Guatemala logs	395-415
Ghana logs	400-425
Benin logs	425-500
Brazil squares	450-475
Togo logs	325-350
Ecuador logs	250-275
Costa Rica logs	345-375
Panama logs	275-300

Market demand for plantation teak is steady and the flow of logs is said to be satisfactory. As the quality of the products has been improving prices have been moving up.

Prices variations arise from differences in sap thickness, bark thickness, percent of heartwood and the form of the logs.

India Sawnwood Prices (domestic)

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

India Sawnwood Prices (imports)

Sawnwood, (Ex-mill) (AD)	Rs. per ft 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	21.0
6 mm	30.5
12 mm	44.0
15 mm	53.0
18 mm	64.0

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

Report from Brazil

Domestic prices

Wood products prices in Brazilian Real (BRL) increased marginally in late February. However, prices in USD, as shown in the tables below fell almost 2% due to the depreciation of the Brazilian currency against the U.S. dollar.

January hardwood exports rise

In January 2010, exports of timber products (except pulp and paper) fell 3.7% compared to values in January 2009, from US\$ 155.1 million to US\$ 149.4 million.

Pine sawnwood exports dropped almost 30% in value in January 2010 compared to the same month in 2009, from US\$ 11.7 million to US\$8.2 million. In terms of volume, January exports were down 32% from 57,600 cu.m to 39,100 cu.m year on year.

Exports of tropical sawnwood increased sizeable both in volume and in value, from 25,900 cu.m in January 2009 to 39,000 cu.m in January 2010 and from US\$15.1 million to US\$20.0 million, respectively over the same period.

Pine plywood exports decreased 21.5% in value in January 2010 compared to the same period of 2009, from US\$ 27.5 million to US\$21.6 million. The volume exported fell 36.8% during the same period, from 104,800 cu.m to 66,200 cu.m.

Exports of tropical plywood dropped from 8,100 cu.m in January 2009 to 6,300 cu.m in January 2010, representing a 22% decline. In value terms, a 31% reduction was recorded over the period, from USD5.1 million to USD3.5 million.

As for wooden furniture, the value of exports dropped from USD34.6 million in January 2009 to US\$ 34.3 million in January 2010, representing a 1% fall.

Market prospects better

In January 2009, the wood, pulp and paper exports by Brazil totaled US\$587.56 million, representing a 15.3% drop compared to December 2009, when exports were worth US\$693.44 million.

Prospects in the processed timber export markets for 2010 look bright, according to the Pará Timber Exporters Association (AIMEX).

The markets for timber started to rebound in the second half of 2009 and the indications are that there will be a gradual market growth in 2010. Reports suggest a slowly improving demand in major markets such as the United States and Europe.

For 2010, the strong Real may continue effecting exporters' competitiveness. However, the efficiency of the current administration of the Para's Secretariat of Environment (SEMA) in environmental licensing, especially in forest management and reforestation projects, is a positive factor helping to improve the exports of manufactured wood products.

Mixed economic signals

The Consumer Price Index (IPCA) increased by 0.75% in January 2010, twice the rate of 0.37% recorded in December 2009.

This represents the highest level since May 2008 (0.79%), according to the Brazilian Institute of Geography and Statistics (IBGE). The IPCA in January 2009 was 0.48%.

In January 2010, the average exchange rate was BRL 1.78/US\$, in comparison with BRL 2.31/US\$ in the same month of 2009, illustrating the appreciation of the Brazilian currency against the US dollar over that period.

In assessing the macroeconomic situation and the inflation outlook, the Copom (Economic Policy Committee) has held the prime interest rate (Selic) at 8.75%. The committee reported that it will carefully monitor the development of the economy so as to reassess the situation in the next monetary policy in March 2010.

Tapajós Verde National Forest logging

IBAMA (Brazilian Institute for Environment and Renewable Natural Resources) has recently approved forest management plans authorising the logging of several timber species in 692,500 hectares in the Tapajós Verde National Forest.

Species that can be logged include cedroarana, fava-amargosa, garapeira, ipê, jatobá, jutai-mirim, louro-preto, maçaranduba, louro-rosa, muiracatiara, sapucaia, sucupira, tauari, tucupi, ucuúba, amongst others.

IBAMA also approved the processing of 20,181 cubic metres of logs as well as 678.622 cubic metres of log residues from the National Forest.

This approval follows the receipt by the Tapajós Verde National Forest Cooperative of a valid IBAMA's permit for harvesting within the federal forest reserve area located along the Cuiabá-Santarém highway in the municipality of Belterra, Western Pará.

This area was the focus of a report indicating extensive illegal logging but this has now been brought under control says the Tapajós Verde National Forest Cooperative.

Wood identification system launched

From April 2010, officials of environmental organizations and forest producers will have a tool to enhance the monitoring of timber movement, transportation and management plans. The Forest Research Laboratory of the Brazilian Forest Service has developed a digital system to facilitate the identification of timber species in Brazil.

The system called 'Brazil's Commercial Timber' catalogued 59 general and macroscopic characteristics of 160 commercial timber species traded in Brazil. These characteristics can be identified by eye or with the aid of simple and low cost devices.

Once the species is accurately identified it is possible to find out whether it is on the endangered species list, if the timber can be legally traded in Brazil and overseas and where the species can be found in the country.

One of the main beneficiaries of "Brazil's Commercial Timber" system should be the Federal Police and IBAMA, as it will help speed up the process of assessing possible logging infringements.

The system will also be especially useful in monitoring illegal timber transportation. A common fraud is to report the name of a timber species and transport a different one. The timber companies will also benefit from the system as it will facilitate the control of field operations against forest management plans.

Mahogany trade back on CITES agenda

The Convention on International Trade in Endangered Species (CITES) will reportedly propose a debate on Mahogany exports throughout the Amazon as it seems the trade statistics are unreliable.

CITES has claimed that illegal timber is still exported from the Amazon and further claims that the moratorium on Mahogany exports imposed by IBAMA is not working. One of the main issues at a recent CITES meeting was Mahogany exports from Peru.

According to reports from attendees at the CITES meeting, the current wood origin verification system is considered insufficient and lacks credibility. CITES has requests that new verification systems be developed to ensure that logging activities are sustainable and its trade is legal.

Brazil Log Prices (domestic)

	US\$ per m ³
Brazilian logs, mill yard, domestic	
Ipê	145↓
Jatoba	104↓
Guariuba	68↓
Mescla (white virola)	75↓

Brazil Export Sawnwood Prices

	US\$ per m ³
Sawnwood, Belem/Paranagua Ports, FOB	
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 m ³
Northern Mills (ex-mill)	
Ipê	694↓
Jatoba	532↓
Southern Mills (ex-mill)	
Eucalyptus (AD)	186↓
Pine (KD) 1st grade	238↓

Brazil Veneer Prices

	US\$ per m ³
Veneer, Export (Belem/Paranagua Ports) FOB	
White Virola Face 2.5mm	293↑
Pine Veneer (C/D)	206↑
Rotary cut Veneer, domestic	US\$ per m ³
(ex-mill Northern Mill)	
Face	
White Virola	255↓
Core	212↓

Brazil Plywood Prices

	US\$ per m ³
Plywood, FOB	
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 m ³
9mm C/CC (WBP)	276↑
15mm C/CC (WBP)	252↑
18mm C/CC (WBP)	247↑
Plywood, domestic (ex-mill Southern mill)	US\$ per m ³
Grade MR (B/BB)	
White Virola 4mm	870↓
White Virola 15mm	636↓

Domestic prices include taxes and may be subject to discounts.

Other Brazil Panel Prices

	US\$ per m ³
Belem/Paranagua Ports, FOB	
Blockboard Pine 18mm 5 ply (B/C)	311↑
Domestic Prices, Ex-mill Southern Region	
Blockboard White Virola faced 15mm	554↓
Particleboard 15mm	352↓

Brazil Added Value Products

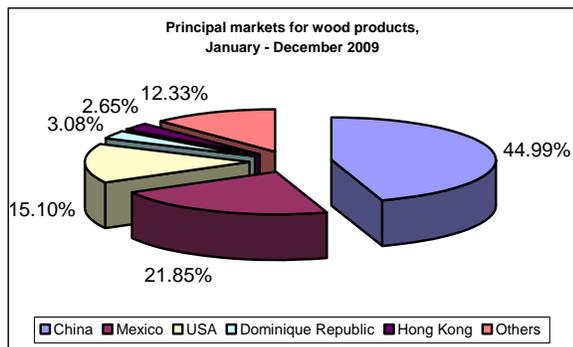
	US\$ per m ³
FOB Belem/Paranagua Ports	
Edge Glued Pine Panel	
Korean market (1st Grade)	634↑
US Market	486↑
Decking Boards	
Cambara	603↑
Ipê	1,583↑

Report from Peru

2009 export data

According to the Export Association of Peru (ADEX), wood product exports from January – December 2009 were valued at US\$156.08 million FOB while for 2008 these were US\$219.15 FOB, signaling a 29% decline.

In 2009 the three main exports destinations for wood products were China, Mexico and United States and these three countries accounted for 81% of the wood sector exports.



On the domestic front, imports of wood products in 2009 rose sharply compared to 2008 with parquet flooring and plywood making up the bulk of imports.

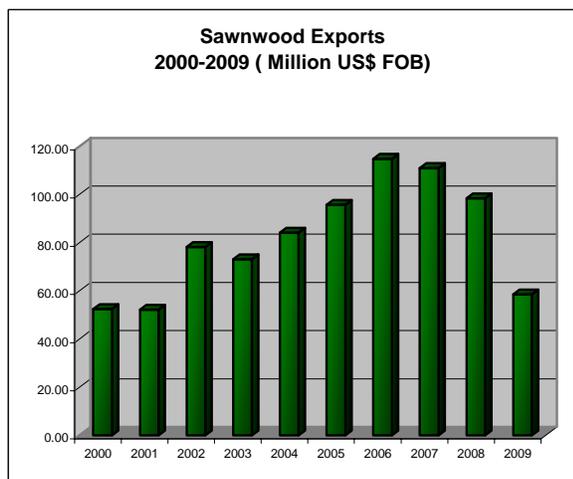
Exports of semi-manufactured products accounted for around 40% of all wood product exports in 2009 and were worth US\$64 million FOB, but this was down on the 2008 exports of US\$69 million.

The main destination for exports in this sub sector is China accounting for some 78%. This market is very buoyant and exports to China rose over 50% compared to those in 2008.

Sawnwood exports

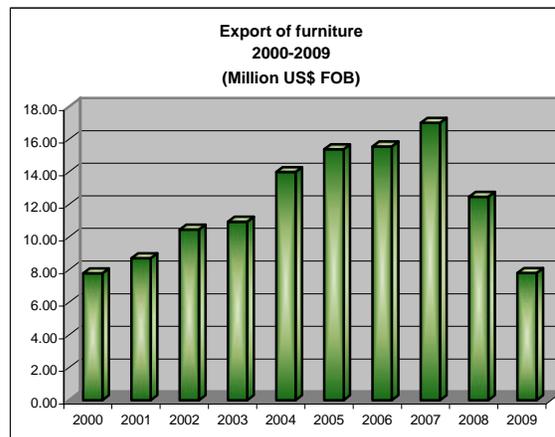
Sawnwood was the second largest product of all wood product exports in 2009 (37%). Exports of sawnwood in 2009 were worth US\$59 million FOB, down 41% on 2008 figures.

The main export destination in this sub sector is the Chinese Market that represents the 34% of participation.



Exports of furniture

Exports of furniture and furniture parts fell 37% in 2009 compared to 2008 and were worth just US\$7.8 million FOB. The main export market for this sub-sector is the US which accounted for almost half of the exports but US imports of furniture and parts from Peru were down 50% in 2009



Peru Sawnwood Prices

Peru Sawnwood, FOB Callao Port	US\$ per m ³
Mahogany S&B KD 16%, 1-2" random lengths (US market)	1722-1798
Spanish Cedar KD select North American market	918-922
Mexican market	897-921
Pumaquiro 25-50mm AD Mexican market	512-555 ↑

Peru Sawnwood, FOB Callao Port (cont.)	US\$ per m ³
Virola 1-2" thick, length 6'-8' KD	
Grade 1, Mexican market	300-358
Grade 2, Mexican market	250-269
Cumaru 4" thick, 6'-11' length KD	
Central American market	812-878 ↑
Asian market	825-878 ↑
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 m ³
Spanish Cedar AD Select Mexican market	887-909
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	288-314 ↑
Grade 2, Mexican market	244-259
Grade 3, Mexican market	132-151
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	211-222

Peru sawnwood, domestic	US\$ per m ³
Mahogany	887-923
Virola	48-65 ↑
Spanish Cedar	268-321
Marupa (simarouba)	57-69

Peru Veneer Prices

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

Peru Plywood Prices

Peru plywood, FOB (Mexican Market)	US\$ per m ³
Copaiba, 2 faces sanded, B/C, 15x4x8mm	318-347
Virola, 2 faces sanded, B/C, 5.2x4x8mm	398-403
Cedar fissilis, 2 faces sanded 4x8x5.5mm	746-758
Lupuna, treated, 2 faces sanded, 5.2x4x8mm	359-376
Lupuna plywood B/C 15x4x8mm	353-365
B/C 9x4x8mm	345-350
B/C 12x4x8mm	350-360
B/C 8x4x15mm	410-419
C/C 4x8x4mm	380-388
Lupuna plywood B/C 8x4x4mm Central Am.	368-388
Lupuna Plywood BB/CC, domestic (Iquitos mills)	US\$ per m ³
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	760-856
Asian market	1011-1201
Cumaru decking, AD, S4S E4S, US market	898-1065
Pumaquiro KD # 1, C&B, Mexican market	423-511
Quinilla KD, S4S 2x10x62cm, Asian market	502-527
2x13x75cm, Asian market	721-798

Report from Guyana

Prices trend up

During the period under review there were changes in prices for Greenheart and Purpleheart logs, both increased but the price increase for Purpleheart was only slight.

Logs exported during this period included timbers such as Tatabu, Wamara and Wamaradang, all of which secured good prices. The leading destination for these logs was Asia.

Sawnwood prices remain very stable and a price increase was observed for rough sawn (Undressed) Prime grade Greenheart and for select grade Greenheart which earned higher average prices.

Prices for rough sawn select grade (Undressed) Purpleheart were favourable, being in the range of US\$ 780-900 per cu.m for the period under review.

For dressed sawnwood prices for both Greenheart and Purpleheart have improved above the average levels seen in the previous period.

In contrast, Baromalli Plywood prices have weakened this fortnight for both BB/CC and Utility qualities.

Roundwood and fuelwood continue to feature in the trade and have made as significant contribution to the total export earnings

Guyana Forestry Center update

In May 2002 the Government of Guyana signed an agreement with the International Tropical Timber Organization (ITTO) along with Guyana Forestry Commission (GFC), Tropical Forest Foundation (TFF) and the Forest Producers Association (FPA) to support training in reduced impact logging in Guyana. This brought into being the Guyana Forestry Training Centre (FTC).

This centre continues to contribute to the improvement of forest management in Guyana through the adoption of Reduced Impact Logging (RIL) practices, resulting in a more competitive sector and enhanced livelihoods for forest operators and communities.

In the training offered by FTCs' team of trainers, participants are exposed to a forest operation that proves on-site, hands-on, real-world experience with RIL techniques and issues. Aspects of RIL cover pre-harvest, through to post-harvest activities in a rigorous two week training course on site

Guyana Log Prices

Logs, FOB Georgetown	SQ - \$ Avg unit value per m ³		
	Std	Fair	Small
Greenheart	160	160	150
Purpleheart	230	200↑	-
Mora	-	-	-

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

Guyana Sawnwood Prices

Sawnwood, FOB Georgetown		\$ Avg unit val. per m ³	
		Undressed	Dressed
EU and US markets	Greenheart Prime	700	-
	Standard	-	649-890↑
	Select	535-933↑	-
	Sound	-	-
	Merchantable	530↓	-
Purpleheart	Prime	-	-
	Standard	850-900	700-1050↑
	Select	-	-
	Sound	-	-
Mora	Prime	-	-
	Select	500	-
	Sound	450	-
	Merchantable	424-500↑	-

Guyana Plywood Prices

Plywood, FOB Georgetown Port		\$ Avg unit val. per m ³	
Baromalli	BB/CC	5.5mm	No export
		12mm	410-440↓
	Utility	5.5mm	No export
		12mm	355-405↓

Report from Japan

Turning point for Japan's timber sector

The total volume of logs and lumber imported into Japan in 2009 fell below 10 mil. cubic metres for the first time in 47 years. For 2009 a total of 9,859,000 cubic metres was

imported. In 2005 the volume of imports was just below 20 mil. cubic metres so in just 5 years imports have fallen by half.

In another first, lumber imports from Russia and from tropical countries exceed that of logs.

Lumber imports	Volume	% change
	000's cu.m	2009 on 2008
SE Asia and Pacific	533	-16.5
Africa	0	
N. America	2,271	-22.5
Russia	678	1.8
New Zealand	84	-39.2
Europe	2,036	1.4

Demand for wood products in Japan has been badly hit by the very depressed housing market. Property prices have been falling steadily for the past decade and housing starts are at record lows. The Japan Lumber Report (JLR) says "a further drop in log imports seems inevitable unless the demand circumstances improve".

As is shown below, total log imports in 2009 were 4,090,000 and that imports have been falling by around 30% for the past two years. Since 2008, the volume of lumber imports has exceeded log imports.

Log imports	Volume	% change
	000's cu.m	2009 on 2008
SE Asia and Pacific	422	-41.9
Africa	4	-2.9
N. America	2,468	-6.5
Russia	650	-65.5
New Zealand	533	-38.7
Europe	12	-37.0

The main factor in the decline in total log imports has been the changed trade pattern with Russian suppliers. Russia was previously hailed as the emerging source of logs for Japanese mills but this expectation was short lived as supply problems emerged. Today, the US is the most stable source of logs for Japanese mills and the JLR expects this to continue.

Tropical logs were once the mainstay of the Japanese timber industry but as supply countries began to restrict log exports and expand their own timber manufacturing capacity, competition for the diminished supplies increased. This became most noticeable when China, Korea and more recently India entered the market.

Plywood shortages building

Plywood imports remain very subdued and this, along with the cut backs in domestic plywood production, could end in a rush by wholesalers to replace stocks which would begin to drive prices higher.

At present demand in Japan for plywood is weak and even though importers are struggling to secure products such as concrete formboard panels from overseas suppliers, the endusers are not active in the market so prices remain unchanged.

According to the JLR, Indonesian plywood suppliers have been pushing for better prices. For concrete formboard the asking price is at around US\$500 per cubic metre C&F, a price that Japanese buyers are resisting.

Major Malaysian suppliers are reportedly carrying heavy order book positions and cannot commit to supply in the short-term, possibly until mid March according to the JLR.

Market prices in Japan on coated 3x6 concrete formboard are at 980-990 Yen per sheet delivered. Structural 12mm floor base boards are said to be at Yen 1,100 per sheet delivered.

Origin of wood from isotope analysis

Researchers in Japan have reported that they have developed a technique to identify the origin of wood through isotope analysis; this is reported in the JLR.

It is claimed that with the technique developed it is possible to narrow down the origin of a wood sample to within 100-300 kilometres. Apparently wood from different parts of the world have unique 'finger prints' which is utilised in this new identification technology.

The same technologies have been used to identify sources of food and agricultural products.

For the full JLR report see: www.n-mokuzai.com/english.htm

Log and Sawwood Prices in Japan

Logs for Ply Manufacture, CIF	Yen per Koku
Meranti (Hill, Sarawak)	(Koku=0.278 m ³)
Medium Mixed	6,000↓
Standard Mixed	6,200↓
Small Log (SM60%, SSM40%)	6,000↓
Taun, Calophyllum, others (PNG)	7,500
Mixed light hardwood, G3/4 grade (PNG)	-
Keruing MQ & up (Sarawak)	10,500
Kapur MQ & up (Sarawak)	8,900
Logs for Sawmilling, CIF	Yen per Koku
Melapi (Sarawak) High Select	11,500
Agathis (Sarawak) High Select	-
Lumber, FOB	Yen per m ³
White Seraya (Sabah) 24x150mm, 4m, Grade 1	135,000
Mixed Seraya, Sanga 24x48mm, 1.8-4m, S2S	53,000

Wholesale Prices (Tokyo)

	Size (mm)	Jan ¥ per sheet	Feb
Indonesian & Malaysian Plywood			
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	880	880
12mm for foundation (F 4star, special)	910 X 1820	850	900
12mm concrete-form ply (JAS)	900 X 1800	800	850
12m coated concrete-form ply (JAS)	900 X 1800	900	950
11.5mm flooring board	945 X 1840	1100	1100
3.6mm baseboard for overlays (OVL)	1230 X 2440	740	740
OSB (North American)			
12mm foundation of roof (JAS)	910 X 1820	1000	1000
9mm foundation for 2 by 4 (JAS)	910 X 2440	1050	1050
9mm conventional foundation (JAS)	910 X 2730	1250	1250
9mm conventional foundation (JAS)	910 X 3030	1350	1350

Report from China

Domestic market prospects improving

Soon after the economic recession in 2008 and early 2009, demand for wood products in China's domestic market began to recover in tandem with the strengthening of the national economy.

The volume and value of China's domestic demand for wood products (logs, sawnwood, veneers and wood-based panels) is forecast to continue to rise throughout 2010. There are several main drivers of this increased demand.

First, the property market in China picked up quickly beginning in the summer of 2009 and the property trade in some cities were even higher in late 2009 than in 2007. The expansion of the housing market stimulated the consumption of furniture and joinery and it also stimulated infrastructure development, another major wood end-use.

Active furniture demand promoted the consumption of veneers, sawnwood and wood-based panels. Timbers from Northeast China such as Basswood, Birch, Elm, Ash sold well as did Teak, Chinese Mahogany (Ailanthus), White wood, Chinese Cherry and Alder.

The interior decoration and home improvement sector created good business opportunities for veneers and wood-based panels.

In 2008 and 2009 Chinese wood product exporters experienced weak demand in overseas markets.

Analysts expect this situation to slowly be reversed as demand in the US and in the EU starts to recover. However, the economies in the main consumer markets are still fragile and it will take some time for demand to grow to pre-crisis levels.

Chinese analysts anticipate that, in the early 2010, trading volumes for most wood products will grow but it will be impossible that this growth will be strong over the short-term.

Log imports down in 2009

According to the statistics from China's Customs, during January to November of 2009, China's log imports totaled 25.47 million cu.m, down 8 percent from the same period

in 2008. The average price for imported logs was US\$143.5 per cu.m, down 18% on 2008.

China's log imports in November increased slightly and the average import price was up on earlier months.

In November alone, China imported 2.375 million cu.m of logs, up 4% from November 2008 but up 9% on October levels. The average price for imported logs in November was US\$162 per cu.m, up 28 percent compared to the lowest price as seen in April 2009, but still 9.7% less than that in the same period of 2008.

Towards the end of 2009 the cross border trade in logs (so called petty trade) had dropped sharply.

During January to November, China imported 13.32 million cu.m of logs by means of general trade (i.e. via the main sea ports), this represented a 20% jump on 2008 levels and this trade accounted for around 52% of the national total log imports for the period.

During the same period log imports by means of the 'petty trade' in the inland border areas were 11.09 million cu.m, down 27%.

In the period under review Russia remained the largest log exporter to China while China's log imports from New Zealand grew rapidly. During January to November, China imported 13.61 million cu.m of logs from Russia, (down 23%) accounting for 53 percent of the national total.

At the same time, China imported 4.111 million cu.m of logs from New Zealand, (up 140%) accounting for 16 percent of the national total.

Log imports from Papua New Guinea were 1.442 million cu.m, down 30 percent and representing just 5.7 percent of the national total log imports.

Private enterprises dominated the log import business. During January to November, private enterprises imported 16.56 million cu.m of logs in total, down 16% on 2008 accounting for 65 percent of the national total. State-owned enterprises imported 7.457 million cu.m of logs, up 17 percent and accounting for 29 percent of the national total.

Analysts point to two main reasons for the decline in China's log imports in 2009. One is that the overall market was quiet. Although the domestic construction sector remained active due to the government stimulus, related industries like furniture and flooring only began to revive much later.

Fujian furniture exports up

According to the information from Fuzhou Custom, the value of furniture and parts exports by manufacturers in Fujian Province were US\$1.86 billion in 2009, up 17 percent from 2008.

In August 2009, the monthly exports of furniture in Fujian reached US\$160 million and continued double digit growth thereafter.

In November, furniture exports topped US\$190 million, 47% higher than that in the same month in 2008. While in December, furniture exports were as high as US\$260 million, up 72% higher than in December 2008.

The statistics show that there was a positive increase in Fujian's furniture exports to the main export destinations. Furniture exports to the US and EU in 2009 were US\$710 million and US\$480 million, up 2 percent and 7 percent respectively. Exports to the ASEAN markets were US\$140 million, up by a factor of 3 times.

Analysts from Fuzhou Custom think that the gradual recovery of international economic situation as well as the recovery of the oversea furniture demand drove furniture exports. However, the unclear prospect in the global economy, especially the growing risks of trade protectionism could affect future furniture exports.

It is suggested that wood product manufacturers should strengthen their R&D and product development in terms of alternative and environmentally-friendly materials so as to eliminate the risks of limits on the furniture trade due to the materials used. In addition, it is suggested that the enterprises should keep up to date on the trade protection status of the various export markets and ensure that they can have access to these markets by doing a good job in terms of product testing and meeting individual market requirements.

East China furniture cluster

In January 2010, a key furniture industry centre (East China Furniture Industry Base), integrating production, sales, training, R&D and services was established in Hai'an, Jiangsu Province. Eighty-three furniture manufacturers from Sichuan, Guangdong, Shanghai, Zhejiang and Jiangsu signaled their interest during the launch of the cluster.

The furniture cluster, located in Hai'an Economic Development Zone, occupies 13 square kilometer comprising the China Furniture Innovation Industry Zone, living Areas, logistic centre, furniture material centre, milling area, complementary business area, and the Furniture Trading Expo Center. It has been reported that the first 200 furniture manufacturers to settle down in the cluster will begin operation this year.

Guangzhou City Imported Timber Market

Guangzhou City Imported Timber Market		Yuan per m ³
Logs		
Lauan (50-60cm)		1900-2100
Kapur (up to 79cm)		1900-2100
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		3500-3800
Okoume		4500-5000
Sapele		5400-6000

Shanghai Furen Wholesale Market

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

Shandong De Zhou Timber market

Shandong De Zhou Timber market		Yuan per m ³
Logs		
Larch	6m, 24-28cm diam.	1160
White Pine	6m, 24-28cm diam.	1250
Korean Pine	4m, 30cm diam.	1400
	6m, 30cm diam.	1500
Mongolian Scots		
Pine	6m, 30cm diam.	1220

Hebei Shijiazhuang Wholesale Market

Hebei Shijiazhuang Wholesale Market		Yuan per m ³
Logs		
Korean Pine 4m, 38cm+ diam		1650
Mongolian Scots Pine	4m, 30cm diam.	1200
	6m, 30cm+ diam.	1300
Sawnwood		
Mongolian Scots Pine	4m, 5-6cm thick	1400
	4m, 10cm thick	1450

Zhejiang Jiashan Kaihua International Timber Market

Zhejiang Jiashan Kaihua International Timber Market		Yuan per m ³
Logs		
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

EU surface materials market challenge

The European surface materials market is important to the tropical hardwood sector for two reasons. Firstly, because significant volumes of tropical hardwood sliced veneer continue to be used by European door, flooring and furniture manufacturers. Secondly, because European furniture designers and manufacturers are influential in setting fashions for interiors worldwide, impacting on the choice of all materials, both wood and non-wood.

The fortunes of 'real' wood veneer products in Europe have undergone major changes in the last two decades. From the early 1990s onwards, Western European wood products manufacturers have faced mounting competition, first from Eastern Europe and then from East Asia. This encouraged a major shift from solid lumber in favour of reconstituted wood panels covered with a decorative veneer as a cost saving measure.

At the same time, another much more negative trend for real wood veneers has emerged and progressively deepened. Real wood veneers have progressively lost market share to non-wood alternatives with the development of a range of new technologies.

A wide range of surface finishing technologies are now available developed with the intent of replicating the look, feel and performance of real wood veneers including impregnated décor paper, vinyl foils (PVC), and direct printing. At the same time, the utility and range of applications for these technologies has greatly expanded as a result of substantial improvement in the dimensional accuracy and surface properties of wood-based panels and the development of High Performance Coatings (HPCs) which greatly enhance levels of durability, wear, and mechanical and thermal resistance.

European manufacturing capacity for many of these alternative products is now substantial and, in some cases, has significantly overshot the level of demand. For example, supply of laminate flooring increased from near zero in 1995, to 275 million m² in 2001 and hit 507 million m² in 2007.

These various pressures have meant that the European market for surface materials is intensely competitive. There is considerable pressure on all manufacturers to cut costs while at the same time to maintain high and consistent quality and reliability of service. All suppliers increasingly have to market with new and innovative products, backed with appropriate technical information and design recommendations, if they are to maintain market share.

This in turn implies very high hurdles to market entry requiring considerable capital investment, product and market knowledge. The essential need to be close to the consumer means that a very high proportion of value added associated with veneer sector is carried out in Europe itself rather than in supplying countries.

Analysis of trade and production data suggests fairly static consumption of real wood veneers in the EU over from 2001-2008 at a level of around 2 million cubic metres per year. Given that this was a period of significant growth in EU manufacturing of wood based panels, furniture, building materials, and non-wood surface materials, it seems safe to assume a significant loss of market share for real wood veneer against non-wood surfaces over the last decade.

While some tropical countries have increased exports of sliced veneer to the EU over the last decade, this is more a result of policy measures to restrict log exports from those countries than an indication of any strong increase in the relative competitiveness of tropical sliced veneers.

The rapid progress and expansion of non-wood substitutes in high-volume low-end sectors of the European market for surface materials, suggests negligible opportunities for expansion of markets for standard tropical hardwood veneers in these sectors. There may once have been some potential to expand lower-end markets for veneers in the southern European door sector, but the recent economic downturn in Spain, Portugal and Italy and the mounting competitive pressure from non-wood substitutes, suggests this is no longer a viable option.

Fashion works against tropical hardwoods

Fashion trends have also been working against tropical hardwoods. While a few highly variegated tropical species (such as rosewood) and brown/black species (such as teak and wenge) are still quite popular in the European surfaces market, red tropical hardwoods are very much out of fashion. Current demand is concentrated on species with pronounced grain, texture and natural variation. This combined with a requirement for large volumes and consistency has increasingly focused attention on a limited range of temperate species, particularly oak.

Ready availability, versatility, and familiarity have meant that designers have continued to favour oak even as fashions have shifted over the last decade from lighter to darker colours – a trend which would otherwise be expected to favour many tropical species. In fact, there were strong indications at European trade shows in 2009, which have continued into 2010, that oak flooring is increasingly replacing for tropical species even for products in the darkest shades.

Another parallel trend, which also aims to greatly expand the versatility of readily available species, is the development of re-constituted veneer products by the traditional veneer suppliers. This represents an attempt by wood veneer manufacturers to combine the natural benefits of wood veneer with variety and flexibility of laminates. Using raw materials originating from plantations and other abundant forest resources, backed in most cases by some form of certification, procedures have been developed to reconstruct high-quality woods through a precise industrial process.

Maintaining and increasing access of real wood veneers to relatively high-volume markets in Europe is likely to be heavily dependent on the success of innovative new products like Danzer's "Vinterio" and Alpi's "Alpilignum". The latter, which includes ayous in the mix of wood species used as a substrate, suggests that there could be a role for some higher volume tropical hardwoods in these innovative products.

However, this will require further technical development work in association with large veneer companies and will also be dependent on reliable environmental certification.

Best opportunities in high end market

However the best opportunities for tropical hardwood are likely to lie at the high-value low-volume end of the market where the custom designer may select a flitch of veneers with which to produce a work of art or to satisfy the design brief of a particular client. In this part of the market, a significant premium may be placed on the range of species to choose from, natural characteristics, and the 'narrative' and environmental qualities associated with each species. The sheer range and variety of tropical hardwoods compared to temperate hardwoods suggests opportunities to expand market share in this part of the market

Even at the upper end of the market, there is no doubt that competitive pressure from non-wood substitutes will continue to intensify for real wood veneers as technical developments are improving the look and feel of these substitutes. But at the high end of the market, the tropical hardwood veneer industry can build on the fact that the desire for the look of wood is strong and there are indications that consumers and designers are still seeking the naturalness, sustainability, warmth, and performance of real wood.

Domotex flooring show

Domotex 2010, Europe's leading floor covering show, was held in January in Hanover, Germany. Overall, the show highlighted that the European wood flooring sector is now intensely competitive, facing much reduced consumption and excess capacity at the low and medium end of the market, but with some optimism at the higher specialist level end of the market.

Domotex 2010 took place against the background of a significant dip in production and sales of wood flooring in Europe. Members of the European Parquet Federation (FEP) recorded a drop in wood-based flooring sales of 7% in 2008 and 15% in 2009.

FEP is now expressing confidence that the market may already have bottomed out. Quoted in the TTJ, FEP note: "increasingly positive economic indicators of late fuel the hope that the tide is gradually turning and that a market stabilisation process will gain momentum in the course of the current year....growing consumer and industry confidence [give] grounds for cautious optimism".

Visitors to Domotex 2010, together with recent trade reports, suggest that existing problems in the European flooring sector are concentrated at the low end of the market. Laminates have been particularly exposed to the slide in new house building in Europe.

Solid and engineered products, on the other hand have been buoyed to some extent by their greater strength in contract markets, which have held up better than residential in the downturn. Continuing public sector

spending has also helped the education and sports markets, where solid and engineered flooring do well.

Engineered and solid wood flooring manufacturers were strongly emphasising the "sustainability", "naturalness" and "authenticity" of their products at Domotex 2010 in an effort to differentiate themselves from the laminate flooring sector.

Domotex 2010 highlighted that European oak has consolidated its dominant market position in the flooring sector through application of an increasingly wide array of stain and other surface treatments. The distressed or antique look was very evident in many product ranges. Colours ranged from dark black, produced by smoking or heating the oak, through to a variegated white look, created by lime-washing oak and then brushing to bring out the grain. There were also signs of increased use of paint, again mainly on oak, brushed and distressed to give an antique look.

There was a strong preference for wide boards, although a few exhibitors were displaying products in narrow boards, emphasising the range of design possibilities and environmental benefits of using small dimension lumber.

Aside from the oak, there was a little walnut and ash on display, but light and less grainy species like maple, beech and rubberwood were not very visible. Very little tropical hardwood was on display – only the occasional line of mainly brown/black species such as teak, wenge and iroko. In explaining the general lack of tropical wood, manufacturers cited the fashion away from red-coloured species together concerns about availability and environmental issues.

A few companies were presenting products as green alternatives to tropical hardwoods. For example, Singapore-based Enito was marketing palm wood floors as "a new and innovative alternative to tropical hardwood timber that is being rapidly depleted due to deforestation and illegal logging".

EU plywood demand weak

European demand for tropical hardwood plywood remains weak. Poor winter weather continues to combine with economic uncertainty to dampen consumption. Interest in the forward market remains subdued despite rising CIF prices. Prices for Malaysian 18mm 4X8 ft BB/CC plywood in the European market have risen from levels of around INDO96 +5% at the end of last year to around INDO96 + 10% today.

Prices for equivalent specifications of Indonesian plywood now stand at over INDO96 +20% and are considerably higher for larger boards. There are reports that buyers in the Benelux countries and Germany, which in the past tended to favour Indonesian plywood despite higher prices for quality reasons, are now looking for alternatives.

Rising increases in CIF prices partly reflect reasonable demand for plywood products in China and the United

States. The weakness of Sterling, which fell to a 9 month low against the US dollar at the end of February on the back of weak economic data, is another factor for UK importers.

Increases in freight rates

There have also been significant increases in freight rates. For example, prices for a 40 foot container from China to the Netherlands increased from around \$2800 at the end of last year to current levels of around US\$4000. Increasing freight rates reflect shortages in container space now that shipping lines have dramatically reduced sailings between Europe and Asia in the face of generally low levels of trade.

Hardwood demand in Spain

Spanish hardwood demand is currently very weak and importers are expecting another very slow year in 2010. The once booming construction sector is now very quiet and is expected to remain so with a large glut of unsold houses on the market. House prices have continued to fall this year despite a large downward correction in 2009. Spain's large door industry, a significant user of tropical hardwood lumber and veneer in the past, has been very hard hit. Furniture production is also down by nearly 25%. However, there is some hope of an upturn in renovation and remodelling activity stimulated by government incentives in the form of reduced VAT. Spanish importers have greatly reduced stock levels and are now keeping them low.

The Netherlands Sawwood Prices

	US\$ per m ³
FOB (Rotterdam)	
Sapele KD	904
Iroko KD	1045
Sipo KD	1066
DRM Bukit KD	918
DRM Seraya KD	925
DRM Meranti KD Seraya MTCC cert.	946
Merbau KD	1194
Sapupira (non FSC) KD	918
Sapupira (FSC) KD	1483
Anti-slip decking AD C&F Rotterdam	
Selangan batu	1412

UK Log Prices

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

UK Sawwood Prices

	GB Pounds per m ³
FOB plus Commission	
Framire FAS 25mm	470-480 ↑
Sipo FAS 25mm	650-640 ↑
Sapele FAS 25mm	575-585 ↑
Iroko FAS 25mm	660-680 ↑
Wawa No.1 C&S 25mm	345-355 ↑
CIF plus Commission	
Tulipwood FAS 25mm	275-285 ↑
Meranti Tembaga Sel/Btr (KD 2"boards)	500-520
Balau/Bangkirai Decking	900-940 ↑
White Oak	505-515 ↑

UK Plywood and MDF Prices

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

Report from North America

Signs of recovery in US furniture demand

Furniture orders in October and November 2009 showed the first signals of a recovery in the US furniture industry, or at least an end to the decline. While orders remained below 2008 rates for much of the summer, in November new orders increased by 10% over the same time in 2008, according to the most recent survey (Furniture Insights, by K.D. Smith, Smith Leonard PLLC, Jan 2010).

Year-to-date furniture orders are still lower than in 2008 (-14%). The number of survey participants reporting lower orders year-to-date November 2009 compared to the previous year remains very high at 89%.

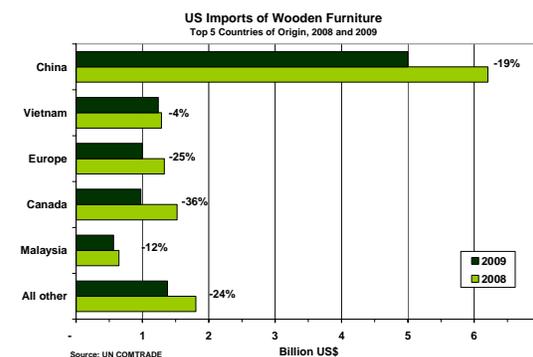
Year-to-date furniture shipments were down by 17% in November compared to the previous year, but shipments started to increase in October 2009. With orders exceeding shipments, dispatch backlogs increased for the first time in many months.

On a less positive note, sales at furniture and home furnishing stores in the US dropped by 1.4% in January 2010, while overall retail sales in the US (excluding automobiles) increased by 0.6%, after a drop of 0.2% in December, according to the US Commerce Department.

Relatively high unemployment, low consumer confidence and a depressed housing market continue to dampen furniture sales.

Furniture imports in 2009

North American imports of furniture have risen sharply in recent years as the industry has become more global. Falling tariff rates as well the fact that China, Vietnam and many Eastern European countries joined the World Trade Organization have contributed to rising imports.

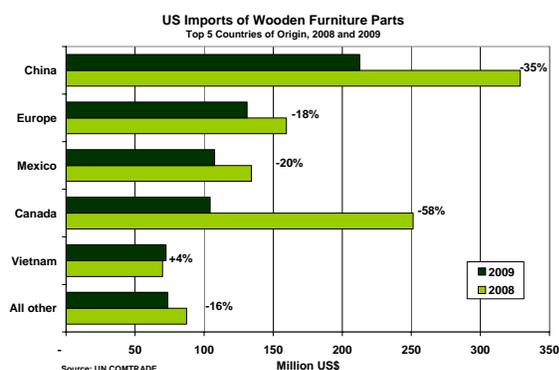


With the exception of a few non-wood furnishing items, furniture is imported tariff-free into the US today. Since 2005, however, there have been anti-dumping investigations by the US Department of Commerce that included wooden furniture imports from China, and dumping rates were set for exporters as a result of the investigations.

2008 was the first year since 2001 that US furniture imports declined. As the same time, US exports benefited from the fall in the US dollar. The weak economy and housing market were the primary cause of the decline in furniture imports, and this trend continued in 2009.

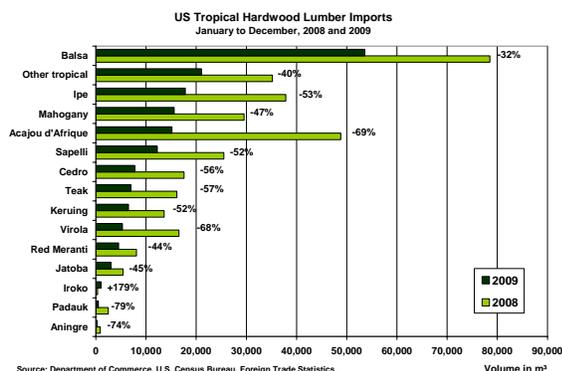
US imports of wooden furniture declined from US\$12.8 billion in 2008 to US\$10.3 billion in 2009 (-21%). China, Vietnam, Europe, Canada and Malaysia remain the largest exporters to the US. Vietnam was the only major exporter that was able to almost maintain 2008 export levels. US imports from China fell by 19% and from Canada by an astounding 36%.

Similarly, US imports of wooden furniture parts dropped by 32% from 2008. Imports from Vietnam increased slightly (+4%), but other major exporters shipped significantly less than in 2008.



In Canada, imports of wooden furniture and furniture parts also declined in 2009. While the drop in imports was slightly less than in the US, imports of furniture parts from China dropped by 28% and from Malaysia by -33% compared to 2008.

US tropical lumber imports



Import data for all of 2009 has now been released, confirming earlier trends that showed tropical lumber imports at only half of 2008 volumes. Imports in December 2009 were at similar levels as in November. Only the import statistics for Teak now shows a major drop from 2008 imports (-57%) compared to the previous month's -8%, but this may be due to a reporting error.

At the end of 2009, Iroko lumber is the only species that recorded an increase in US imports, albeit from a very low basis. Import volumes of all other species declined compared with the previous year, from -32% for Balsa to -69% for Acajou d'Afrique. Lumber imports for the other main species imported into the US are shown in the figure below.

Freight rates decreased in 2009 from the high levels seen in 2008, but the lumber industry may see slight increases in container freight rates in the first half of this year. According to the Import/Export Wood Purchasing News, the number of containers ships will decrease in 2010 and shipping lines will share space on vessels to ensure they are completely booked.

US Timber prices

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

Internet News

Below are web links to news items published by the press. These items do not necessarily reflect the views and policies of ITTO.

The Australian federal government says it is considering a ban on the importation of illegally-logged timber and making it a criminal offence. An alliance of environmental organisations, church groups and the hardware industry is demanding Labor honour its election promise to ban illegal log imports.

<http://news.smh.com.au/breaking-news-national/govt-eyes-crackdown-on-timber-imports-20100218-oelp.html>

Brazil's foreign minister suggested that the thorniest subject in Mercosur's negotiations with the European Union to reach an association agreement – agriculture – might be left aside for the moment until the general outlines of a pact are concluded. Mercosur's agricultural powerhouses, Brazil and Argentina, are firmly aligned with other developing nations in demanding an end to the lavish government subsidies received by farmers in the EU and the United States.

<http://www.laht.com/article.asp?ArticleId=352424&CategoryId=12394>

Brazil is set to build a 320-meter (1,049-foot) tower deep in the jungle that will operate as an atmospheric observatory to study climate change in the Amazon region and its relation to global warming.

<http://www.laht.com/article.asp?CategoryId=14090&ArticleId=352338>

Local governments in China have raised billions of dollars from public land sales to property developers, according to new figures released by Beijing's ministry for land resources. Chinese government officials said in a statement that public land sales increased by 60 per cent in 2009, netting over US\$200 billion.

<http://english.aljazeera.net/news/asia-pacific/2010/02/20102342524843363.html>

South Africa's finance minister reassured investors by announcing a cautious budget that left core macro-economic policies unchanged. Foreign investors had feared that the government might weaken its counter-inflationary stance and intervene more actively in the currency markets in order to stem further strengthening of the rand.

<http://www.ft.com/cms/s/0/6526541a-1bd2-11df-b073-00144feab49a.html>

Strong export performance and a rebound in domestic demand have helped boost Japan's economy, with gross domestic product growing 1.1 per cent in the October to December quarter, latest figures have shown. Taken at an annualised rate, Japan's GDP grew at 4.6 per cent the government said, well above market expectations.

<http://english.aljazeera.net/business/2010/02/20102153518687253.html>

The representative of the European Union's Forest Law Enforcement Governance and Trade (FLEGT), Alain Penelon, has thanked the Government of Liberia and its partner, the SGS, for being up to par internationally in the forest sector. The French logging expert made the commendation at the end of a five-day assessment visit on the revision of Chain of Custody System (CCS) in the forest sector.

<http://www.liberianobserver.com/node/4618>

Top scientists from international agricultural institutes are heralding a new system of farming based on using fertilizer trees to increase crop yield. The new system, which was inspired by small time farmers in Africa who grew the Acacia, could provide a solution to dwindling paddy production in India and will help mitigate climate change, they say.

<http://beta.thehindu.com/news/states/tamil-nadu/article109893.ece>

The US mortgage market may have begun to turn: Fewer borrowers fell behind on their payments during the last three months of 2009. A seasonally adjusted 9.47% of all mortgage loans were late during the fourth quarter, down from 9.64% at the end of September, according to the National Delinquency Survey, which is produced by the Mortgage Bankers Association and is considered the bible of the industry.

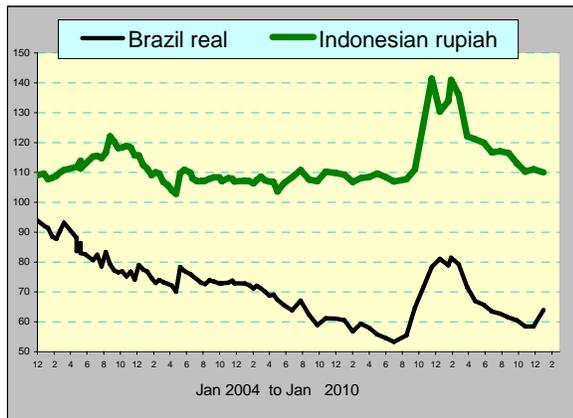
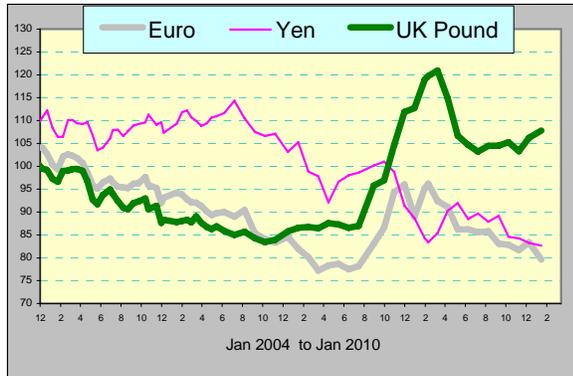
http://money.cnn.com/2010/02/19/real_estate/bankers_delinquency_report/index.htm?source=cnn_bin&hpt=Sbin

Main US Dollar Exchange Rates

As of 25th February 2010

Brazil	Real	1.8238
CFA countries	CFA Franc	486
China	Yuan	6.8267
EU	Euro	0.7376
Indonesia	Rupiah	9337
Japan	Yen	89.10
Malaysia	Ringgit	3.4025
Peru	New Sol	2.8490
UK	Pound	0.6548

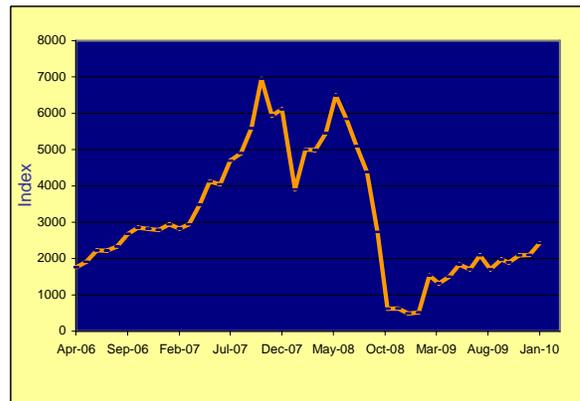
Exchange rates index (Dec 2003=100)



Abbreviations and Equivalences

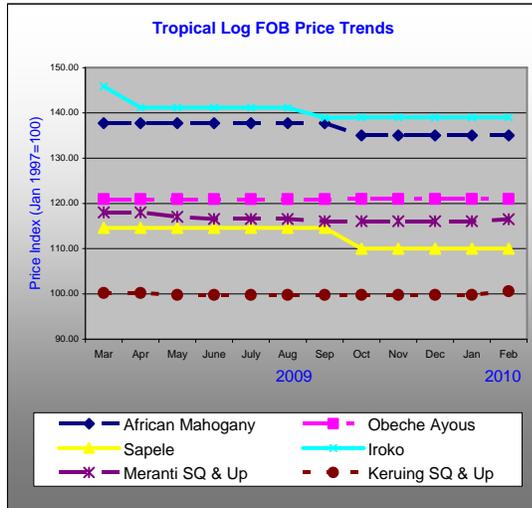
LM	Loyale Merchant, a grade of log parcel
QS	Qualite Superieure
CI, CE, CS	Choix Industriel, Economique or Supplimentaire
FOB	Free-on-Board
CIF; CNF	Cost, insurance and freight; Cost and freight
KD; AD	Kiln Dry; Air Dry
Boule	A log sawn through and through, the boards from one log are bundled together.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

Ocean Freight Index

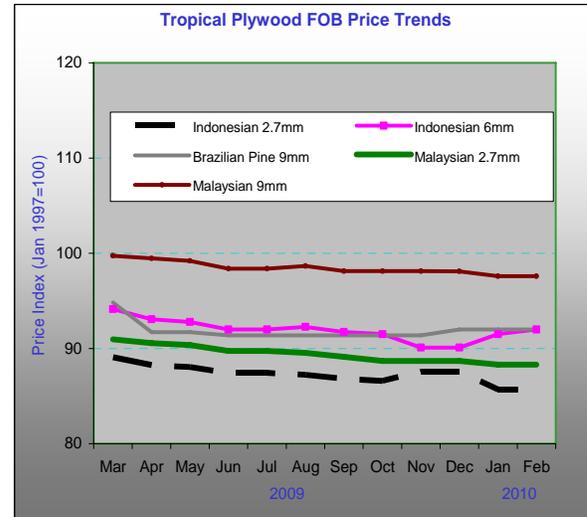


The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes. It is based on a 52,454 mt bulk carrier carrying commodities such as timber.

Tropical Log Price Trends

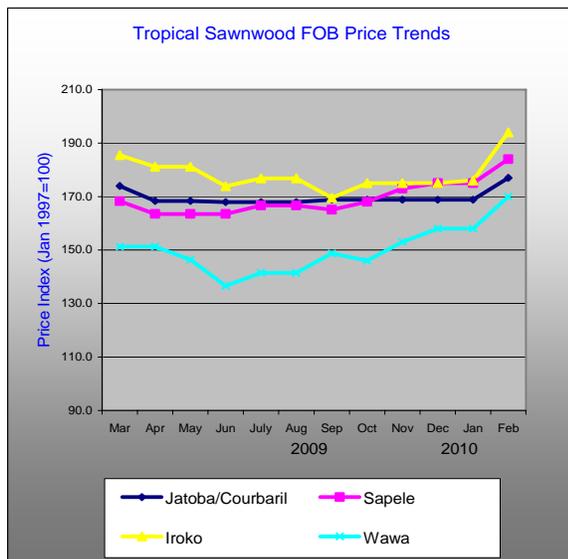


Tropical Plywood Price Trends



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

Tropical Sawwood Price Trends



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