Tropical Timber Market Report

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Contents

Top Story

Moratorium on conversion of natural forests and peatlands

Indonesia announced a 2-year moratorium on new permits to convert natural forests and peatlands. The moratorium will take effect from the beginning of 2011.

The moratorium is a measure to be taken in the context of the US$1 billion partnership agreement between Norway and Indonesia for forest conservation projects in Indonesia including under the framework of the Reduce Emissions from Deforestation and Forest Degradation (REDD) Plus. The agreement could be extended after an evaluation in 2013.

The moratorium will contribute to achieving the target set by the Indonesian government to reduce greenhouse gas emissions by 26% before 2020.

The Indonesian government will adopt a 9-point action plan to ensure the successful implementation of the partnership agreement and moratorium.

(see details on page 5)

Headlines

Report from Central/West Africa

Timber market

There are no further developments regarding the Gabon log export ban. Logs that were not exported before the deadline remain in the port. These logs can be processed locally, but are not very attractive to any millers as they have been on the ground for around six months.

Currently, buyers are sourcing logs from Cameroon and Republic of the Congo. It is reported that several large cargo vessels are waiting at ports in both countries, ready to load and ship the logs mainly to China.

Some log exporters are cautioning that log stocks in China have accumulated and now appear to be sufficient for present consumption. Considering the recent large log imports from Gabon and after the arrival of shipments underway, there may be a slowdown in purchases for some time. If this occurs, there could be a downward pressure on prices. However, considering the recent quite notable price increases for some species, it is more likely that there will be a period of consolidation rather than any further rises, says an analyst.

Despite some recent price adjustments for a very few premium species, sawnwood prices remained stable and unchanged through the past 2 – 3 weeks.

Market trends in importing countries

European traders are still very cautious over timber purchases for the third quarter. European countries are always reluctant to commit to large purchases in advance of the traditional vacation period which begins around the end of June and runs through to August. In addition, the weak Euro will encourage the purchasing of European temperate hardwoods and tropical timber priced in Euro vis-à-vis tropical timber priced in US dollar.

So far Indian buyers have not reacted to the lower overall availability of hardwood logs after Gabon's log export ban came into effect. India's import tariff system makes it uneconomic to import sawnwood and in the absence of tropical logs, there has been a steady and significant increase in imports of softwood logs especially from New Zealand.

China has been increasing softwood log imports as well and Russia and New Zealand have been the major suppliers. However, substantial volumes of tropical hardwood logs are needed to meet the growing demand for hardwood faced plywood. China's veneer and plywood mills have to reorganise their production as okume logs from Gabon are no longer available. There are few good alternatives to okume logs that could be sourced in significant volumes.

In addition, there are plywood mills in the North African region that depend to some extent on okume logs from Gabon and which are also trying to find alternative species.

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	205	205	122
Belli	230	230	-
Bibolo/Dibétou	140	130	
Bubinga	600	530	390
Iroko	245	235	190
Okoume (60% CI, 40% CE, 20% CS) (China only)	230	-	-
Moabi	270	270	206
Movingui	180	150	140
Niove	130	130	-
Okan	300	300	140
Padouk	360	335	235
Sapele	230	220	165
Sipo/Utile	270	250	200
Tali	260	260	114
	C1	CE	CS
Okoume	170	160	120

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

First quarter wood product contracts rose 25%

Permits for a total contract volume of 118,000 cu.m of wood products were approved and processed in Ghana during the first quarter of 2010, up 25% compared to the fourth quarter in 2009. There are no recorded applications for the furniture exports in the period under review.

All the major wood products experienced some growth in volume, except sawnwood and rotary veneer which slipped marginally in comparison to the previous quarter.

There were significant increases in export volumes of plywood (51%), sliced veneer (86%), poles/billets/logs (31%) and processed lumber/mouldings (160%) compared to the fourth quarter of 2009.

Sawnwood continued to be the leading export product accounting for 38% of the total export volume in the first quarter of 2010.

Wood product contracts (cu.m)

Product (m3)	4th quarter 2009	1st quarter 2010	% Change
Lumber	44489	44302	-0.42
Plywood	27344	41228	51
Rotary Veneer	2368	2268	-4.22
Sliced Veneer	5467	10166	86
Poles/Billet/Logs	7348	9633	31
Processed Lumber/Moulding	1832	4759	160

Contract prices reach GSP minimum level

Wood product prices especially for sawnwood improved in the first quarter of 2010. Most contract prices were at the minimum of the Guiding Selling Price (GSP).

Prices of mahogany (*Khaya ivorensis)* sawnwood advanced significantly from the previous quarter reaching US$750-US$820 per cu.m and with a few contracts gaining US$850 per cu.m during the first quarter of 2010.

There were no applications for furniture part exports in the quarter under review. Analysts say, this was probably because the main furniture export company, Scanstyle Mim Limited, has been concentrating on domestic sales.

Other West African countries continue to be the main market for plywood from Ghana accounting for about 90% of the total plywood exports. Unlike in the previous quarter, almost all plywood contract prices were at the minimum GSP during the quarter under review.

Steep rise in utility tariff

Ghana's Public Utility Regulatory Commission sharply raised the price of electricity and water for the first time in over two years, on the ground that utility companies needed cash to improve their services. The tariff hikes were substantial up 89% for electricity and 36% for water.

According to analysts, these will inevitably lead to a corresponding surge in the prices of goods, including timber products, as producers have no option than to pass on increasing costs to the consumers.

Tariff hike worries Ghana industry

The Ghana Timber Millers Association (GTMO) has added its voice to others who opposite the utility tariff increase.

GTMO describes the tariff increase as burdensome to the local timber industry which is already suffering from declining export demand and falling prices.

The spokesman of GTMO said: "It is certain that the new tariff would impact negatively on the cost of production since our production lines depend heavily on water and electricity".

GTMO called on the government to quickly act for a mutually acceptable deal by engaging the utility companies, the Public Utility Regulatory Commission and the business community.

Ghana Log Prices

Ghana logs, domestic	US$ per m^3	
	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	110-145⬆
Sapele Grade A	135-150	160-175
Makore (Veneer Qual.) Grade A	125-135	140-166

Ghana Export Sawnwood Prices

Ghana Sawnwood, FOB	€ per m^3	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	855	-
Asanfina	500	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 m^3
Wawa	25x300x4.2m	247
Emeri	25x300x4.2m	310
Ceiba	25x300x4.2m	205
Dahoma	50x150x4.2m	270
Redwood	50x75x4.2m	303⬆
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	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 m^3
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	0.70⬆
Chenchen	1.25	0.54
Mahogany	1.25	0.70
Makore	1.20	0.63
Odum	1.80	0.95

Ghana Export Plywood Prices

Plywood, FOB	€ per m³			
B/BB	Redwood		Light Wood	
	WBP	MR	WBP	MR
4mm	560	465	500	380
6mm	340	345↑	335	320↑
9mm	365	320	295	280
12mm	300	305	280	275
15mm	310	290	280	280↑
18mm	300	285	285	270↑

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

Wood product prices remain flat

Wood product prices in Malaysia remained mostly unchanged during the last fortnight as European timber importers were not actively buying while waiting to see how the continuing European debt crises are affecting business. European buyers fear that there will be other EU countries with debts as bad as in Greece.

The continuing European debt crisis and high unemployment in the US have resulted in cautious purchasing from the importers. However, the Chinese market remains vibrant and offers good opportunities for timber exporters.

MTC eyes Jordan for increased timber exports

According to the Malaysian Timber Council (MTC), Malaysian timber product exports to Jordan are expected to increase by 10% this year. MTC recently organised a trade mission to Jordan with 13 Malaysian timber companies participating.

Trade between Malaysia and Jordan amounted to US$188 million in 2009, according to statistics from the Malaysian embassy in Jordan.

Jordan imported timber and wood products worth only US$3 million from Malaysia back in 1998. Since then, imports have rose steadily to US$32 million in 2007, US$41 million in 2008 and US$48 million in 2009.

Malaysian timber and timber product exports to the Middle-East reached US$508 million in year 2009. Jordan is the fifth largest importer of Malaysian timber products in the region after the UAE, Yemen, Saudi Arabia and Egypt.

Furniture buying mission by Japanese retailer

Maruni Furnishing Inc., a high quality wooden furniture and furniture products retailer in Japan, reportedly considers Malaysia as an attractive furniture supplier. The company made a buying mission to Malaysia recently.

In recent years, Malaysian furniture exports have been increasing to Japan, where China, Vietnam and Thailand have been the main exporting countries.

Log Prices

Sarawak log, FOB	US$ per m³
Meranti SQ up	232-256
Small	215-246
Super small	207-231
Keruing SQ up	221-233
Small	201-231
Super small	179-209
Kapur SQ up	211-236
Selangan Batu SQ up	191-228

Pen. Malaysia logs, domestic (SQ ex-log yard)	US$ per m³
DR Meranti	238-257
Balau	303-332
Merbau	334-366↑
Rubberwood	70-104↑
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 m³
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 m³
Balau (25&50mm,100mm+)	327-347
Merbau	461-513
Kempas 50mmx(75,100 & 125mm)	261-301
Rubberwood	
25x75x660mm up	216-266↑
50-75mm Sq.	255-287↑
>75mm Sq.	277-306↑

Plywood Prices

Malaysia ply MR BB/CC, FOB	US$ per m³
2.7mm	411-473
3mm	391-421
9mm & up	338-410

Meranti ply BB/CC, domestic	US$ per m³
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	US$ per m^3
22x760x1220mm sanded & edge profiled	
Top Grade	580-613
Standard	564-584

Report from Indonesia

Moratorium on conversion of natural forests and peatlands

Indonesia announced a 2-year moratorium on new permits to convert natural forests and peatlands. The moratorium will take effect from the beginning of 2011.

Any permits granted for agriculture, plantations and mining before 2011, will not be affected by the moratorium. The Indonesian Ministry of Forestry pointed out that no permits to convert natural forests or peatlands have been issued since 2009.

The moratorium will not affect the operations of industrial timber estates and forest concession development programmes. Among these programmes are Societal Forest Development, Village Forest Development, Forest and Land Rehabilitation, Concession Restoration and Partnership Forest Development.

From 2011, businesses in agriculture, plantation and mining sectors will be permitted to extend their operations only to degraded forests or idle land. The National Land Bureau (BPN) has identified 12 million hectares of idle land and 40 million hectares of degraded forests for this purpose.

The moratorium is a measure to be taken in the context of the US$1 billion partnership agreement between Norway and Indonesia for forest conservation projects in Indonesia including under the framework of the Reduce Emissions from Deforestation and Forest Degradation (REDD) Plus. The agreement could be extended after an evaluation in 2013.

The moratorium will contribute to achieving the target set by the Indonesian government to reduce greenhouse gas emissions by 26% before 2020.

Government's action plan

The 2-year moratorium will have wide ranging effects on a number of provinces across Indonesia, including Riau, Jambi and Papua. In Riau province alone, the moratorium will protect up to 700,000 hectares of natural forest.

The Indonesian government will adopt a 9-point action plan to ensure the successful implementation of the partnership agreement and moratorium. The action plan entails setting up a forum to communicate and address concerns regarding the moratorium within the private sector. In addition, consultations at federal and regional levels will be held to create support and synergy between the federal government and local governments.

There are wide spread concerns among the industry and civil society on how to ensure the wood supply. In this regard, the issue of raw material supply for the Indonesian timber products industry in a sustainable way must be addressed, say analysts.

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	62-86⬆
Pine	165-204
Mahoni (plantation mahogany)	474-502

Sawnwood Prices

Indonesia, construction material, domestic	US$ per m³
Kampar (Ex-mill)	
AD 3x12-15x400cm	183-202
KD	204-238
AD 3x20x400cm	225-248
KD	227-256
Keruing (Ex-mill)	
AD 3x12-15x400cm	239-253
AD 2x20x400cm	227-245
AD 3x30x400cm	209-228

Plywood Prices

Indonesia ply MR BB/CC, FOB	US$ per m³
2.7mm	396-453
3mm	353-394
6mm	332-374

MR Plywood (Jakarta), domestic	US$ per m³
9mm	255-266
12mm	247-257
15mm	236-250

Other Panel Prices

Indonesia, Other Panels, FOB		US$ per m³
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 m³
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

Sluggish teak and pyinkado market

The market for teak and other hardwoods is reported to be sluggish. Civil unrest in Thailand has had a negative impact on trade with the country. In addition, exports of Myanmar teak and pyinkado to India seem to be easing after the brisk trade experienced in May.

The Myanmar Timber Enterprise did not raise teak or pyinkado prices in May and there are no indications that it will do so any time soon, say analysts.

Myanmar Log Prices (natural forest logs)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)	
Veneer Quality	Apr	Apr
2nd Quality	6,501 (3 tons)	nil
3rd Quality	5,639 (4 tons)	6,129 (4 tons)
4th Quality	5,038 (12 tons)	5,348 (10 tons)
Sawing Quality		
Grade 1 (SG-1)	3,054 (41 tons)	3,257 (30 tons)
Grade 2 (SG-2)	2,656 (41 tons)	2,494 (41 tons)
Grade 3 (SG-3)	nil	nil
Grade 4 (SG-4)	1,749 (217 tons)	1,945 (219 tons)
Grade 5 (SG-5) Assorted	1,259 (68 tons)	1,484 (119 tons)
Grade 6 (SG-6) Domestic	1,084 (103 tons)	1,011 (101 tons)
Grade 7 (ER-1)	807 (189 tons)	807 (152 tons)
Grade 8 (ER-2)	605 (3 tons)	nil
Short Logs 6 ft. / 7 ft.	nil	nil

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.

Report from India

Indian economy on strong footing

In the first quarter of 2010, India's GDP continued to grow for the fourth consecutive quarter. In January – March 2010, GDP surged 8.6 % compared to the same period last year.

The manufacturing sector expanded 16.8% in the last quarter of the 2009 bringing annual growth for the 2009 to 10.8 %.

Exports, another positive indicator for the India's growth, rose for the sixth consecutive month to US$17 billion in April, up 36% over April last year.

On the back of this positive economic performance, 200-300 towns in India are likely to grow to mega cities in the next 10 years. These cities will be much cheaper than Mumbai and Delhi and the housing market is flourishing in these satellite towns.

Sandalwood gets attention

Sandalwood (Santalum album) is the most popular fragrant wood species world wide. The plantation production of sandalwood is spreading in India as well as in other Asian countries like Vietnam, Thailand, Indonesia and Sri Lanka.

State governments in India such as Kerala, Karnataka, Tamil Nadu and Andhra are plying a critical role in promoting the planting of sandalwood in government land. These state governments are also encouraging the private sector to establish plantations of sandalwood. If these efforts succeed, sandalwood may be removed from the list of endangered species in the future and thus will help maintain the perfumery and handicraft industries associated with this wood.

According to reports, there is a great potential to expand the plantations under sandalwood. The government needs to remove all constraints for investment in new sandalwood plantations and promote its planting and management by developing guidelines. To increase the economic value of sandalwood, new end-uses need to be sought and supplies must be ensured.

Madhya Pradesh in North and Mizhoram in North East have taken the lead in promoting and growing sandalwood in India.

Panel industry exhibitions

Panelexpo 2010 will take place in National Small Industries exhibition ground, instead of Pragati Maidan announced earlier. The dates for the expo are 1-4 December 2010. For more information visit: http://www.panelexpoindia.com/

Details of Delhiwood 2011 have also been announced and it will be held from 17th February 2011.

These fairs are considered to be very important for the growth of the Indian panel industry in both the domestic and international markets.

Import outlook

South West Monsoon is expected to begin soon and thus will cause a break in log sourcing in Western India. Sawmills have started to fill stocks to maintain production in next four months.

Presently, the flow of logs is still good and sales are brisk. The buyers are resisting higher prices.

The low level of log imports recorded in March is over and teak supply from Myamar is reported to be good. There is shortage of Sal and Gurjan logs in the market and this has stimulated demand for other species such as Kapur, Merbau, and Rengas.

CNF Plantation Teak

	US$ per m^3
Tanzania Teak 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.	5000-5500
Plantation Teak A grade	2000-3600
Plantation Teak B grade	1800-3000
Plantation Teak C grade	1350-1500

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.9.50	Rs.15.50
6mm	Rs.14.00	Rs.22.50
8mm	Rs.17.50	Rs.25.50
12mm	Rs.21.50	Rs.27.50
18mm	RS.27.00	Rs.36.00
5mm Flexible ply	Rs.17.50	Rs.20.00

Report from Brazil

Surge in wood exports from Minas Gerais

Exports of timber and wood products from Minas Gerais totalled US$243 million in January-April 2010. The export value is 88% higher compared to the same period in 2009 according to the Ministry of Development, Industry and Foreign Trade / Secretariat of Foreign Trade (MDIC / Secex).

In terms of volume, the timber and wood product exports were 381 tonnes in January-April 2009 and 410 tonnes in the same period this year, representing a 7.8% increase. The agribusiness sector exports in general experienced growth in the period under review.

According to statistics by the Agricultural Economics and Policy Superintendence (SPEA) of the Secretary of Agriculture, Livestock and Supply of Minas Gerais (SEAPA), the timber and wood product sector was ranked the second largest agribusiness exporter in the state with a 12% share of the total agribusiness exports.

The growth in exports of timber and wood products from Minas Gerais in international markets is due to the vast extension of planted forests state wide. Between 2004 and 2008, the total planted forest area in the state expanded 20%, to 1.4 million hectares.

The timber and wood product exports have good prospects for growth as the global economy recovers. In addition, forest product certification is seen as an opportunity to expand markets for wood products as consumers in the main markets are becoming increasingly concerned about the environment.

Teak as potential plantation species

The Forestry branch of the Brazilian Agricultural Research Corporation (Embrapa) Embrapa-Floresta and Embrapa Mato Grosso recently held a workshop on teak which is considered as potential species for forest plantations in Brazil. The traditional plantation species in Brazil are pine and eucalyptus.

The workshop promoted scientific-technical collaboration and discussed issues such as silviculture, economics, management, health and genetics. A genetic improvement programme for teak was one of the topics considered. The workshop participants were researchers, professors, foresters and businessmen.

According to the Brazilian Association of Forest Plantation Producers (ABRAF), the total teak commercial plantation area exceeded 65,000 hectares in 2009. Currently, Mato Grosso is the state with the largest teak plantation area in Brazil. However, Brazil has several geographic regions with climate and soil conditions suitable for teak.

Drawbacks in logging control systems

An investigation conducted by the Federal Police shows that logging control system established by the government has become ineffective over the years. Fictitious forest management plans and clear cutting authorization as well as fraudulent forest transport documents and trade in forest credits have been some of the practices used by violators involved in trade in illegal timber.

The Computerized Forest Products Trade and Transport System (Sisflora) was created in 2006 to replace the Forest Products Transport Authorization. This state level control system is in operation in Mato Grosso, Pará, Rondônia and Maranhão. There is also the federal system of forest control, the Document of Forest Origin (DOF), which also has suffered from several drawbacks.

The computerised forest control system has been a major breakthrough, but it needs more transparency and adaptation to the current forest administration.

Brazil Log Prices (domestic)

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	146
Jatoba	104
Guariuba	69
Mescla (white virola)	75

Brazil Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB		US$ per m^3
Jatoba Green (dressed)		825
Cambara KD		477
Asian Market (green)	Guariuba	266
	Angelim pedra	619
	Mandioqueira	232
Pine (AD)		193

Brazil sawnwood, domestic (Green)		US$ per m^3
Northern Mills (ex-mill)	Ipê	698
	Jatoba	535
Southern Mills (ex-mill)	Eucalyptus (AD)	187
	Pine (KD) 1st grade	240

Brazil Veneer Prices

Veneer, Export (Belem/Paranagua Ports) FOB	US$ per m^3
White Virola Face 2.5mm	296
Pine Veneer (C/D)	208

Rotary cut Veneer, domestic	US$ per m^3	
(ex-mill Northern Mill)	Face	Core
White Virola	255	212

Brazil Plywood Prices

Plywood, FOB	US$ per m^3
White Virola (US Market)	
5.2mm OV2 (MR)	485
15mm BB/CC (MR)	416
White Virola (Caribbean market)	
4mm BB/CC (MR)	523
12mm BB/CC (MR)	421

Pine Plywood EU market, FOB	US$ per m^3
9mm C/CC (WBP)	278
15mm C/CC (WBP)	256
18mm C/CC (WBP)	250

Plywood, domestic (ex-mill Southern mill)		US$ per m^3
Grade MR (B/BB)	White Virola 4mm	883
	White Virola 15mm	645

Domestic prices include taxes and may be subject to discounts.

Other Brazil Panel Prices

Belem/Paranagua Ports, FOB	US$ per m^3
Blockboard Pine 18mm 5 ply (B/C)	311
Domestic Prices, Ex-mill Southern Region	
Blockboard White Virola faced 15mm	556
Particleboard 15mm	354

Brazil Added Value Products

FOB Belem/Paranagua Ports		US$ per m^3
Edge Glued Pine Panel		
Korean market (1st Grade)		646⬆
US Market		493⬆
Decking Boards	Cambara	605⬆
	Ipê	1,590⬆

Report from Peru

Peru acts on CITES commitment

In the previous meeting of the Convention on International Trade in Endangered Species of Fauna and Flora (CITES) held in Doha, Peru committed to improve the current forestry information system for mahogany (Swietenia macrophylla) and cedar (Cedrela odorata).

The General Directorate of Forestry and Wildlife (DGFF) of the Ministry of Agriculture is assigned to be the implementing authority to address the CITES requirements. The development process is supported by various international institutions. The work is scheduled to be completed in September 2010.

New forest law to Congress in July

According to the Minister of Environment, the draft of "Law of Forestry and Wildlife" will be presented to the Presidency of the Council of Ministers in the second week of June and to the Congress in July.

The draft law designates the Ministry of Environment as the state agency responsible for authorising land use reformation throughout the Peruvian Amazon. The Ministry will also be the authority issuing permission to change forest land use to other uses. The Minister says that the new forestry law focuses on economic and social investment projects on forests.

According to some experts, the draft Forestry Law should be supported by a policy that facilitates the creation of a land market in the Amazon. This market should aim at bringing more than five million hectares of deforested land for sale or creating partnerships between local people and reforestation investors.

Peru Sawnwood Prices

Peru Sawnwood, FOB Callao Port	US$ per m^3
Mahogany S&B KD 16%, 1-2" random lengths (US market)	1698-1745⬇
Spanish Cedar KD select	
North American market	918-922
Mexican market	897-921
Pumaquiro 25-50mm AD Mexican market	532-586⬆

Peru Sawnwood, FOB Callao Port (cont.)	US$ per m^3
Virola 1-2" thick, length 6'-8' KD	
Grade 1, Mexican market	309-357
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 m^3
Spanish Cedar AD Select Mexican market	887-909
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	293-320⬆
Grade 2, Mexican market	249-264⬆
Grade 3, Mexican market	139-152⬆
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	214-227

Peru sawnwood, domestic	US$ per m^3
Mahogany	887-923
Virola	52-69
Spanish Cedar	268-321
Marupa (simarouba)	59-72

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	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 trends

During the period under review, log prices for all main species, i.e. Greenheart, Purpleheart and Mora made some gains.

Sawnwood prices for rough sawn (undressed) prime grade Greenheart rose while prices in other grades retreated. Mora (undressed) lumber prices remained relatively stable for this period.

Dressed Greenheart showed strong price gains for this fortnight period reaching US$1060 per cu.m, while dressed Purpleheart prices slipped.

Splitwood and roundwood contributed positively to the total export earnings for this fortnight period. Main export destinations were the USA (piles), the Caribbean (poles and posts) and Mauritius (splitwood).

Outdoor garden furniture made from Guyana's Locust (trade name: Jatoba, Courbaril) showed brisk trade especially to the UK market during the period under review. Other products including mouldings, indoor furniture, spindles and windows all contributed to the export performance of the timber sector.

Guyanese furniture showcased at international furniture exhibition

The International Contemporary Furniture Fair 2010 was held in New York in May 2010.

New Caribbean designs were displayed collectively by 21 artisans from eight countries. Guyana showcased brightly coloured chairs made from kufu vine produced by Liana Cane, a Guyanese furniture manufacturer devoted to renewable materials.

Guyana Log Prices

Logs, FOB Georgetown	SQ - $ Avg unit value per m^3		
	Std	Fair	Small
Greenheart	140-170	130-160	120-145
Purpleheart	200-310⬆	170-215	150-200
Mora	140⬆	-	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	763⬆	-
	Standard	-	636-1060⬆
	Select	577-763⬇	
	Sound	678⬇	
	Merchantable	505-577⬇	
Purpleheart	Prime	-	-
	Standard	-	700-784⬇
	Select	-	
	Sound	-	
Mora	Prime	-	
	Select	500	
	Sound	440⬆	
	Merchantable	400-505	

Guyana Plywood Prices

Plywood, FOB Georgetown Port			$ Avg unit val. per m^3
Baromalli	BB/CC	5.5mm	-
		12mm	-
	Utility	5.5mm	-
		12mm	-

Report from Japan

Increased plywood supply but trade remains cautious

The supply of plywood in Japan during April was 301,900 up 29% on March levels and nearly a third up on levels in April 2009, says the Japan lumber reports (JLR). Plywood imports rose notably from Indonesia and China and because domestic consumption rose, plywood inventories fell.

Plywood imports

	April 2010 (cu.m)	% Change to Apr-09
Malaysia	138,553	16.6
Indonesia	88,113	10.6
China	63,442	93.6
New Zealand	5,272	65.1
Canada	568	62.3
Others	6,027	87
Total imports	301,975	28.3

Source JLR

The JLR puts the increase in plywood supply during April down to both a delay in clearing some March arrivals and to arrivals of plywood under the 2010 preferential tariff arrangements.

Despite the apparent upswing in the plywood trade the JLR is reporting that the industry does not consider this as reflecting an improvement in the market and inventories remain low compared to levels in 2008.

The JLR is reporting that coated concrete formboard is in short supply so imports move immediately into the market.

Domestic plywood production increased again in April marking four consecutive months' of increase.

Tropical plywood prices moving

Daishin Gouhan Koyyo Co. Ltd in Nigata Japan has been forced to raise the price for its plywood manufactured from imported logs. The JLR says the company has tried to maintain price levels but with soaring log costs and a sharp increase in adhesive costs, a price increase has become necessary.

Log costs have risen over recent months because of aggressive purchasing by China and India. Daishin apparently expects raw material costs to continue upwards and has given warning that further price increases for its tropical plywood may become necessary.

April housing starts

After 17 months of declining housing starts the figures for April show a modest (0.6%) increase. This turn-around is welcome news for the timber industry but as the JLR points out, housing start levels are still much lower than in 2008.

There are some grounds for optimism as the number of building permits issued has been increasing for the past six months and April permits were almost 11% up on levels in April 2009.

April housing starts

	Apr-10	% Change to Apr-09
Total	66,568	0.6
Owner's units	23,496	2.3
Rental units	24,425	-7.0
Built for sale	18083*	27.4
Wood frame units	34,425	3.2
Prefabricated units	8,976	-0.8
2x4 units	6,886	0.9

*of which 9,668 are condo units. Source JLR

Meranti logs breach the US$200 level

Tropical log prices have been inching up in recent months and at long last Sarawak log exports have achieved the US$200 per cu.m for Meranti Regular logs that was their target, in fact current asking prices are closer to US$220 per cu.m.

Log availability in Sarawak is reportedly very tight because bad weather is hampering logging. Also, it is reported that some of the major suppliers are now moving into new concession areas which is disrupting the regular flow of logs.

Because log stocks are low in Sarawak, Japanese log importers have delayed sending vessels to load logs and the JLR says that the next loading could be as late as end June.

As log stocks are low and international demand is firm suppliers have been asking higher prices. For Japan, Small Meranti prices are at US$180 per cu.m FOB up US$4-5 per cu.m on levels in May. The JLR says prices of US$190 per cu.m will be seen soon.

In Japan, plywood mills are actively buying logs as plywood sales are improving slightly. Sarawak Meranti regular logs are priced at Yen 6,800 – 6,900 per Koku CIF, Yen 300 up on levels a month ago. Small Meranti log prices are at yen 5,800-5,900 per koku also up Yen 300 per koku on prices in May.

Demand for tropical hardwood logs by Japanese crating manufacturers has strengthened and this is another factor driving up log prices.

US supplying JAS and FSC Douglas fir

Demand for certified lumber is growing in Japan reports the JLR and this is giving a boost to US lumber exporters. Apparently many west coast US sawmills are increasing exports to Japan even in the face of rising US domestic log prices and higher ocean freight charges. To attract Japanese buyers US millers are now cutting metric sizes and are offering more kiln dried lumber.

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)	May (¥ per sheet)	Jun (¥ 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	940	940
12mm concrete-form ply (JAS)	900 X 1800	890	890
12m coated concrete-form ply (JAS)	900 X 1800	1050	1090
11.5mm flooring board	945 X 1840	1150	1200
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

Wood product imports retain upward trend

According to China Customs, the total imports of logs amounted to 11 million cu.m in the first four months of 2010, up 24% from the same period in 2009.

Log imports from Russia fell 6% from the same period last year to 4.9 million cu.m. On the other hand, imports from New Zealand rose 75% to 1.8 million cu.m and imports from other main supplier countries were also up.

In the first four months of 2010, China's sawnwood imports were 4 million cu.m, up 67% from the same period of 2009. The main sawnwood suppliers were Russia (up 31%), Canada (up 110%), Thailand (up 102%) and the USA (up 77%).

The buoyant real estate market in China's cities has significantly boosted demand for furniture. As a result, China's wood-based panel imports rose substantially. The imports of plywood, particleboard and fibreboard rose 37%, 17% and 6% respectively compared to the first four months last year.

Wood product exports register sharp gains

The total value of wooden furniture exports in the first four months of 2010 were US$2,772 million, up 37% from the first four months of 2009. Furniture exports to the US were worth US$870 million, up 20% over the same period last year. In comparison to the period in 2008, prior to global financial crisis, the export value to the USA fell about 1%.

China's plywood exports surged in the first four months of 2010. A total of 2 million cu.m of plywood was exported, an increase of 46% over the same period in 2009. China's exports to the US amounted to 376,500 cu.m, up 14% from the same period last year. Exports of plywood to United Arab Emirates, the UK, Japan and Korea also rose 62%, 50%, 69% and 85% respectively.

The major plywood exporting provinces were Shandong (753,900 cu.m, up 39%), Jiangsu (711,600 cu.m, up 43%), Zhejiang (128,400 cu.m, up 28%), Guangdong (109,700 cu.m, up 68%) and Shanghai (56,400 cu.m, up 13%).

Fibreboard exports from January to April 2010 amounted to 476,800 tonnes, an increase of 73% from the same period last year. Exports to the US totalled 101,500 cu.m, up 55% from the same period last year. Exports to Russia, Saudi Arabia and Korea United Arab Emirates, the UK, Japan and Korea also rose 68%, 44% and 247% respectively.

The major fibreboard exporting provinces were Jiangsu (308,900 tonnes, up 82%), Shandong (34,600 tonnes, up 33%) and Guangdong (26,900 tonnes, up 75%).

Some 28,500 tonnes of particleboard were exported during the first four months of 2010, up 30% from the same period last year. One third of the total particleboard exports were to Russia.

Impact of the weak Euro

Europe is the world's second largest wood product consumer area accounting for one third of global consumption. Most of wood product imports by European countries are from Asia. The EU is also the major wood product market for China accounting for 16% of China's total wood product exports in the first four months of 2010.

The continued weakness of the Euro has the effect of making Chinese exports less competitive in the Euro area. In May 2010, the average exchange rate was RMB8.4 per Euro, down 18% from the beginning of the year.

Analysts believe that the Euro area's economic downturn and weakening Euro will severely impact China's wood product trade in the following areas:

- export-oriented wood product manufacturers will suffer most and they have to readjust their foreign trade strategies;
- as a result of the slowdown in the European market, some of the exporting companies will sell their products in domestic market hence, increasing domestic competition;
- the effect will be long term, if the purchasing power of the Euro continues to weaken.

In addition, the Due Diligence Regulation being developed by the EU will further erode the competitiveness of Chinese manufacturers.

Boost for furniture manufacturing in Dongguan City

Steelcase Furniture, the biggest office manufacturer in the world, announced recently the establishment of a plant and R&D centre in Dongguan City, Guangdong Province, which will be the company's biggest centre in Asia.

It is planned that 75% to 80% of the products from this plant will be sold in Chinese domestic markets and the rest will be exported to Japan, India and other Asian countries.

The Steelcase Furniture has 3 plants in Asia; in China, Malaysia and Japan.

Call for greater China-US cooperation in forestry

At the second meeting of the China-US Strategic and Economy Dialogue, the vice administrator of the State Forestry Administration, Madam Yin Hong, spoke on forestry cooperation between China and the USA.

Madam Yin Hong said that China and the USA have good cooperation in the fields of combating illegal logging, Chinese garden construction, Wetland and Reserve Action Plan and Network on Asia-Pacific Forest Rehabilitation and Sustainable Management. She appealed to the two countries to undertake common efforts in promoting greater cooperation in forest management and ecological conservation.

Main ports for logs and sawnwood imports

Nanjing, Manzhouli and Harbin were the three main log importing ports in China in the first quarter of 2010. Log imports through Nanjing Port were 2.3 million cu.m valued at US$463 million, accounting for 30% in volume and 36% in value of the total log imports. Imports through Manzhouli and Harbin were 1.6 million cu.m and 1 million cu.m, accounting for 21% and 13% of the total log imports to China respectively.

In terms of sawnwood imports, Shanghai, Guangdong and Manzhouli ranked top three in the first quarter of 2010. Shanghai imported 737,200 cu.m of sawnwood, Guangdong 679,500 cu.m and Manzhouli 431,200 cu.m accounting for 26%, 24% and 15% of China's total sawnwood imports respectively.

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.	1200
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

UK plywood importers maintain low stocks despite rising prices

The recent TTJ report on the UK plywood market notes that CIF Europe plywood prices from almost all sources – including both hardwood and softwood products – have increased over the last couple of months. In normal times, this would generally encourage more buying as importers try to avoid having to pay more later and seek to exploit a rising market.

However, current market conditions are very far from "normal". As the TTJ notes, "if anything, rapidly rising prices have served as a further incentive for UK consumers to keep their plywood stocks to a minimum. In addition, higher prices have pushed some buyers towards their credit limits and forced them to rein in their purchases".

Nevertheless, this situation cannot last too long. Quoting one importer, TTJ suggests that UK hardwood plywood stocks are "at an all-time low" and that "They will have to start buying soon."

TTJ also indicates that significant volumes of Chinese hardwood plywood arrived in the UK during early May and more is going to be shipped in early June. But, according to a leading importer, much of this is pre-sold and has not been bought to build stock in anticipation of future demand. It is clear that few UK importers have now real appetite to hold significant volumes of hardwood plywood in stock.

With increasing price pressure in the UK market, China now dominates the supply for undifferentiated commodity grade hardwood plywood. Malaysian producers are increasingly focusing on more specialised products, including FSC and PEFC certified. The relative strength of the Brazilian real on international currency markets hinders UK imports of Brazilian hardwood plywood.

TTJ speculates that the GBP is likely to weaken further against the US dollar and other international currencies throughout the course of 2010 with the implication that imported plywood prices will continue to rise and there will be further pressure to find substitutes.

Reduced buying and increased plywood substitution across Europe

Similar trends towards reduced buying and increased substitution of tropical hardwood plywood are reported elsewhere in Europe.

In a report on the central European market for Indonesian and Malaysian raw and film-coated boards in May, EUWID suggests that "high repurchasing prices mean that European buyers are now less interested in buying these products. Chinese and Russian grades continue to act as substitutes for South East Asian plywood. A number of agents and importers reported that a few South-East Asian plywood grades were increasingly turning into niche products that were only sought by a few buyers and for specific applications. Moreover, existing inventories are mostly large enough to meet the current demand in Europe, meaning that hardly any new contracts had been signed."

EUWID also reports in early June that demand for okoume plywood in its key European markets – including France, Netherlands, Spain and Italy – remains subdued. Efforts by French based manufacturers to raise prices in the face of raw material shortages following Gabon's log export ban since May 2010 have experienced resistance from European consumers. Existing European stocks of okoume plywood are still high compared to current low consumption. There are indications that manufacturers based in France dependent on imported logs are losing market share to those with capacity in Gabon providing more stable and assured long-term supply.

Panels based on waste plastic promoted as plywood substitute

An emerging threat to commodity grade tropical hardwood plywood in certain lower grade applications in the European market was highlighted in a recent article in The Sunday Times, a UK national newspaper. The article reported on the activities of 2K, a start-up company in Luton, UK, which is recycling the plastic of redundant household items into "a sustainable alternative to plywood".

The article suggests that "there is a mountain of waste plastic and nobody knows what to do with it." However, the European Union's waste legislation requires local councils, manufacturers and retailers to organise the collection of used electrical and electronic equipments, which is driving a search for new ways of recycling waste plastic. 2K turns the unwanted plastic into a panel product called Ecosheet which is already being used by large UK construction firms such as Bovis Lend Lease and Wates for hoardings on building sites. Leading retailers such as Asda and Sainsbury's are now working with 2K on marketing issues.

2K uses a process called powder impression moulding, through which the waste plastic is ground together into a powder and bonded in a heat press, a little like an enormous toasted sandwich maker. The technique produces a strong plywood-type board even if the plastic is contaminated with other materials, such as metal.

2K expects to process 30,000 tonnes of waste annually from next year and to have five more factories in Britain. It is negotiating with licence partners to build factories in France and Spain and has had inquiries from round the world.

The Sunday Times notes that Ecosheet "is slightly more expensive than plywood", but 2K argues that, overall, it "works out two or three times cheaper because it lasts longer than plywood, does not need painting and can be recycled at the end of its life, saving disposal costs".

Carrefour success provides grounds for optimism

According to the TTJ, visitor numbers were up at the Carrefour International du Bois (CIB) timber show in Nantes, France, in early June. Exhibitors also suggested the event provided further evidence that the international wood trade is emerging from recession.

According to CIB spokesperson Cecile Touret, preliminary figures show a 5% rise in attendance at the exhibition from June 2-4 2010 over the last event in 2008. The figures suggest that well over 10,000 people attended the show, while preliminary reactions from exhibitors suggest there was an increase in the proportion of foreign visitors as well which, in 2008, accounted for 15% of the total. Exhibitor numbers this year were around 500 with nearly a quarter from outside France.

TTJ quotes French hardwood specialist Ducerf, which was highlighting its new Coteparc range of heat-treated cladding at the show, "Business could still be better, but it is improving with China buying again, thanks to the strong dollar, and England coming back into the market, particularly for (laminated) panel products," said export director Florence Perrucaud.

The Netherlands Sawnwood Prices

FOB (Rotterdam)	US$ per m^3
Sapele KD	837⬇
Iroko KD	992⬇
Sipo KD	997⬇
DRM Bukit KD	953⬆
DRM Seraya KD	960⬆
DRM Meranti KD Seraya MTCC cert.	975⬆
Merbau KD	1229⬆
Sapupira (non FSC) KD	946
Sapupira (FSC) KD	1483
Anti-slip decking AD C&F Rotterdam	
Selangan batu	1525⬆

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	560-580⬆
China (hardwood face, eucalyptus core) 18mm	380-390
China (tropical hardwood face, poplar core) 18mm	350-370

Report from North America

Wood species in flooring

A recent survey of floor covering dealers and contractors by National Flooring Trends found that red oak remains by far the best selling species at 45% of the total floor cover sales. The other top wood species in flooring are hickory (13%), white oak (11%), Brazilian cherry (10%), maple (9%) and Brazilian walnut (3%). The floor width most often purchased is 3 to 5 inches.

Survey respondents thought that imported finished flooring was about twice as likely to have product quality issues as flooring made in the US. The 2010 NFT Hardwood Study also found that more than half of the respondents expect residential sales to increase in 2010. Respondents were somewhat less optimistic about the commercial flooring market, but most do not expect a decline in 2010.

Positive outlook for residential flooring and millwork markets

Lumber demand from flooring manufacturers is good and prices have increased, partly because of low availability according to the Weekly Hardwood Review. While many hardwood flooring plants have closed or cut production, several large manufacturers were able to increase production and sales.

The high number of foreclosures provided an unexpected market for hardwood flooring. Many home buyers took advantage of low home prices, mortgage rates and the recently expired home buyers tax credit to buy foreclosed homes where they installed new flooring, according to Import/Export Wood Purchasing News.

The hardwood moulding and millwork markets were hard hit by the recession, especially in commercial construction and remodelling. Less costly MDF and softwood products continued to substitute hardwood mouldings. Residential demand for mouldings has improved slightly in 2010, along with the demand for wood flooring.

Slow recovery in the furniture market

While the bad economic news from Europe has been continuous and unemployment figures have not declined as much as expected, the US consumer confidence on furniture purchasing appeared to improve.

Residential furniture orders and shipments continued to improve in March 2010 according to the latest survey of residential furniture manufacturers and distributors by the accounting and consulting firm Smith Leonard in High Point, North Carolina. New furniture orders in March 2010 were up by 9% compared to the previous year and by 2% from February 2010. 61% of the survey participants reported higher order rates for the month over last year.

Furniture shipments increased for the fourth month in a row in March. Year-to-date shipments are 5 percent higher than the first quarter of 2009. However, shipments are still below 2008 levels. Manufacturers' inventories fell by 5% from February, and there is little excess inventory left from when the market declined in 2009.

US imports of wooden furniture declined by about the same rate as domestic production, suggesting that the growth in market share of imported furniture is slowing.

US economic update

The US Commerce Department reported that consumer spending did not grow in April. This is in contrast to the first three months of the year when spending grew at an annual rate of 3.5%, the highest in seven years. Economists disagree about the cause of the dip in spending and also about whether consumer spending will remain low or pick up again in the coming months. Consumer spending accounts for about 70% of total US economic activity.

The European financial crisis and the resulting declines in the US stock market have joined the list of other concerns of many consumers: job uncertainty, high unemployment, mounting US federal debt and uncertainty over health care.

The May employment figures were much lower than expected. The US Labor Department reported 41,000 new jobs in the private sector, sharply down from 218,000 in April and the lowest increase since January. A spike of new jobs (411,000) came from the government hiring temporary census workers.

Canada economic update

In Canada, net employment rose by 25,000, which is the fifth consecutive month of increases according to Statistics Canada. On June 1st, Canada central bank increased its key interest rate by a quarter point to 0.50%. While this makes Canada the first of the G-7 industrialized nations to raise its interest rate since the financial crisis started, the rate remains very low. The Canadian economy grew 6.1% in the first quarter of this year, prompting the interest rate hike.

Canada is recovering faster from the recession than the US since it did not experience the housing market and mortgage meltdown or the failure of major financial institutions. While the central bank noted that the impact of Europe's debt crisis on Canada was limited to a decline in commodity prices, uncertainty in global markets continue to affect economic recovery.

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

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 the construction sector has a slowdown in most of the regions around the world, an imminent construction boom in Libya is attracting international attention. Housing, businesses and infrastructure worth US$52 billion is to be built.
http://www.afrol.com/articles/36200

Australia's building industry growth slowed in May amid a drop in demand for apartment blocks. The index fell 2.6 points to 53.2 from April, according to a survey by the Australian Industry Group and Housing Industry Association.
http://www.bloomberg.com/apps/news?pid=20601206&sid=aTDxrrN1L1wg

For the conservation of tigers, the state Forest department and World Wide Fund for Nature (WWF-India) plan to connect the forest area of Dudhwa Tiger Reserve with the adjoining forest areas. At present, a survey is being conducted to assess the possibility of a corridor linking Dudhwa Tiger Reserve, Kishanpur Sanctuary and Katerniaghat Wildlife Reserve.
http://www.indianexpress.com/news/Plan-to-link-Dudhwa-Reserve-with-other-forest-areas/630301

The governments of Uruguay and Argentina announced the adoption of a new shared agenda focused on energy and the environment, hoping to repair ties strained by a bitter dispute over a paper mill by a boarder river in Uruguayan side.
http://www.laht.com/article.asp?CategoryId=14093&ArticleId=358018

The government of Vietnam, through the Ministry of Agriculture and Rural Development (MARD) and the Ministry of Natural Resources and the Environment (MONRE) held an initial workshop with the Business and Biodiversity Offsets Program (BBOP), a program of Ecosystem Marketplace by Forest Trends, to discuss the potential for biodiversity offsets to help Vietnam achieve its conservation and development goals.
http://www.ecosystemmarketplace.com/pages/dynamic/article.page.php?page_id=7573&section=news_articles&eod=1

The increasing population of Delhi — from 13.9 million in 2001 to an estimated 17.44 million for 2009 and growing — has turned out to be the largest drain on resources, the 'State of Environment Report for Delhi 2010' indicates. Delhi's Chief Minister, Sheila Dikshit, released the report and warned about the challenge to balance the needs of the ever-increasing population against natural resources.
http://www.hindustantimes.com/Larger-forest-cover-but-more-cars-too/Article1-553705.aspx

The latest government policy to tighten second-home purchases in China is expected to further cool the housing market, but experts said it might be difficult to implement due to the independence of the country's housing registration and banking systems.
http://www.chinadaily.com.cn/china/2010-06/07/content_9940830.htm

Leading U.S. farm and forest products groups today called on Congress and the administration to help end tropical deforestation. The groups cited a new report showing that overseas agriculture and logging operations are expanding production by cutting down the world's rainforests, allowing them to flood the world market with cheap commodities that undercut American goods. The report estimates that ending deforestation will boost revenue for U.S. producers by between $196-$267 billion by 2030.
http://www.prnewswire.com/news-releases/us-farmers-timber-producers-call-for-an-end-to-tropical-deforestation-94945259.html

Multiple challenges, including climate change, posing threat to natural environment of Pakistan, need much more attention from the public and decision makers. A report by the Environment Ministry revealed a 'tragic' fact that since 1993 there has been an absolute ban on deforestation, but 155,000 hectares of forestland was declared as non-forest and converted into commercial and residential areas since then. The annual monetary loss worth Rs365 billion incurred due to environmental degradation accounting for 6% of the GDP.
http://www.thenews.com.pk/daily_detail.asp?id=243124

The number of fires destroying Amazon rainforests are increasing. A team of scientists said that fires in the region could release similar amounts of carbon as deliberate deforestation.
http://news.bbc.co.uk/2/hi/science_and_environment/10228989.stm

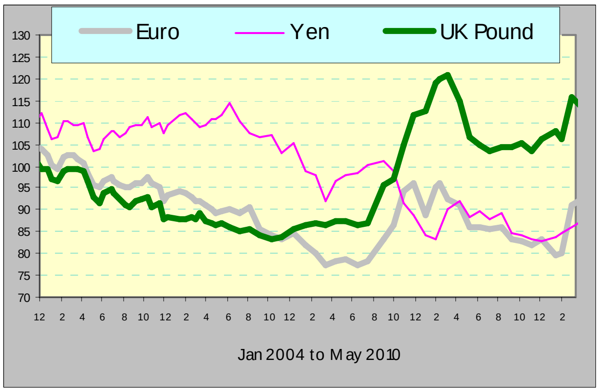
Trade ministers from Pacific Rim economies agreed Saturday to seek a swift conclusion to the Doha Round of global market-opening talks and resist protectionism. On the first day of their two-day gathering in Sapporo, Japan as chair of the Asia-Pacific Economic Cooperation forum, proposed mapping out APEC's new policy goals introduced in its last annual summit held in Yokohama in November.
http://mdn.mainichi.jp/mdnnews/business/news/20100606p2g00m0in041000c.html

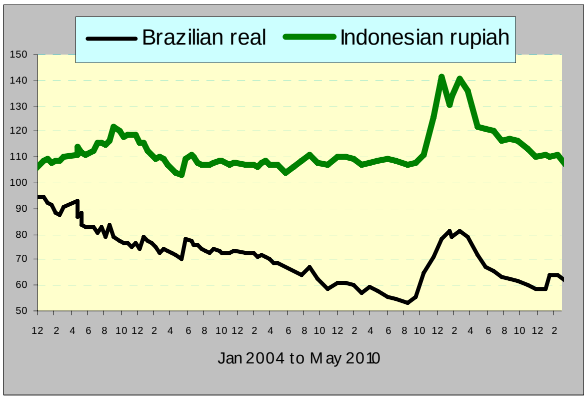
Main US Dollar Exchange Rates

As of 11th June 2010

Brazil	Real	1.8096
CFA countries	CFA Franc	541
China	Yuan	6.8322
EU	Euro	0.8269
India	Rupee	46.7727
Indonesia	Rupiah	9200
Japan	Yen	91.68
Malaysia	Ringgit	3.2841
Peru	New Sol	2.8482
UK	Pound	0.6883

Exchange rates index (Dec 2003=100)

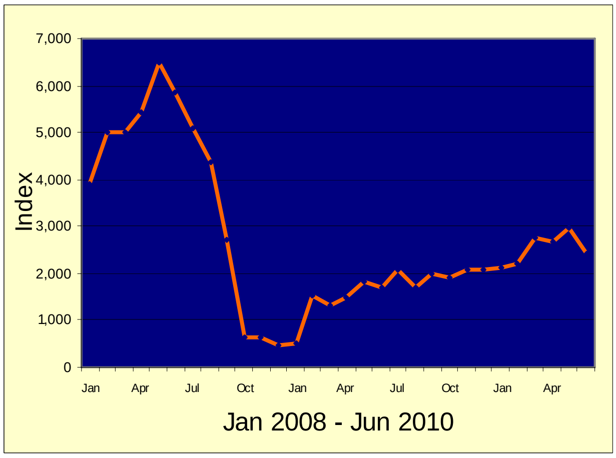




Abbreviations and Equivalences

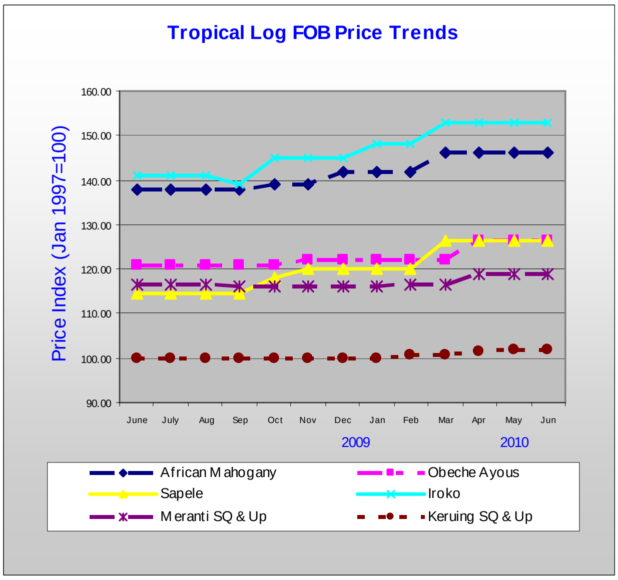
LM	Loyale Merchant, a grade of log parcel
QS	Qualite Superieure
CI, CE, CS	Choix Industriel, Economique or Supplimentaire
FOB	Free-on-Board
CIF; CNF	Cost, insurance and freight; Cost and freight
KD; AD	Kiln Dry; Air Dry
Boule	A log sawn through and through, the boards from one log are bundled together.
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

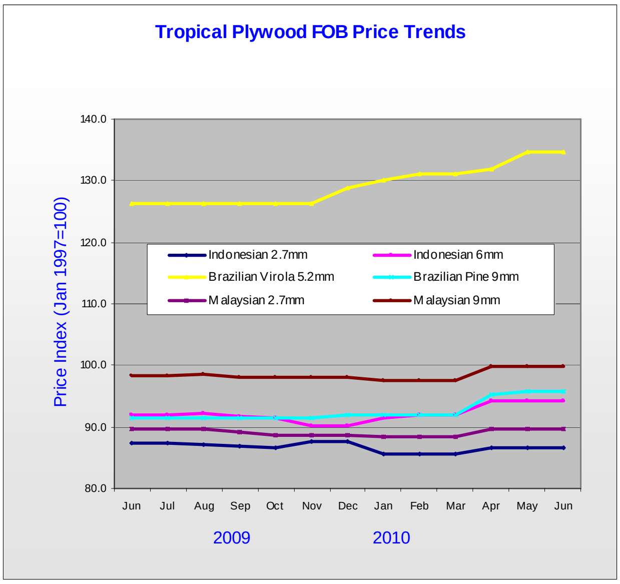


The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes. It is based on a 52,454 mt bulk carrier carrying commodities such as timber.

Tropical Log Price Trends

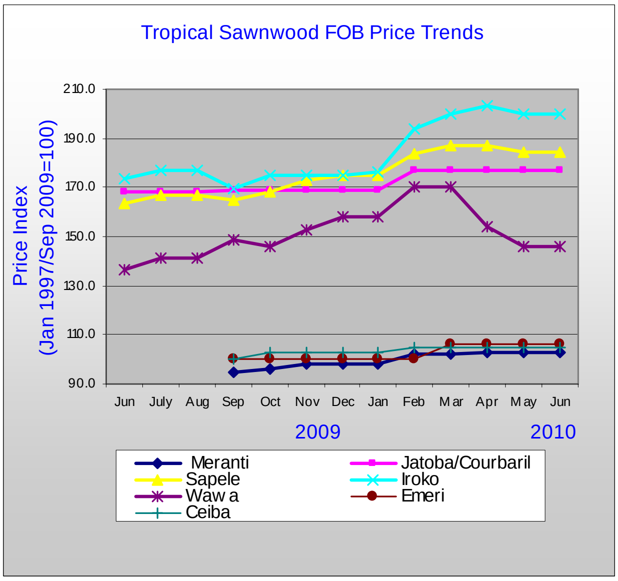


Tropical Plywood Price Trends



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

Tropical Sawnwood Price Trends



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