

# Tropical Timber Market Report

Volume 17 Number 12, 16th – 30th June 2013



The ITTO *Tropical Timber Market (TTM) Report*, an output of the ITTO Market Information Service (MIS), is published in English every two weeks with the aim of improving transparency in the international tropical timber market. Its contents do not necessarily reflect the views or policies of ITTO. News may be reprinted provided that the ITTO *TTM Report* is credited. A copy of the publication should be sent to [eimi@itto.int](mailto:eimi@itto.int).

## Contents

Central/West Africa	2
Ghana	3
Malaysia	4
Indonesia	5
Myanmar	5
India	6
Brazil	8
Peru	9
Guyana	10
Japan	12
China	16
Europe	19
North America	21
Currencies and Abbreviations	23
Ocean Freight Index	23

## Top Story

### Japan's tropical log imports forecast to fall sharply in 2013

The Japan Foreign Timber General Supply and Demand Liaison Conference has released forecasts for timber imports in 2013.

While overall demand for logs in 2013 is forecast to be as much as it was in 2012, demand for tropical logs is expected to fall by around 40%.

The main reason for the sharp decline in consumption of tropical logs is the closure of one Japan's major tropical plywood mills.

(more on page 12 and 13)

## Headlines

	<i>Page</i>
<b>Spanish trade blacklists three African timber exporting countries</b>	2
<b>Indonesian exports doing well despite delays in ratification of VPA</b>	5
<b>Surprising recovery in Indian wood product exports</b>	6
<b>Japan's housing starts surge as buyers act to beat consumption tax hike</b>	12
<b>Strong demand in China for 'redwood' furniture drives up log imports</b>	17
<b>New technology institute in China to promote S. American species</b>	18
<b>European plywood manufacturers under intense pressure</b>	20
<b>US tropical sawn hardwood imports recovered in April</b>	21

## Report from Central/West Africa

### Weak demand driven even lower by beginning of holiday season

Log and lumber prices remain stable, with a very few small adjustments in the period up to the end of June. The European vacation 'season' has arrived and this has resulted in the usual downturn in demand. Looking ahead, exporters are not optimistic for any recovery in demand in the third quarter of this year.

While European business is still very slow producers report stronger demand from buyers for the Chinese and Middle East markets.

Business with India is slow especially for padouk as stock levels in India are reportedly high. Demand from buyers in Belgium, usually a steady market, has weakened and some prices have softened.

The continuing weak demand in European markets is of serious concern to W. African exporters. It is very clear that activity in the building and construction sectors in EU member states, the main driver of timber consumption in the EU, will not improve in the short to medium term.

### Exports from CAR resume

W. African exporters are seeing increased competition in sawnwood markets as Malaysian meranti exports are being pushed very hard at present and this is putting a downward pressure on prices for sapele.

However, sapele is in high demand in China at present and is also being sought after by buyers in Europe.

Exports from the Central African Republic (CAR) shipped through Douala port have resumed so the availability of sapele has improved. However, this comes just at the time other West African exporters have been cutting back on production of sapele to avoid oversupply. The CAR is also supplying sawn sipo, and doussie in small volumes.

### Plymills struggle to secure face quality peeler logs

African plywood manufacturers are still finding it difficult to source good quality okoume logs for face veneer production.

The shortage of logs of a quality for face veneer production is also affecting North African plywood manufacturers who rely on imported logs. These manufacturers now have to accept lower grade logs to keep mills running.

The shortage of high quality okoume peeler logs seems likely to continue. Plywood manufacturers are trying to use more readily available alternative species for face veneer but are finding production costs are higher making it difficult for them to compete with Chinese, Indonesian and Malaysian plywood in major markets.

### Log Export Prices

West African logs, FOB	€ per m <sup>3</sup>		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	220↑	215	155
Ayous/Obeche/Wawa	220	210	150
Azobe & Ekki	220↑	220↑	145↑
Belli	225↑	225↑	-
Bibolo/Dibétou	145	130	-
Iroko	265	220	220↑
Okoume (60% CI, 40% CE, 20% CS) (China only)	245	225	200
Moabi	290↑	280	-
Movingui	185	165↑	150
Niove	165	165	-
Okan	280↓	275↓	-
Padouk	330↓	310↓	230↓
Sapele	270	255	175
Sipo/Utile	320	290	175
Tali	280	280	-

### Sawnwood Export Prices

West African sawnwood, FOB	€ per m <sup>3</sup>
Ayous FAS GMS	330
Bilinga FAS GMS	520↑
Okoumé FAS GMS	480
Merchantable	290
Std/Btr GMS	340
Sipo FAS GMS	550
FAS fixed sizes	-
FAS scantlings	520
Padouk FAS GMS	850↓
FAS scantlings	-
Strips	340
Sapele FAS Spanish sizes	480
FAS scantlings	510↑
Iroko FAS GMS	600↑
Scantlings	600
Strips	430↓
Khaya FAS GMS	440
FAS fixed	465
Moabi FAS GMS	550
Scantlings	550
Movingui FAS GMS	400

### Spanish trade blacklists three African timber exporting countries

The European Timber Trade Federation (ETTF) Newsletter Summer 2013 ([www.ettf.info](http://www.ettf.info)) is reporting that the Spanish Timber Trade Federation (AEIM) has raised the illegal timber danger rating to high for three African countries see: [www.maderalegal.info](http://www.maderalegal.info).

The ETTF newsletter quotes the AEIM General Secretary Alberto Romero as saying "The rating for the Democratic Republic of Congo and Central African Republic on the risk assessment website was increased due to political unrest. The Mozambique rating went up after an Environmental Investigation Agency report alleged that nearly half of China's Mozambican imports in 2012 were illegal".

Romero added that AEIM is keen to stress the importance of continuing to source legal timber from tropical countries to benefit both suppliers and importers and also provide a financial incentive for sustainable forest management.

"There are serious concerns about the possible negative effects of the EUTR in tropical timber demand and

consumption, and the shift towards other timber species,” said Romero.

AEIM recently took part in a seminar in Madrid on public procurement of timber products organised by government agencies and the EU.

## Report from Ghana

### Ghanaian entrepreneurs preparing for international trade fairs

Ghanaian businesses are preparing to attend two international timber trade fairs scheduled for later in the year.

One fair is the Timber Expo to be held at the Birmingham, UK, National Exhibition Centre on 24 – 25 September. The Expo will showcase the latest products, innovations and developments from the UK and international timber sectors.

The organisers expect around 150 exhibitors at the Timber Expo which is considered one of the best in Europe for the building and timber industries.

Ghanaian exporters will also participate in an international forest products exhibition, the Yiwu Exhibition, which will be held in China. This trade fair will provide the opportunity for Ghana’s timber exporters to promote their products in a market with enormous potential.

The Ghana Investment Promotion Centre (GIPC), the Forestry Commission of Ghana (FCG), Ghana Free Zones Board (GFZB) and the Minerals Commission will attend the Yiwu Exhibition.

### Decisive action on forest degradation

The government has taken decisive action that should drastically reduce degradation of the country’s forests. The Forestry Commission (FC) is in talks with the Attorney General’s department to ensure speedy prosecution of those caught breaking the law.

This was made known by the deputy Minister of Lands and Natural Resources, Ms. Barbara Serwaah Asamoah, during a 2-day visit to the Ashanti Region where she inspected the Fomanso Forest Reserve in the Asante-Akim South District.

She expressed the government’s determination to get denuded reserves replanted under the National Forest Plantation Development Programme (NFPDP).

The Government of Ghana has been implementing an ambitious plantation programme under the NFPDP since 2001 with a target of establishing 20,000 ha. of tree plantations each year.

Last month, the Forestry Commission and Form Ghana (a forest plantation management company based in central Ghana) signed a 50-year Public-Private Partnership (PPP) Lease Agreement to jointly reforest an estimated 14,000

ha of degraded forest land within the Tain Tributaries II Forest Reserve near Berekum, in the Brong Ahafo Region

The Forestry Commission, Form Ghana and the Berekum Traditional Council signed a benefit sharing agreement to formally document the responsibilities for project sustainability and control and on benefits to all stakeholders.

According to the CEO of the Forestry Commission, this kind of partnership fits well within the Government’s policy framework for plantation development.

The CEO indicated that "the future of plantation development in Ghana can be a great success if the private sector is enabled to play a key role".

### GDP dragged down by poor performance of industrial sector

Ghana’s unadjusted Gross Domestic Product (GDP) growth stood at 6.7% year-on-year in the first quarter of 2013 compared with 10.3% a year ago.

The services and agriculture sectors recorded 12% and 1.1% growth respectively while industry recorded negative growth of 0.8% as the power crisis in the country has affected factory output.

In related news, the Statistical Service has announced that the May 2013 consumer price index inflation, calculated on a rebased index with fresh items to reflect the current consumer priorities, stood at 11.1% year-on-year. The May inflation figure was 10.9% under the previous model.

### Boule Export prices

	Euro per m <sup>3</sup>
Black Ofram	220
Black Ofram Kiln dry	310↓
Niangon	500
Niangon Kiln dry	560↓

### Domestic Log Prices

	US\$ per m <sup>3</sup>	
	Up to 80cm	80cm+
Ghana logs		
Wawa	150-160	163-180
Odum Grade A	169-174	178-188
Ceiba	110-125	130-145
Chenchen	100-108↑	111-128↑
Khaya/Mahogany (Veneer Qual.)	112-123	126-145
Sapele Grade A	146-155	161-185
Makore (Veneer Qual.) Grade A	133-138	141-166
Ofram	107-115	126-135

### Export Sawwood Prices

Ghana Sawwood, FOB	€ per m <sup>3</sup>	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up		
Afrormosia	855	945
Asanfina	480	544
Ceiba	214▲	255
Dahoma	326▲	395
Edinam (mixed redwood)	370	444▼
Emeri	349▼	418▼
African mahogany (Ivorensis)	582	638
Makore	558	620
Niangon	513	600
Odum	611	700▼
Sapele	563▲	648
Wawa 1C & Select	269	323▲

### Export Rotary Veneer Prices

Rotary Veneer 1-2mm , FOB	€ per m <sup>3</sup>	
	CORE (1-1.9 mm)	FACE (2mm)
Ceiba	295▲	339
Chenchen	320	356
Ogea	325▲	354
Essa	326	355
Ofram	320	357

### Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afrormosia	1.32	1.04
Asanfina	1.45	0.91
Avodire	1.22	0.72
Chenchen	0.85▲	0.60▲
Mahogany	1.30	0.80
Makore	1.32	0.70
Odum	1.88	1.00

### Export Plywood Prices

Plywood, FOB	€ per m <sup>3</sup>		
	Ceiba	Ofram	Asanfina
BB/CC			
4mm	427	600	648
6mm	420	610	622
9mm	360	438	475
12mm	361	430	439
15mm	317	378	368
18mm	305	363	364

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

### Export Added Value Product Prices

Parquet flooring 1st	FOB € per sq.m		
	10x60mm	10x65-75mm	14x70mm
Apa	12.60	15.00	18.33
Odum	9.00	11.20	12.40
Hyedua	14.08	14.00	18.45
Afrormosia	14.30	18.65	18.33

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

## Report from Malaysia

### Fire management the answer to limiting annual smoke pollution

Many parts of Malaysia are covered by smoke haze, an unhealthy situation made worse by the current dry weather conditions. The Air Pollutant Index (API) reached “very unhealthy” levels in some populated areas in late June.

The Malaysian government's index for air pollution reached a measurement of 746 on the worst days in the southern district of Muar, far above the threshold of 300

for hazardous air quality. This pollution has heightened public awareness of environmental issues.

The smoke, the result of the annual burning by farmers and plantation owners in Indonesia, is drifting across the Straits of Malacca and seriously affecting southern Malaysia.

After the serious forest fires in Indonesia in 1996/7 ITTO implemented several projects on various aspects of forest fire management in Indonesia and Malaysia with good effect.

Farmers and plantation companies are now more aware of the dangers of fires spreading to the forest and apply fire management principles but clearly more needs to be done.

Indonesian authorities say they have fire fighters in the affected areas and are investigating whether legal action should be taken against those responsible.

### Forestry ‘peace deal’ delivers payout to Sarawak plymill in Tasmania

In the midst of the political leadership tussle in Australia came news that the Australian government has agreed to pay compensation to a Sarawak timber company operating in Tasmania.

The Malaysian news agency Bernama reported that the Australian Government has agreed to pay Sarawak-owned timber company Ta Ann A\$26 million in compensation for wood supply the company is giving up as part of the forestry ‘peace deal’.

Under the deal, Ta Ann would lose access to forest resources which would have yielded about 108,000 cubic metres or 40 per cent of its peeler log supply.

Ta Ann said this means its mills in the Huon and at Smithton in Tasmania will now have to run below capacity. The company said the compensation payout will ensure all the 90 plus employees keep their jobs.

The announcement of the settlement has been welcomed by ‘peace’ deal signatories, including the Wilderness Society's Warwick Jordan.

### Quiet log market as buyers wait for Indonesian decision on log exports

Sarawak log exporters are saying that market sentiment is uncertain as some log buyers are waiting to see if the Indonesian authorities decide to allow the export of plantation logs.

Sarawak logs were traded at the following FOB prices:

Meranti SQ	US\$ 275 – 295 per cu.m
Kapur SQ	US\$ 340 – 365 per cu.m
Keruing SQ	US\$ 280 – 300 per cu.m
Selangan Batu regular	US\$ 510 – 535 per cu.m

### Sabah TLAS being tested

In Sabah, the timber industry and State Authorities are working together on the Sabah Timber Legality Assurance Scheme (TLAS) as part of the VPA which Sabah hopes to sign with EU.

Sabah mills are now undergoing compliance audits as they test the Sabah TLAS criterion on “Issuance, renewal and upgrading of mill license and conditions for operation”, as well as “Worker safety and health”.

All wood processing mills are required to be licensed with the Sabah Forestry Department and must comply with mill license conditions including submission of monthly mill production returns and maintenance of log delivery records.

The industry is also testing its TLAS principle on “Trade and Customs”, especially on meeting export regulations.

Exporting companies must have a valid export license from the Forestry Department and must comply with state and national regulations pertaining to the export of wood products.

## Report from Indonesia

### Exports doing well despite delays in ratification of VPA

With or without the Voluntary Partnership Agreement (VPA) on timber with the European Union (EU), Indonesia’s timber exports have increased significantly because the country has an effective timber legality assurance system which EU importers find satisfies their need to meet the due diligence requirements of the EUTR.

Colin Crooks, deputy head of the EU delegation to Indonesia, said the volume of Indonesian timber entering Europe in the first quarter of this year had more than doubled compared to last year.

Indonesia’s Ministry of Trade has data showing wood product exports, mostly furniture, more than doubled to US\$416 million in the first quarter of this year, compared to US\$194 million in the same period last year.

The signing and ratification of the VPA has been delayed in the EU because documents have to be translated into all 22 of the EU languages.

Indonesia’s timber legality scheme is being assessed, a process that is required before it can be formally accepted as meeting the VPA requirements.

### Domestic Log Prices

Indonesia logs, domestic prices	US\$ per m <sup>3</sup>
Plywood logs	
core logs	188-234
Sawlogs (Meranti)	200-250
Falcata logs	130-222
Rubberwood	80-120
Pine	120-170
Mahoni (plantation mahogany)	148-224

### Domestic Ex-mill Sawnwood Prices

Indonesia, construction material, domestic	US\$ per m <sup>3</sup>
Kampar (Ex-mill)	
AD 3x12-15x400cm	460-580
KD	-
AD 3x20x400cm	540-690
KD	-
Keruing (Ex-mill)	
AD 3x12-15x400cm	420-510
AD 2x20x400cm	510-610
AD 3x30x400cm	440-490

### Export Plywood Prices

Indonesia ply MR BB/CC, export FOB	US\$ per m <sup>3</sup>
2.7mm	570-660
3mm	520-640
6mm	380-530

### Domestic Plywood Prices

MR Plywood (Jakarta), domestic	US\$ per m <sup>3</sup>
9mm	390-440
12mm	390-430
15mm	300-330

### Export and Domestic Other Panel Prices

Indonesia, Other Panels, FOB	US\$ per m <sup>3</sup>
<i>Particleboard</i>	
Export 9-18mm	320-580
Domestic 9mm	350-680
12-15mm	370-680
18mm	300-450
<i>MDF</i>	
Export 12-18mm	430-700
Domestic 12-18mm	380-650

### Export Added Value Product Prices

Indonesia, Mouldings, FOB	US\$ per m <sup>3</sup>
Laminated Boards	
Falcata wood	370-450
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	520-550
Grade B	478-500

## Report from Myanmar

### Teak log sales

The following prices were recorded for teak log sales during competitive bidding on 21st and 24th June 2013 during the Myanmar Timber Enterprise tender.

Grade	Quantity (Tons)	US\$ per hoppus ton
4th Quality	10	6658
SG-1	21	4559
SG-2	23	4263
SG-4	346	3322
SG-5	185	2896
SG-6	116	2057
SG-7	73	1817

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

In addition to the grades mentioned in the table above teak logs of other specifications are available. Some 8 tons of short logs measuring length 6 feet to 7 feet girth were sold at an average price of US\$1900 per ton hoppus measure.

Log-ends with lengths less than 5 feet are also sold and during the recent tender the average price for this specification was US\$1225 per ton hoppus measure.

Short logs and log ends are usually by-products accumulated from cross-cutting high quality veneer logs.

Short logs and log-ends are usually purchased by domestic or Thai buyers.

Apart from Teak, other hardwoods are not attracting much demand despite the likelihood of a log export ban being introduced in April 2014.

Demand for teak logs is subdued at present as buyers are not expanding stocks any further. Buyers from China and India are not very active which has led to weakening demand

**Resource contracts could be renegotiated**

Mizzima news ran a story recently saying a leading US think tank mentioned that the Myanmar government plans to renegotiate billions of dollars of natural resource deals to impose tougher environmental standards.

It added that Myanmar is a candidate to join the Extractive Industries Transparency Initiative, which seeks to set international standards in countries with major resource revenues.

**South Korean firms bidding for business**

The Irrawaddy News reported in its Business Roundup that a South Korean trade delegation, led by Finance Minister Hyun Oh-seok, visited Myanmar amid reports that the Korean government intended to triple its development aid and loans to US\$100 million.

Korean firms are bidding for contracts to help develop the planned new Yangon airport at Hanthawaddy (near Bago).

**Report from India**

**Timber imports through Kandla port**

During the period April 2012 to March 2013 Kandla port handled imports of 4,354,300 cubic metres of timber. Out of the total imports coniferous timbers totalled 1,703,265 cu.m and hardwoods 2,651,035 cu.m. Of the hardwoods imported teak accounted for 470,535 cu.m.

The main hardwoods imported were identified in the report for the early part of June 2013.

Coniferous imports comprised the following.

<b>Fir and Spruce:</b>	
Mainly USA & Canada	32,174
<b>Pine</b>	
New Zealand	1,370,223
USA	89,437
Ukraine	79,202
Germany	77,693
Belgium	13,600
Canada	13,423
Russia	11,174
Other countries (15)	16,339
<b>Total conifers</b>	<b>1,703,265</b>

Overall timber shipments via Kandla port were 5% higher in 2012-13 compared to 2011-12 and the indications are that shipments are still increasing but, with the Indian rupee depreciating and prices rising, the pace of growth in imports may slow in the coming months.

**Surprising recovery in 2012 wood product exports**

The 2012 export figures have been published, showing an improvement year on year.

**Export trends**

	2012-13	2011-12	Percent
	mil. Rs	mil. Rs	Change
Cork and products	127.5	140.1	-9%
Hardboard	685.6	598.8	14%
Sawnwood	1701.4	1008	69%
Other articles of wood	9720.4	6854.6	42%
Sandalwood chips	61.8	105.8	-42%
Tea chest panel	4	6.5	-39%
Veneer	866.6	698.4	24%
Wooden Furniture	20004.6	16487	21%
Plywood products	889	965.7	-8%
<b>total</b>	<b>34060.8</b>	<b>26864.8</b>	<b>27%</b>

Exports of wood products (incl. cork and cork items) grew by 27% in 2012-13 compared to a year earlier. A steep rise in export values was recorded for most products except cork and cork products, sandalwood chips, tea chest panels and other plywood products.

**Correction**

In Volume 17 Number 11, 1st – 15th June 2013 the table, Imports of teak and other hardwoods April 2012 to March 2013, refers to shipments through Kandla port only.

**India and Malaysia competing for Mid-East demand for sawn meranti**

Indian mills are reportedly doing well sawing imported Sarawak meranti logs and marketing sawn meranti in Middle East markets in competition with sawnwood from Peninsula Malaysian mills. Analysts presume this is possible because labour costs are lower in India compared to rates in Malaysia.

### Hardwood auction prices in central India

In recent auctions at government forest depots in Khiria, Timarni and Ashapur in Central India approximately 5,000 cubic metres of mainly teak and some of Haldu and Laurel were sold.

Due to the rising costs of imported logs and because the domestic logs at these auctions were of good quality prices were higher than in previous auctions. Average prices per cubic foot ex-depots are shown below.

Log length	Girth cm	Cu.ft
2 - 3 metres	46 - 60	Rs.900~1000▲
"	61 - 75	Rs.1050~1150▲
"	76 - 90	Rs.1200~1300▲
"	91and up	Rs.1400 plus▲
3 - 4 metres	46 - 60	Rs.1050~1100▲
"	61 - 75	Rs.1200~1300▲
"	76 - 90	Rs.1400~1500▲
"	91and up	Rs.1550 plus▲
4 - 5 metres	45 - 60	Rs.1150~1250▲
"	61 - 75	Rs.1300~1400▲
"	76 - 90	Rs.1500~1600▲
"	91and up	Rs.1700 plus▲

### Prices for Haldu (*Adina cordifolia*) and Laurel (*Terminalia tomentosa*) logs

3m to 4m Length	Per cubic foot
46 to 60 cm. girth	-
61 to 75 cm. Girth	Rs 250-350
76 to 90 cm. Girth	Rs 400-450
above 91cm. girth	Rs 500 plus

### Domestic prices for sawnwood

Domestic ex-sawmill prices for air dried sawnwood per cubic foot are unchanged but are likely to rise in the short term.

Sawnwood, (Ex-mill) (AD)	Rs. per ft <sup>3</sup>
Merbau	1600-1650
Balau	1800-1900
Kapur	1100-1250
Red Meranti	850-900
Radiata Pine (AD)	
Whitewood	550-600
	550-575

### Myanmar teak sawnwood processed in India

Competition from plantation teak and durable non-teak hardwoods is a barrier to price increases for locally sawn imported teak such that prices remain unchanged.

Sawnwood (Ex-mill)	Rs. per ft <sup>3</sup>
Myanmar Teak (AD)	
Export Grade F.E.Q.	4500-10500
Plantation Teak A grade	3850-4250
Plantation Teak B grade	2800-3200
Plantation Teak FAS grade	2200-2800

Price variations depend mainly on length and cross section

### Plantation teak imports affected by rupee dollar exchange

Arrivals of plantation teak shipments have been affected by the strong dollar and resultant higher landed costs in rupees.

Some minor adjustments in prices has been observed but generally prices have remained steady as exchange rates in supply countries have also adjusted to the stronger dollar. Current prices, C & F Indian ports per cubic metre are shown below.

	US\$ per cu.m
Tanzania teak, sawn	350-700
Côte d'Ivoire logs	450-750▼
PNG logs	450-550▲
El-Salvador logs	350-650▲
Guatemala logs	350-500▼
Nigeria squares	300-450▼
Ghana logs	300-650
Guyana logs	300-450
Benin logs	400-600
Benin sawn	700-800
Brazil squares	350-600
Colombia logs	400-550▼
Togo logs	350-500
Ecuador squares	300-450▲
Costa Rica logs	380-650
Panama logs	350-550
Sudan logs	400-700▼
Cong logs	450-550
Kenya logs	450-500
Thailand logs	350-500
Trinidad and Tobago logs	500-550
Uganda logs	550-650

Variations are based on quality, length of logs and the average girth.

### Prices for imported sawnwood

Ex-wharehouse prices for imported kiln dry (12% mc.) sawnwood per cu.ft are shown below

Sawnwood, (Ex-warehouse) (KD)	Rs per ft <sup>3</sup>
Beech	1200-1250
Sycamore	1200-1300
Red oak	1500-1650
White Oak	1600-1800
American Walnut	2300-2400
Hemlock clear grade	1100-1300
Hemlock AB grade	950-1000
Western Red Cedar	1550-1600
Douglas Fir	1200-1300

### Plywood producers raise prices

Inflationary pressure and weak Rupee has forced the manufacturers to increase the rates. Revised prices are shown below.

#### WBP Marine grade from domestic mills

Plywood, Ex-warehouse, (MR Quality)	Rs. per sq.ft
4 mm	31.50▲
6 mm	46.20▲
12 mm	70.30▲
15 mm	83.00▲
18 mm	99.70▲

#### Domestic ex-warehouse prices for locally manufactured MR plywood

Locally Manufactured Plywood "Commercial Grade"	Rs. per sq.ft
	Rubberwood      Hardwood
4mm	Rs.15.50▲      Rs.24.00▲
6mm	Rs.22.75▲      Rs.32.75▲
8mm	Rs.28.75▲      Rs.37.00▲
12mm	Rs.34.25▲      Rs.43.25▲
19mm	RS.48.00▲      Rs.59.50▲
5mm Flexible ply	Rs.33.00

## Report from Brazil

### Central Bank raises interest rates to tame inflation

Brazil's Consumer Price Index (IPCA) increased by 0.37% in May, which was 0.18 percentage point below the rate of 0.55% recorded in April. This is the lowest monthly IPCA rate since June 2012 (0.08%). The accumulated IPCA rate for the year to May was 2.88% which is lower than the 2.24% rate in the same period in 2012.

In May 2013 the average exchange rate was BRL 2.03/USD while in May last year the rate was BRL 1.99/BRL indicating a slight depreciation of the real against the dollar.

The Monetary Policy Committee (Copom) of the Brazilian Central Bank (BC) raised the Selic rate by 0.50 percentage point at the end of May to an annualized rate of 8%. The Committee considers this will contribute to capping inflation.

### Potential of Parica timber examined

Plantations of native species are not common in Brazil but some have been established for commercial use and for recovery of degraded forests.

Among the species planted is Parica (*Schyzolobium parahybum* var. *amazonicum*) a fast growing tree which yields timber with good characteristics.

The favourable characteristics have caught the attention of veneer and plywood manufacturers however there is a lack of information on the technical and working properties of

the wood. Most past research on Parica has been related to its silviculture.

Researchers at the Federal University of Lavras (UFLA), have carried out work to document the characteristics of this timber.

The research involved describing and quantifying the structure of Parica from different regions of the Amazon, determining the physical and chemical properties of the wood both in commercial plantations and natural forests and conducting dendrochronological studies.

### Tropical plywood exports continue to decline

In May 2013 the value of wood products exports (except pulp and paper) increased 8.8% compared to levels in May 2012, rising from US\$204.1 million to US\$ 222.0 million.

The value of pine sawnwood exports fell 14.9% in May 2013 compared to May 2012, from US\$14.1 million to US\$12.0 million. In terms of volume, exports declined 17.7%, from 64,500 cu.m to 53,100 cu.m in the same period.

Exports of tropical sawnwood increased 3.0% in May from 33,200 cu.m in May 2012 to 34,200 cu.m in May this year. The value of tropical sawnwood exports rose 4.3% from US\$16.2 million in May 2012 to US\$16.9 million this year.

Pine plywood exports increased 13.6% in value in May 2013 compared to May 2012, from US\$35.9 million to US\$40.8 million. The volume of pine plywood exports also increased (14.7%) from 91,300 cu.m to 104,700 cu.m. over the same period.

On the other hand, tropical plywood exports which are now very small, fell 9.4% from 5,300 cu.m in May 2012 to 4,800 cu.m in May 2013.

The value of exports of tropical plywood dropped 19.4%, from US\$3.6 million in May 2012 to US\$2.9 million in May 2013.

A 4.4% increase in wooden furniture exports was recorded in May 2013 compared to the same period in 2012. Exports rose from US\$41.0 million in May 2012 to US\$42.8 million in May this year.

### Brazilian furniture does well in Dubai fair

Eight Brazilian companies participated in the 'Index Dubai 2013' fair, which took place on 20 – 23 May.

During the event, orders worth around US\$800,000 were attracted and the value of prospective business for the next 12 months was put at US\$2.2 million. 'Index Dubai 2013' attracted more than 800 exhibitors from 47 countries and more than 20,000 visitors.



Participation in trade fairs in Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates has enabled Brazilian businesses to generate significant income.

Reports suggest that between January and March this year these countries invested US\$3.3 billion in their residential housing sector which provides a great opportunity for wood product exporters.

### Strengthening sustainable forest management

A conference on Forests for Future Generations was held in mid-June in Berlin, Germany. The discussions focused on public and private responsibility for sustainability, initiatives to support forest management and responsible trade by countries that produce, process and buy tropical wood or wood products.

The meeting brought together about 100 participants, including government officials, representatives of industry and civil society and the Brazilian Forest Service participated.

The main themes discussed included promotion of sustainable forest management in tropical regions, the expansion of the scope of legal and sustainable forest products, possible partnerships among the public sector, civil society and the private sector, the awareness of consumers and influence of buyers and civil society on actions for government decisions.

### Price trends

Average prices of wood products in Brazilian real did not change over the past two weeks.

### Domestic Log Prices

	US\$ per m <sup>3</sup>
Brazilian logs, mill yard, domestic	
Ipê	169
Jatoba	117
Guariuba	91
Mescla (white virola)	96

### Export Sawnwood Prices

	US\$ per m <sup>3</sup>
Sawnwood, Belem/Paranagua Ports, FOB	
Jatoba Green (dressed)	1324
Cambara KD	729
Asian Market (green)	
Guariuba	363
Angelim pedra	850
Mandioqueira	302
Pine (AD)	220

### Domestic Sawnwood Prices

	US\$ per m <sup>3</sup>
Brazil sawnwood, domestic (Green)	
Northern Mills (ex-mill)	
Ipê	927
Jatoba	643
Southern Mills (ex-mill)	
Eucalyptus (AD)	254
Pine (KD) 1st grade	237

### Export Veneer Prices

	US\$ per m <sup>3</sup>
Veneer, Export (Belem/Paranagua Ports) FOB	
White Virola Face 2.5mm	341
Pine Veneer (C/D)	240

### Domestic Veneer Prices

	US\$ per m <sup>3</sup>	
Rotary cut Veneer, domestic		
(ex-mill Northern Mill)	Face	Core
White Virola	278	228

### Export Plywood Prices

	US\$ per m <sup>3</sup>
Plywood, FOB	
White Virola (US Market)	
5.2mm OV2 (MR)	498
15mm BB/CC (MR)	448
White Virola (Caribbean market)	
4mm BB/CC (MR)	635
12mm BB/CC (MR)	463

	US\$ per m <sup>3</sup>
Pine Plywood EU market, FOB	
9mm C/CC (WBP)	367
15mm C/CC (WBP)	339
18mm C/CC (WBP)	337

### Domestic Plywood Prices

	US\$ per m <sup>3</sup>
Plywood, domestic (ex-mill Southern mill)	
Grade MR (B/BB)	806
White Virola 4mm	
White Virola 15mm	593

Domestic prices include taxes and may be subject to discounts.

### Prices For Other Panel Products

	US\$ per m <sup>3</sup>
Belem/Paranagua Ports, FOB	
Blockboard Pine 18mm 5 ply (B/C)	417
Domestic Prices, Ex-mill Southern Region	
Blockboard White Virola faced 15mm	581
Particleboard 15mm	369

### Export Prices For Added Value Products

	US\$ per m <sup>3</sup>
FOB Belem/Paranagua Ports	
Decking Boards	
Cambara	984
Ipê	2,664

## Report from Peru

### Forum for sustainable development created in Loreto

In the first week of June a wide range of stakeholders met to discuss the future of Loreto after reviewing the findings of a study "Sustainable Loreto to 2021" prepared by researcher Marc Dourojeanni.

This study recommended integrated planning as critical to achieving development in Loreto and for minimising conflicts, irrational use of natural resources and the proliferation of illegal activities.

Dourojeanni, said what happens in Loreto in the coming years will have an impact nationally as this region has nearly a third of the land area of the country.

He said "although it is an important area in Peru, Loreto has the worst power supply in the country, the worst infrastructure for telecommunications and is almost completely isolated from the rest of the nation".

At the moment there are at least 36 different plans for development of the region, some of which are contradictory. It is hoped these anomalies can be addressed through the newly established "Forum for Sustainable Development Loreto".

The Forum will address substantive issues such as communications, energy planning, mining activities and land tenure amongst others.

#### Forest concession atlas launched

The Council of Ministers has launched an atlas of forest concession as a tool to identify deforestation from various practices.

The Council will, by utilising the resources of OSINFOR, seek to prevent the misuse of the forest resources. It took around 10 years for an institutional system for forest concession allocation to be enacted into law (Law No. 27308, Law of Forestry and Wildlife) and the new atlas is perceived as providing an integrated view of forest management and utilization.

#### French government consulting firm opens office in Peru

ONF International, the international arm ONF of France ([www.onfinternational.org/en.html](http://www.onfinternational.org/en.html)), is a consulting company and it will open an office in Peru.

ONF International (ONFI) is an international environmental consulting company specialising in sustainable ecosystem management. ONFI undertakes work in more than fifty countries in Latin America, Africa and Asia.

#### Export Sawwood Prices

	US\$ per m <sup>3</sup>
Peru Sawwood, FOB Callao Port	
Mahogany S&B KD 16%, 1-2" random lengths (US market)	1570-1655
Spanish Cedar KD select	
North American market	958-977
Mexican market	946-965
Pumaquiro 25-50mm AD Mexican market	545-598

	US\$ per m <sup>3</sup>
Peru Sawwood, FOB Callao Port (cont.)	
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	428-487
Grade 2, Mexican market	358-404
Cumaru 4" thick, 6'-11' length KD	
Central American market	834-849
Asian market	811-893+
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	509-549
Dominican Republic	572-589
Marupa (simarouba) 1", 6-11 length Asian market	392-451

	US\$ per m <sup>3</sup>
Peru Sawwood, FOB Iquitos	
Spanish Cedar AD Select Mexican market	887-909
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	429-467
Grade 2, Mexican market	332-377
Grade 3, Mexican market	161-176
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	314-341

#### Domestic Sawwood Prices

	US\$ per m <sup>3</sup>
Peru sawwood, domestic	
Mahogany	867-911
Virola	92-134
Spanish Cedar	264-305
Marupa (simarouba)	83-99

#### Export Veneer Prices

	US\$ per m <sup>3</sup>
Veneer FOB Callao port	
Lupuna 3/Btr 2.5mm	198-223
Lupuna 2/Btr 4.2mm	212-222
Lupuna 3/Btr 1.5mm	211-221

#### Export Plywood Prices

	US\$ per m <sup>3</sup>
Peru plywood, FOB Callao (Mexican Market)	
Copaiba, 2 faces sanded, B/C, 15x4x8mm	318-347
Virola, 2 faces sanded, B/C, 5.2x4x8mm	412-420
Cedar fissilis, 2 faces sanded 4x8x5.5mm	759-770
Lupuna, treated, 2 faces sanded, 5.2x4x8mm	363-385
Lupuna plywood	
B/C 15x4x8mm	366-382
B/C 9x4x8mm	345-350
B/C 12x4x8mm	350-360
B/C 8x4x15mm	410-429
C/C 4x8x4mm	389-425
Lupuna plywood B/C 8x4x4mm Central Am.	370-393

#### Domestic Plywood Prices

	US\$ per m <sup>3</sup>
Lupuna Plywood BB/CC, domestic (Iquitos mills)	
122 x 244 x 4mm	444
122 x 244 x 6mm	397
122 x 244 x 8mm	415
122 x 244 x 12mm	399
(Pucallpa mills)	
122 x 244 x 4mm	463
122 x 244 x 6mm	439
122 x 244 x 8mm	430
122 x 244 x 12mm	429

#### Domestic Prices for Other Panel Products

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

#### Export Prices for Added Value Products

	US\$ per m <sup>3</sup>
Peru, FOB strips for parquet	
Cabreuva/estoraque KD12% S4S, Asian market	1287-1388
Cumaru KD, S4S	
Swedish market	866-981
Asian market	1332-1552
Cumaru decking, AD, S4S E4S, US market	1210-1298
Pumaquiro KD # 1, C&B, Mexican market	423-511
Quinilla KD, S4S 2x10x62cm, Asian market	493-519
2x13x75cm, Asian market	732-815

## Report from Guyana

#### Wamara logs attract good prices from Chinese buyers

During the period reviewed there were no exports of greenheart logs and only a small volume of Standard sawmill quality purpleheart were exported. Prices for purpleheart logs were around US\$235 per cubic metre.

Mora log export prices remain firm and during the period reviewed. Exports of wamara (*Swartzia leiocalycina*) logs made a positive contribution to overall export earnings attracting prices as much as US\$160 per cubic metre for Fair Sawmill quality logs. China was the main destination for logs from Guyana.

#### Sawwood prices vary in market with little direction

Sawwood exports made a fair contribution to total export earnings and FOB prices have been encouraging prices during the past weeks.

Undressed greenheart (Select category) top end FOB prices dipped from US\$1,357 to US\$ 1,060 per cubic metre. During the period of this report FOB prices for Undressed greenheart (Sound category) earned a top end

price of US\$806 per cubic metre while Undressed greenheart (Merchantable category) FOB prices moved up from US\$551 to US\$594 per cubic metre.

There was little trade in Undressed purpleheart sawnwood with only the Merchantable category being traded however FOB prices were satisfactory at US\$650 per cubic metre.

Mora sawnwood FOB prices remained stable at around US\$500 per cubic metre FOB for both the Select and Merchantable Undressed categories. Undressed sawnwood is traded to markets in the Caribbean, Europe and North America.

Dressed greenheart sawnwood top end FOB prices fell significantly from US\$1,500 to US\$ 1,060 per cubic metre, while Dressed purpleheart sawnwood top end FOB prices remain firm at US\$1,102 per cubic metre. The Caribbean was the prime market for Dressed sawnwood.

Exports of Guyana's ipe (locally called washiba) yielded a record high FOB price of US\$2,900 per cubic metre in the US market.

Guyana's plywood export prices continues to hold firm at US\$584 per cubic metre while prices for splitwood (shingles) earned US\$909 per cubic metre FOB with the Caribbean being the main market.

Exports of piling and posts continue and favourable prices were achieved. Prices for posts went as high as US\$700 per cubic metre in the Caribbean market while piling prices were at US\$586 per cubic metre FOB for the US market.

#### Technical Working Group meets with key stakeholders

The VPA process is moving within the agreed timeline in the 'roadmap'.

The National Technical Working Group (NTWG) held meetings with key stakeholder groups to continue consultations and address concerns raised. National consultations will commence on key aspects such as the Legality Definition and the structure of a Legality Assurance System.

A third Technical Meeting (video conference) was held on the 5th of June and focused on the updated Legality Definition, the Wood Tracking System (WTS) and the Legality Assurance System (LAS).

It was agreed that another video conference would be required in order to address some of the details and concerns in relation the Legality Definition.

Preparations are being made for the second round of negotiation scheduled for the 15th - 19th July, 2013 which will be attended by the NTWG. The discussions in Brussels will allow members of the NTWG to better understand the processes involved when wood products enter the EU market.

Guyana will participate in the Chatham House meeting in July and representatives from the private sector, government and civil society will also attend.

#### Developing the VPA communication strategy and scoping

The process of recruiting consultants for the design of the communication strategy and the scoping impacts of the VPA has commenced.

It is expected that the consultants selected will have a very good understanding of the local situations to adequately address the needs of the sector.

The Communication Strategy is an integral aspect in the VPA since provides for the most appropriate means of communication with stakeholder groups to ensure the right messages go out and provide for feedback.

#### Export Log Prices

Logs, FOB Georgetown	SQ - \$ Avg unit value per m <sup>3</sup>		
	Std	Fair	Small
Greenheart*	-	-	-
Purpleheart	205-235	-	-
Mora	-	115	110

\*Small SQ is used for piling in the USA and EU. Price depends on length. In the case of no price indication, there is no reported export during the period under review.

#### Export Sawnwood Prices

Sawnwood, FOB Georgetown		\$ Avg unit val. per m <sup>3</sup>	
		-Undressed	Dressed
EU and US markets Greenheart	Prime	-	-
	Standard	-	675-1,060
	Select	780-1,060	-
	Sound	600-806	-
	Merchantable	594	-
Purpleheart	Prime	-	-
	Standard	-	721-1,102
	Select	-	-
	Sound	-	-
	Merchantable	650	-
Mora	Prime	-	-
	Select	500	-
	Sound	-	-
	Merchantable	500	-

In the case of no price indication, there is no reported export during the period under review.

#### Export Plywood Prices

Plywood, FOB Georgetown Port			\$ Avg unit val. per m <sup>3</sup>
Baromalli	BB/CC	5.5mm	-
		12mm	450-584
	Utility	5.5mm	-t
		12mm	-

**JCER Outlook signals caution on inflation prospects**

Analysts at Japan Center for Economic Research (JCER) are more cautious in their forecasts for the Japanese economy than the Bank of Japan (BoJ), as is evident in the latest JCER Outlook Report. [www.jcer.or.jp/eng/pdf/sa154-eng2.pdf](http://www.jcer.or.jp/eng/pdf/sa154-eng2.pdf)

This report recommends caution regarding the likely effectiveness of the “virtuous circle of production, income, and spending” and inflation expectations.

The JCER report says “virtuous circle was one of the key terms used during the previous economic recovery in the early 2000s.

However at that time terms of trade losses meant that the mechanism did not function effectively and although GDP moved from negative to positive, this was not enough to lift the economy out of its deflationary spiral”.

The similarity is drawn with conditions in early 2000 and today in Japan where import bills are rising sharply because of the weaker yen and the deficit is widening. The JCER has doubts about inflation expectations also asking, do expectations cause inflation, or does actual inflation uplift expectations? Compounding the difficulty in making projections is the planned increase in consumption tax.

The JCER says the looming increase in tax will result in ‘last minute demand’ growth which could exceed expected levels such that afterwards there is a sharp decline in consumer and business spending, perhaps even enough to cause a slump in 2014.

**Exports to US and China increased in May**

Industrial output in Japan strengthened in May moving to a level not recorded since 2011. The Cabinet Office report also shows retail sales grew and the consumer price index remained flat bringing to an end the continuous decline over the past six months.

Japan's exports also improved in May growing by around 10 percent, aided by a weak yen and the better stability and modest improvement in overseas demand. Exports to the US rose 16 percent from a year earlier while shipments to China rose 8 percent.

This performance is seen as evidence that the efforts of the government to break the deflationary spiral may be working.

But the weaker yen added to Japan’s already massive energy import costs, leaving the country with a US\$10 bil. trade deficit. However, analysts consider the net effect of the weaker yen as offering promise for future industrial expansion so remain positive on prospects for the economy.

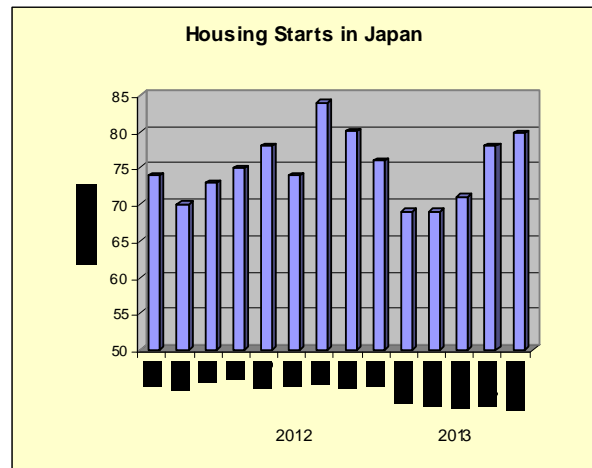
**Housing starts surge as buyers act to beat consumption tax hike**

May housing starts in Japan totaled 79,751 a nearly 15% rise from April bringing annualized starts to 1,027,000 starts, well above the forecast 950,000 units. May orders received by the 50 top construction companies in Japan rose 26% year on year

The full details of housing starts in Japan can be found at: <http://www.e-stat.go.jp/SG1/estat/NewListE.do?tid=000001016966>

Analysts attribute the steep rise as a reaction of buyers to the anticipated increase in consumption tax due next year and to the desire of buyers to secure mortgages at the cheapest rate possible.

Banks providing home loans in Japan are already imposing increased interest rates for fix rate mortgages.



**Japan’s tropical log imports forecast to fall sharply in 2013**

The Japan Foreign Timber General Supply and Demand Liaison Conference has released forecasts for timber imports in 2013.

While total demand for logs in 2013 is forecast to be as much as it was in 2012, demand for tropical logs is expected to fall by around 40% largely because of the closure of one Japan’s major tropical plywood mill.

Statistics for first quarter imports shown below bear out the forecasts by the Conference.

Japan imports	% change Qtr1 2012- Qtr1 2013
Plywood	plus 5%
Tropical sawnwood	-12%
Tropical logs	-46%

North American logs are utilised in Japan for sawnwood production and 2013 imports are expected to rise around 3%. Demand for Russian logs and radiate pine logs is estimated to be about the same level as in 2012.

Japan imports significant volumes of tropical plywood and demand in 2013 is forecast to be higher than in 2012 driven by increased activity in the construction and house building sectors.

**Forecast change in Japan's imports**

	2012/2013 % change
<b>Logs</b>	
Tropical	-38
for plywood	-42
for sawnwood	-23
N. American	3.6
Russian	1.9
Radiata	-0.4
EU	no change
<b>2013 log imports</b>	<b>-0.5</b>

	2012/2013 % change
<b>Sawnwood</b>	
Tropical	2.2
N. American	0.2
Russian	8.6
Radiata	-0.6
EU	3.2
<b>2013 sawn imports</b>	<b>1.1</b>

Source: Japan Foreign Timber General Supply and Demand Liaison Conference

**Trade news from the Japan Lumber Reports (JLR)**

*The Japan Lumber Reports (JLR), a subscription trade journal published every two weeks in English, is generously allowing the ITTO Tropical Timber Market Report to extract and reproduce news on the Japanese market.*

*The JLR requires that ITTO reproduces newsworthy text exactly as it appears in their publication.*

For the JLR report please see:

<http://www.n-mokuzai.com/modules/general/index.php?id=7>

**Canadian minister protests Wood Use Point System**

The minister of the Canadian embassy in Tokyo in charge of commerce made some speech at the reception of the Wood Truss Association and mentioned that the Wood Use Point System is unfair system in favor of domestic wood.

The system narrows selection of lumber and method for house builders and may force higher cost wood. Japanese house buyers should have right to select method and materials they like in house building but the System excludes imported wood, which narrows options for the buyers.

This may conflict with WTO rules and may be against the Prime Minister's policy to promote free trade with foreign countries. To protect consumers' interest, the system should include imported wood.

Canadian wood is highly evaluated in quality for the prices and has been widely used in Japan for many years.

**Downward projection on tropical hardwood logs**

The Japan South Sea Lumber Conference held the regular meeting on June 10th to discuss demand of South Sea and African hardwood logs for 2013.

Total log demand for 2013 is down to 270 M cbms, 28.2% less than 2012 because of shrinking demand in Japan and gaining power of large log consuming countries like India.

The peak of tropical hardwood logs is 1973 when total imports were 27,314 M cbms so the imports dropped down to one hundredth in 40 years.

South Sea logs were used for plywood and lumber with smooth surface and dimensional stability so they were the main materials for construction after the war and during growing economy days in Japan but the demand started dropping during 1970s because of log export restriction by producing countries and violent price fluctuations then Indonesia shifted to industrialization so import of finished products like plywood increased.

In 1980s, environmental issues became important so log import further dropped. At the same time, plywood industry in Japan shifted to use softwood logs so total log import in 1993 decreased down to less than 10,000 M cbms then down to less than 4,000 M cbms in 1998. In 2012, the total volume was mere 336 M cbms.

Unlike other imported logs, South Sea log market prices continue soaring in Malaysia because of exhausting resources and aggressive purchase by India. Japanese plywood mills are not able to pay competitive prices so that number of mills using hardwood logs continues declining.

By application, logs for plywood are 215 M cbms, 28.3% less than 2012 and for lumber are 55 M cbms, 27.6% less so shrinking trend continues.

**South Sea (tropical) logs**

While log production in Malaysia remains slow and dull, the demand continues very active by local plywood mills and India so that log inventories in ports and log yard stay very low.

Log exporters intend to push the export log prices for Japan since log prices for India are high but the Japanese buyers strongly resist higher prices because of weakening yen so the negotiations take much longer now.

Some plywood mills in Japan think that log production should improve in late July so that they buy minimal volume now.

Log prices in Japan are firm. Sabah kapur prices are 13,500 yen per koku CIF and Sarawak meranti regular are 9,500 yen. Both are 300-400 yen higher than May.

PNG's calophyllum logs for plywood are 11,000 yen per koku CIF for June arrivals.

Plywood mills and lumber mills in Japan are facing inflated cost of not only logs but other materials like electricity, trucking and adhesive for plywood so they need to increase the sales prices soon.

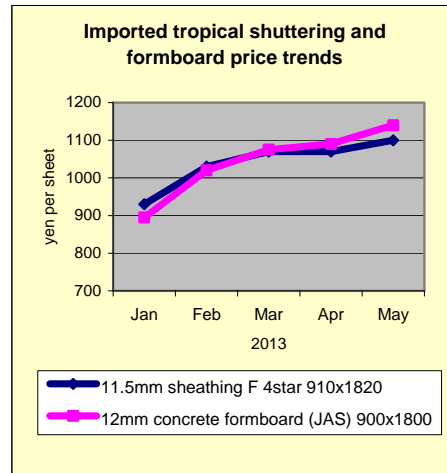
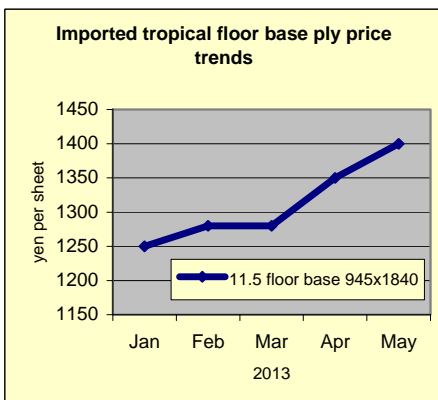
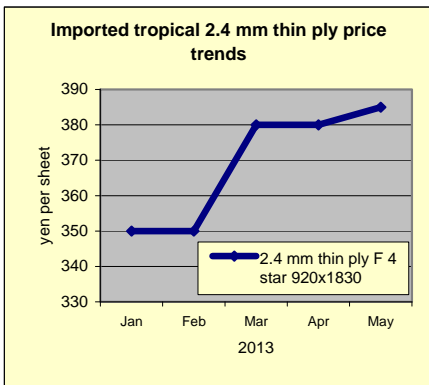
Meantime, plywood mills in Malaysia are aggressively procuring logs, supported by busy plywood orders but log supply is chronically short so that they even use logs for export.

Log suppliers, which run plywood mills, send logs to plywood mills if it is more profitable than exporting logs. This makes supply of small logs tight.

Sarawak meranti regular FOB prices are \$305-310 per cbm and meranti small are \$260-270.

Log harvest in Sarawak during January and March this year was 1,904,800 cbms, about 16% less than the same period of last year.

**Price trends for imported Indonesian and Malaysian plywood**



**Nankai Plywood builds second plant in Indonesia**

Nankai Plywood (Kagawa prefecture), building materials manufacturer, has two plants in Indonesia. To expand production, it has started building second plant at Lumadjang to produce laminated lumber of falcate, which will be completed by the year end.

The Lumadjang plant has started running since October last year. It produces lumber and laminated lumber from falcate logs and the products are sent to Gresik plant, which is final assembly plant in Indonesia, where materials for shelves and cabinets are made.

Nankai Plywood thinks that the demand will expand so that it decided to have the second plant at Lumadjang.

The first Lumadjang plant has two band saws, planer gang saw and finger jointer with laminating machines.

The second plant will have the same machines so that laminated lumber production will be expanded from current 400 cu.m to 800 cu.m.

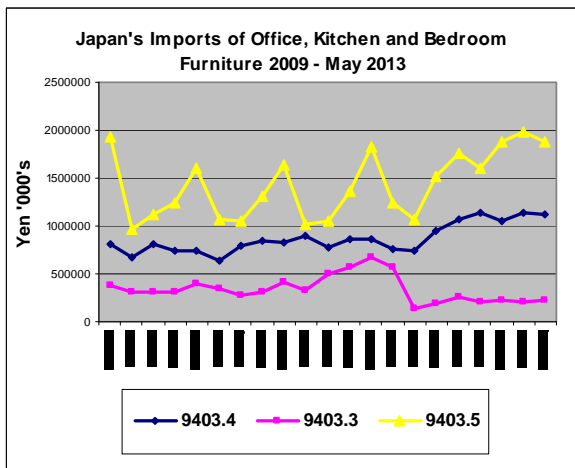
Gresik plant has capacity of 2,500 cu.m a month to process falcate laminated lumber for shelf and cabinet board and also ceiling strips and closet bars made out of meranti and mixed species, which are shipped for the plant in Japan for final assembly.

Falcate logs are purchased in local open market for Lumadjang plant but the company has its own plantation in Eastern Java and in two years' time, it will start supplying from its own plantation.

**Japan's furniture imports**

**May 2013 furniture imports**

The source and value of Japan's office, kitchen and bedroom furniture imports for May 2013 are shown below. Also illustrated is the trend in imports of office furniture (HS 9403.30), kitchen furniture (HS 9403.40) and bedroom furniture (HS 9403.50) between 2009 and May 2013.



Source: Ministry of Finance, Japan

### Office furniture imports (HS 9403.30)

In May 2013 Japan's imports of office furniture from China, Poland and Malaysia accounted for around 62% of total imports of this category of furniture.

May imports from China were at around the same level as in April but imports from Malaysia slumped from yen 30.8mil. to yen 16.5 mil. Imports from EU member states and Switzerland accounted for 34% of Japan's office furniture imports in May.

### Office furniture imports (HS 9403.30)

	Apr-13	May-13
S. Korea	5384	-
China	95709	95608
Taiwan		
P.o.C	10657	11108
Vietnam	-	694
Thailand	1778	1242
Malaysia	30803	16474
Philippines	217	-
Indonesia	6735	8979
Sweden	-	-
Denmark	4615	5968
UK	-	867
Belgium	-	-
France	-	-
Germany	4255	4564
Switzerland	-	873
Portugal	4014	13495
Spain	-	513
Italy	11050	13437
Poland	22649	21007
Austria	-	-
Lithuania	2775	7437
Czech rep.	1427	-
Slovakia	2529	4979
USA	6451	6471
Mexico	-	2850
total	211048	216566

Source: Ministry of Finance, Japan

The main EU suppliers were Poland at yen 21 mil. followed by Portugal, from which imports more than doubled, and Italy at yen 13mil. Office furniture imports from the EU increased by approx. 34% in May. In May, Japan's office furniture imports totaled yen 216 mil. an increase of over 20% from April.

### Kitchen furniture imports (HS 9403.40)

Kitchen furniture imports remain the second largest segment of all wooden furniture imports into Japan after bedroom furniture.

Vietnam continues to be the number one supplier of kitchen furniture to Japan but in May the value of imports from Vietnam, at yen 327 mil., was down almost 30% from April.

Three suppliers, Vietnam, Indonesia and China in order of magnitude, accounted for 76% of total kitchen furniture imports by Japan in May and if shipments from the Philippines is included, then four suppliers provided 85% of the total

May shipments of kitchen furniture from Europe were dominated, once more, by those from Germany and at yen 68 mil. were almost 50% higher than in April. Imports during May from Italy fell by around half that in April while, in contrast, imports of kitchen furniture from the US were the sixth highest of all the main suppliers.

### Kitchen furniture imports (HS 9403.40)

	Apr-13	May-13
S. Korea	426	-
China	198312	200170
Taiwan		
P.o.C	2618	-
Vietnam	476712	327767
Thailand	7776	11891
Malaysia	40490	39359
Philippines	140234	164737
Indonesia	187076	260921
Sweden	-	-
Denmark	2132	-
UK	1413	591
Belgium	-	-
France	324	1142
Germany	46312	67771
Switzerland	689	-
Spain	224	-
Italy	10914	4895
Austria	1687	-
Lithuania	4631	6327
Canada	15896	1058
USA	-	41969
total	1137866	1128598

Source: Ministry of Finance, Japan

## Bedroom furniture (HS 9403.50)

Japan's imports of bedroom furniture are close to yen 2 bil. every month. Imports in May fell slightly to yen 1.88 bil. from the yen 1.98 bil. in April this year.

As in April the top suppliers in May were China and Vietnam which, together with imports from Malaysia, accounted for around 88% of all wooden bedroom furniture imports to Japan. Shipments of bedroom furniture to Japan from China in May were at the same level as in April but shipments from Vietnam and Malaysia fell 23% and 15% respectively. Imports by Japan from Taiwan P.o.C and Poland fell significantly and imports from the US were down almost 50%.

Overall, imports of Bedroom Furniture in May were down 5% from levels in April.

### Bedroom furniture (HS 9403.50)

	Apr-13	May-13
S Korea	313	-
China	1111325	1201345
Taiwan		
P.o.C	25891	11971
Hong Kong	239	-
Vietnam	468002	359377
Thailand	74033	56593
Singapore	-	656
Malaysia	129761	107793
Philippines	3919	318
Indonesia	59873	51161
India	-	-
Sweden	16483	23315
Denmark	1073	3381
UK	328	-
Belgium	-	202
France	211	-
Germany	5000	4601
Switzerland	599	-
Spain	-	-
Italy	14409	13697
Finland	880	-
Poland	32117	25996
Austria	1476	-
Romania	-	8085
Turkey	799	-
Lithuania	305	-
Bosnia	738	-
Slovakia	5168	4828
USA	28526	12167
Mexico	300	-
total	1981768	1885486

Source: Ministry of Finance, Japan

## Report from China

### Slowing growth alarms exporters to China

Disappointing data on factory output provided another sign that an economic slowdown in China is well underway. In addition adding to the concern of analysts are growing signs of a credit squeeze in the country.

For many years money has been pouring into infrastructure projects which have helped sustain growth. However, this impressive growth has been fuelled by debt taken by provincial governments who are now struggling to find the funds service these loans.

Countries which have a close trading relationship with China are tracking events carefully as a continuing decline in growth in China's economy could undermine the recent recovery by exporters.

### Importers to feel impact of weaker yuan

After appreciating against the US dollar for most of this year the yuan has started to weaken as foreign funds flow out, largely because of evidence that the Chinese economy is slowing.

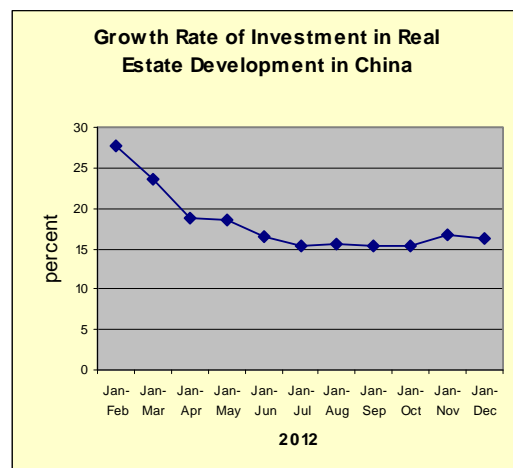
However, the yuan is still almost 1.5% higher against the dollar for the year to-date even though there has been a major movement of cash out other Asian countries.

However, the recent decline in the yuan/dollar rate is read as signaling there are real concerns about the pace of slowdown in the Chinese economy.

Until the middle of last year it seemed certain that the yuan, widely considered as under valued, would continue to appreciate but markets have been surprised by the trends in growth and by the decision by the Chinese Central Bank to intervene.

### China achieves solid 2012 real estate sales

Chinese residential real estate sales in 2012 grew 14.9 percent according to the National Bureau of Statistics of China. Continued growth in demand for homes is good news for the domestic wood product manufacturing sector and for exporters supplying timber to the Chinese market.



Source: National Bureau of Statistics, China



Sales of commercial buildings in China, a major driver of demand for joinery products and office furniture, increased in 2012. The total floor area of office building sold in 2012 increased 12.4 percent.

Preoccupation with the strength of Chinese wood products in the international markets distracts attention from the rapidly developing domestic market for wooden building materials and added value wood products.

The expansion of domestic demand in China serves to balance declines in exports such that demand for timber raw materials will continue to grow.

#### Price trends for new homes

Data from National Bureau of Statistics show that, compared to levels in March 2013, prices for newly constructed residential buildings declined in 3 cities, remained flat in 2 cities but rose in the remaining other 65 cities included in the survey. For the complete data see: [http://www.stats.gov.cn/english/pressrelease/t20130618\\_402904575.htm](http://www.stats.gov.cn/english/pressrelease/t20130618_402904575.htm)

Compared to levels in March this year, prices for existing homes in April fell in only 3 of the major cities included in the recent survey. For the most part, house prices increased across the country.

Compared to levels in April last year prices in April 2013 fell in only 3 cities. For 67 cities the year-on-year price increase was in the order of 13 percent.

Rising prices add to fears of unmanageable inflation in the housing sector which puts policymakers in a quandary as they try to curb growth house prices while, at the same time, trying to achieve an economic recovery.

#### Strong domestic demand for 'redwood' furniture drives up imports

In recent years the manufacturing of 'redwood' furniture by Chinese companies has increased and "redwood" imports have grown rapidly.

The term 'redwood' includes 5 genera, 8 classes and 33 species. The main imports are of padauk, mahogany, rosewood, sanders, wenge and ebony.

China Customs data show that in 2012, 'redwood' log imports were 760,000 cubic metres, up by 25% from 2011. The value of imports of 'redwood' in 2012 was US\$787 million, an increase of 9% year on year.

The average price for imported 'redwood' logs in 2012 was US\$1,039 per cubic metre. The main sources of 'redwood' imports to China can be seen in the table below.

	Cubic metres
Gambia	134,572
Vietnam	76,114
Ghana	72,984
Burma	70,056
Laos	66,483
Nicaragua	55,415
Benin	51,516
Mozambique	45,455
Ivory Coast	43,480
Togo	38,232
DR Congo	35,321
Congo	19,068

Imports of 'redwood' sawnwood have also increased and in 2012 China imported 74,538 thousand cubic metres of sawnwood 'redwood'.

The sources of 'redwood' sawnwood imports in 2012 are shown in the table below.

	Cubic metres
Laos	44,336
Mozambique	7,113
Indonesia	6,404
Malaysia	3,610
Vietnam	2,641
Tanzania	1,924
Cambodia	1,651
Togo	1,597
Gabon	1,375
Nicaragua	894
Benin	805
Cameron	779
DR Congo	681
Congo	444

The main sources of 'redwood' are Africa, Southeast Asia and Latin America. Countries in Southeast Asia remain the traditional suppliers of 'redwood' to China but in recent years some African and Latin American countries have become regular suppliers.

In the first quarter of 2013, China imported 250,000 cubic metres of 'redwood' logs at a value of US\$239.20 million in value. The average landed price was US\$956 per cubic metre, up by around 25% year on year.

Imports of 'redwood' sawnwood in the first quarter of 2013 were 16,800 cubic metres, down by 29% year on year and the average landed price was US\$1,556 per cubic metre.

### New-for-old furniture policy extended

The Beijing Municipal Commission of Commerce recently re-issued regulations for the New-for Old furniture policy detailing the products included and the scope of subsidy.

Items included in the policy are cabinets, sofas, beds, tables and chairs which must be free standing. There are no restrictions on size or material but the policy states the exchange must be only one old item for one new item of the same type.

The subsidy is a maximum of 10% of the actual price of the new furniture with 5% of this amount provided by government and 5% provided by the furniture seller. The amount of the subsidy for a single piece of furniture must not exceed 1000 Yuan.

The number of companies involved in the programme has increased this year from 5 to 10 and the number of companies involved in recycling of old furniture has increased to 7. The new programme will begin in July and last for 6 months.

### New technology institute to promote S. American species

A new institute called the South American Timber Application Technology Institute has been created to provide Chinese manufacturers with technological information on South American timbers.

The new institute, located in Beijing, is supported by the China Timber and Wood Product Distribution Association (CTWPDA), the Timber Saving and Development Center, the China Forestry Group and the Timber and Wood Products Quality Supervising and Testing Center of China Logistics and Procurement Association.

The institute will establish a data bank of South American timbers, compile data on wood properties and be ready to provide advice on appropriate processing techniques and enduses. The four agencies involved will establish a consultative group of experienced local specialists who can provide technical advice to industry.

The institute aims to provide support for promotion of South American timber in China and to expand the range of species traded to China.

### First quarter imports reverse downtrend of 2012

2012 imports of logs and sawnwood fell short of the levels in 2011 but first quarter 2013 data shows that this down trend has been reversed. Imports of tropical logs and tropical sawnwood expanded in the first quarter as can be seen in the following table

China imports	% change
	2011-12
Tropical Logs	-10%
Tropical sawnwood	-4%

China Imports	% change
	Qtr1 2012- Qtr1 2013
All logs	5.7%
Tropical logs	6.5%
All sawnwood	3.4%
Tropical sawnwood	-4.7%

### Yuan 10 billion root carving business attracts official support

The business of wood and root carving has, until recently, not attracted the attention of the public or government agencies but this is a huge business in China.

The number of companies in China known to be involved in wood and root carving exceeds 10,000 and these companies employ thousands of workers as production is labour intensive. It has been estimated that the output of this industry is around Yuan 10 billion annually.

In May this year a Wood and Root Carving Special Commission was launched by the China Timber and Wood Product Distribution Association to try raising the awareness of the public and policy makers of the growing contribution the industry is to the economy.

### Guangzhou Yuzhu International Timber Market

Logs		Yuan/cu.m
Lauan	Diameter 60 cm <sup>+</sup>	2000-2200
Kapur	Diameter 80 cm <sup>+</sup>	3100-3200
Merbau	Diameter 100 cm <sup>+</sup>	5200-5400
Teak	Diameter 30-60 cm	6500-13000
Wenge		4300-4800
Red Oak (France)	Diameter 30 cm <sup>+</sup>	2500-2600
Purpleheart	Diameter 60 cm <sup>+</sup>	3500-3600
Rosewood		3700-4200
Sawnwood		
Maple	Grade A	7500-9500
Walnut (USA)	FAS 2 inches	14000-16000
Cherry (USA)	FAS 2 inches	10000-12800
Sapelli	Grade A	6600-7000
Okoume	Grade A	4200-4500
Teak (plantation)	Grade A	9600

### Shanghai Furen Forest Products Wholesale Market

Logs		Yuan/tonne
Red sandalwood (India)	All grade	1-2 mil.
Rengas (Vietnam and Nepal)	All grade	7000-8800
Granadillo (Mexico)	All grade	7500-8000
Sawnwood		
Okoume (Africa)	grade A	4300-4700
Sapelli (Africa)	grade A	5800-6300
Beech (Europe)	grade A	4500-4800
Red Oak (North America)	2 inches FAS	7000-7300
Cherry (North America)	2 inches	9800-10500
Maple (North America)	2 inches	8700-8900
Merbau (Indonesia)	All grade	8500-13500

### Hangzhou Timber Trading Market

Logs		Yuan/cu.m
Ash	4 m 20 cm	3200-4800
Larch	4 m 28 cm 20 cm	1800-2900
Linden	4 m 26 cm	2400-3500
<b>Sawnwood</b>		
Beech (Europe)	All grades	2800-5000
Black walnut (N. America)	All grades	7000-13000
Teak (Myanmar)	All grades	9000-18000
Red oak (N. America)	All grades	3500-5000
Alder (Myanmar)	All grades	4500-5300
Merbau	All grades	7200-12000
<b>Plywood</b>		
Red beech	3mm	50-75
Black walnut	3mm	60-102
Teak	3mm	70-148

### Shandong De Zhou Timber Market

Logs	Length	Diameter	Yuan/ cu.m
Larch	4m	18-22 cm	1230
	4m	24-28 cm	1250
	4m	30 cm	1450
	6m	18-22 cm	1280
	6m	24-28 cm	1300
	6m	30 cm	1500
White Pine	4m	24-28 cm	1320
	4m	30 cm	1400
	6m	24-28 cm	1350
Korean Pime	4m+		1700
	6m+		1750
Mongolian	4m	30 cm	1380
Scots Pine	4m	36 cm	1500
	6m	30 cm	1420
	6m	36 cm	1600

### Wenzhou Timber Trading Market

Logs		Yuan/cu.m
Ash	2 m 20-30 (cm)	1300
Chinese fir	4 m 16-18 (cm)	1500
Wenge	all grades	4500-5100
Teak (Plantation)	all grades	2100-2500
Merbau	all grades	3500-5000
Spelle	all grades	3200-3700
<b>Plywood</b>		
Red beech	4' x8' x3 mm	40-80
Black walnut	4' x8' x3 mm	40-85
Teak	4' x8' x3 mm	45-110

## Report from Europe \*

### EU plywood imports reflect construction downturn and EUTR

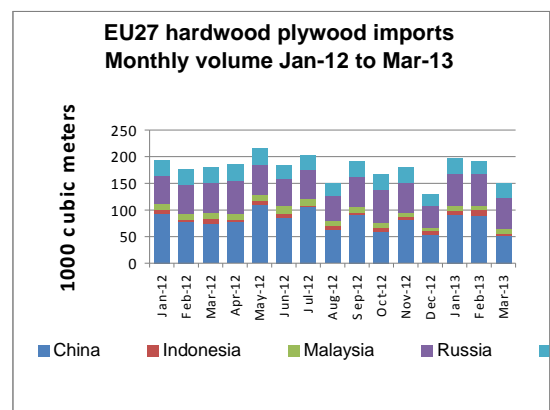
Monthly data for EU27 hardwood plywood imports suggests that European trade in this commodity is coming under pressure from the combined effects of the recent slowdown in European construction and the enforcement of the EU Timber Regulation (EUTR) from 3 March onwards ( see chart ).

The latest data – to the end of March 2013 – is the first to record trade levels immediately before and after the EUTR deadline.

The data shows a fall in imports in December 2012 – a much sharper dip than is usual in the run up to the holiday season – followed by a surge in imports in January and February 2013. Then, between the second and third months of the year, imports fell by over 20% to only 150,000 m3 in March 2013. This is significantly lower than normal for the time of year.

Overall the data supports the narrative that European consumption of plywood is weakening with declining construction activity, particularly since the middle of 2012.

However EUTR encouraged a surge in imports in the weeks before enforcement, so that stocks built up in excess of market demand. This surge tailed off following introduction of EUTR



The data shows that there was a particularly large increase in imports from China in January and February 2013, but that imports from this country fell by 40% in March.

The main question now is whether the March downturn is indicative of a long term trend or merely short-term indigestion after the rush of imports in the opening weeks of 2013.

There's some uncertainty over just how long it will take to work through the excess stock of Chinese plywood built up in Europe in advance of EUTR enforcement. In the latest TTJ article on the UK plywood market, one importer claims that "a lot of that stock has gone – I don't think there is as much as people think there is". Another added: "there have been stocks, but holes are appearing. Supplies of thin panel in particular are not plentiful".

### Larger Chinese manufacturers adapting quickly to EUTR

It's still early days, but so far the signs are that the downturn in imports from China may be short lived. The larger Chinese manufacturers are already demonstrating strong capacity to adapt to the new market requirements.

The most immediate change may be just a switch in the face veneers used by these manufacturers, away from species perceived in Europe to be "high risk" (such as bintangor or Russian birch), in favour of species perceived

to be “low risk” such as dyed poplar or certified meranti or sapele.

Some of the smaller manufacturers in China may well struggle now to compete in the EU market as buyers focus more on those manufacturers that have chain of custody and are geared up to provide the required evidence of legality. These changes are already increasing prices of Chinese plywood products to European buyers.

EUTR is tending to reinforce other commercial trends that were already limiting opportunities for smaller manufacturers and encouraging higher prices for Chinese plywood.

These include higher quality standards with imposition of the EU’s Construction Products Regulation (CPR) from 1 July 2013 and rising labour and material costs in China itself.

In coming months, China may become slightly less dominant in the EU plywood market. However it’s likely to maintain its position as the largest single supplier.

Chinese plywood prices may now be rising for EU buyers, but they remain highly competitive. For example, European CIF prices for 18 mm C=BB/CC Mixed Light Hardwood plywood from China were around \$380/m<sup>3</sup> in the last quarter of 2012.

Prices for comparable Chinese plywood with an FSC certified sapele face and eucalyptus core now stand at around \$420-440/m<sup>3</sup>. Even these prices are still \$100/m<sup>3</sup> less than those for 18 mm BB/CC meranti from Malaysia and \$150/m<sup>3</sup> below prices for Indonesian lauan plywood.

Exporters in other countries wishing to regain market share for tropical hardwood plywood in the EU market need to do more than provide new forms of legality verification at a competitive price. They need to focus at least as much on the considerable quality and technical performance benefits of their products.

New opportunities might arise following introduction of the CPR which implies much wider and more effective mandatory enforcement of CE Marking standards, including conformance of structural plywood to the EN13986 standard.

#### **Malaysia sees short-term benefits from EUTR**

European importers report that Malaysia has seen some short-term benefit from implementation of EUTR, with demand for PEFC certified BB/CC grades of meranti-faced plywood rising a little in recent months.

Some EU buyers appear at least temporarily to have switched away from Chinese hardwood plywood products due to lack of confidence in assurances offered on legal status of hardwoods imported into China.

In recent weeks, European importers have been able to source PEFC certified Malaysian hardwood plywood

without difficulty, although the switch to Malaysia has meant they are paying significantly higher prices than they used to in China.

#### **Slowdown in imports of Indonesian plywood**

Comparatively high prices are currently deterring European buying of Indonesian plywood, despite these products being well known for their quality and now arriving in the EU with V-Legal documents.

It’s notable that EU imports from Indonesia declined from 9800 m<sup>3</sup> in February 2013 to 4400 m<sup>3</sup> in March 2013. This trend may be driven mainly by weak European consumption, but could also be related to Indonesia’s rolling out of the V-legal system for all exports to the EU during the first quarter of 2013.

According to the German timber trade journal EUWID, most Indonesian plywood imported into the EU was formerly classified under tariff code 44123190 which is subject to a 3.5% import tariff.

However more accurate information on species content supplied with the V-legal documents has led to some product being reclassified as 44123110 subject to a higher tariff of 6.5%.

The latter tariff applies to plywood faced with various higher value tropical hardwoods including several Asian species such as dark red meranti, light red meranti, and white lauan.

#### **Very slow European market for okoume plywood**

Early optimism that EUTR might feed through into improved demand for okoume plywood manufactured in Europe or in Africa has so far been disappointed. Manufacturers of okoume plywood have been trying to force through price increases in Europe in an effort to widen very tight margins.

However European demand for okoume plywood remains very weak. There was a brief increase in European buying in the opening months of the year, but this has fallen away again following manufacturers’ price rises introduced from April onwards

Okoume plywood consumption in the main markets of France and the Netherlands has been very slow this year. While there are reports of delivery delays for okoume plywood manufactured in Gabon, low consumption has meant that supply has not been a significant issue for the European trade.

#### **European plywood manufacturers under intense pressure**

EUWID report that Europe’s domestic plywood industry has been struggling seriously in the face of mounting costs and the intense competition from overseas suppliers. Key problems have been high roundwood prices and wage costs relative to other parts of the world.

With the added pressure of weakening consumption in the European construction sector, profit margins are now being reduced to unsustainable levels. Some suppliers

have been forced to file for insolvency, while others have had to postpone or cancel plans for investment in new plant and machinery.

According to EUWID, the problem has been especially difficult in the European poplar plywood sector which added a significant amount of new production capacity just before the economic downturn.

For example, one Spanish plywood producer completed two investment projects in Spain and France in mid-2009 which boosted the group’s poplar plywood manufacturing capacity from 60,000 m3 to 210,000 m3. However this came on-stream just as consumption was falling and led to a significant decline in prices and much lower margins across the whole industry.

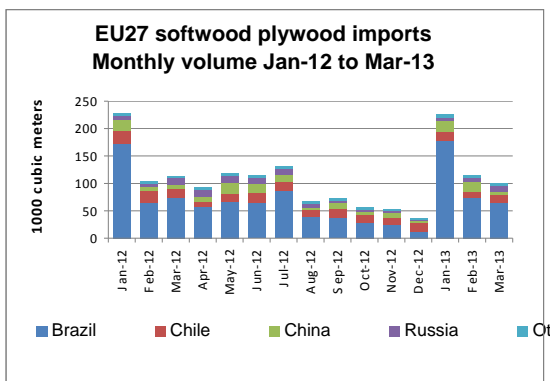
Europe’s okoume plywood market has also suffered badly from the long-drawn out failure of the French producer Plysol.

Various investors had shown an interest in the company, according to EUWID primarily in order to take control of Plysol’s concessions in Gabon. After these efforts failed, the company eventually went into liquidation in September 2012.

Since then the company’s remaining stocks have been sold off at a series of auctions, the latest in May, undermining demand for other suppliers’ products.

**Softwood plywood**

EU imports of softwood plywood during the opening months of 2013 followed a slightly different pattern to the previous year (see Chart). EUTR may have been partly responsible.



This year the usual January surge in imports on opening of the EU’s annual quota was at the same level as in 2011.

Total imports in February 2013 were also at a similar level to February 2012, but with a larger volume from China offsetting a decline from Chile. In March, after enforcement of EUTR, imports fell away quite significantly, notably from China and Brazil.

By the end of March 2012, total softwood plywood imports into the EU for the year had reached 441,000 m3. Around two thirds of the 650,000 m3 duty-free quota was already accounted for.

Of total imports during the first quarter of 2013, 72% was from Brazil, 9% from Chile, 11% from China and 5% from Russia.

European consumption of softwood plywood is currently slow. Brazilian exporters of elliotis pine plywood have been raising prices in response to tight log supply and good plywood demand in the United States and Caribbean.

However sales prices in Europe have been declining as importers are struggling to sell on landed stocks. The usual seasonal increase in demand in April and May has been much slower than in previous years.

\* The market information above has been generously provided by the Chinese Forest Products Index Mechanism (FPI)

**Report from North America**

**Tropical sawn hardwood imports recovered in April**

Tropical sawn hardwood imports recovered in April after two months of low import volumes. Temperate sawn hardwood imports, on the other hand, fell.

As a result total sawn hardwood imports declined by 34% from March, but tropical hardwood shipments went up by 43% to 20,937 cu.m. Year-to-date imports of tropical sawnwood are still slightly lower (-2%) than in April 2012.

Imports from Brazil fell to just 2,007 cu.m. in April, but total imports year-to-date are 15% higher than at the same time last year.

Imports of almost all main species from Brazil declined. Ipe imports were 1,379 cu.m., while Jatoba imports were stable at 349 cu.m

Imports from Cameroon recovered in April due to higher shipments of sapeli (1,234 cu.m.) and acajou d’Afrique (508 cu.m.). Total shipments from Cameroon to the US were 2,040 cu.m. in (-14% year-to-date).

Imports from Peru went back up, to 1,780 cu.m., and year-to-date imports are 72% higher than in 2012. Virola shipments grew from zero in March to 1,393 cu.m. in April.

Malaysian shipments to the US also increased substantially to 2,420 cu.m. in April (+4% year-to-date), despite a decline in keruing shipments to 910 cu.m. Imports of Malaysian keruing more than doubled from March to 1,995 cu.m.

There was little change in Balsa imports from Ecuador (2,808 cu.m.) from March. Balsa imports are almost one third below 2012 levels.

### US imports of sawn tropical hardwood, cu.m

	Mar-13	Apr-13	% Change
Ecuador	2,673	2,808	5%
Brazil	3,485	2,007	-42%
Cameroon	973	2,040	110%
Malaysia	1,453	2,420	67%
Congo (Braz.)	566	1,186	110%
Peru	259	1,780	587%
Indonesia	604	823	36%
Ghana	773	1,084	40%
Cote d'Ivoire	728	754	4%

### US imports of sawn tropical hardwood, by species cu.m

	Mar-13	Apr-13	% change
Balsa	2,679	2,925	9%
Sapelli	1,233	2,165	76%
Acajou d'Afrique	1,907	2,254	18%
Keruing	1,224	2,304	88%
Ipe	1,926	1,478	-23%
Mahogany	1,680	1,616	-4%
Virola	911	1,496	64%
Meranti	261	269	3%
Cedro	525	907	73%
Jatoba	366	401	10%
Teak	491	3,110	533%

### Canadian economy and housing market by region

Canada's two largest provinces at its centre, Ontario and Quebec, have long dominated the country's economy.

Central Canada's economic output is centered on manufacturing, and products are mainly shipped to nearby markets in the US.

The manufacturing sector in Ontario and Quebec has declined for a variety of reasons, including weak US demand, a strong Canadian dollar and increased competition from Asia, but the two provinces remain the largest economies and the most populous region in Canada.

The boom in global resource demand and prices has favoured economic growth in Western Canada and in the small province of Newfoundland & Labrador on the east coast.

Oil and gas production, and mining contribute to high GDP growth rates in Alberta, Saskatchewan, Manitoba and in the territories in Northern Canada. Newfoundland & Labrador's GDP fell in 2012, but it is expected to grow by over 6% this year due to higher oil production rates.

As the country's main oil producer the province of Alberta has the highest GDP per capita in Canada and strong GDP growth rates. However, its economic expansion could slow

if two proposed oil pipelines are not approved, which would connect Alberta with US and Asian markets.

### Immigration a driver of the economy and housing demand in Canada

Immigration is an important driver of the economic growth in Canada. Annual net migration is around 250,000 people, according to the Canada Mortgage and Housing Corporation, which corresponds to approximately 0.7% of Canada's total population of 34 million.

Immigration also supports demand for housing and related products. Central Canada has the largest housing market, but in wealthy provinces like Alberta, the new residential construction sector is significantly larger than in other provinces of similar size because of a good job market and high net migration from other parts of Canada and from abroad.

### Canada and EU nearing free trade agreement, US and EU start negotiations

Canada and the EU are in the final phase of a new free trade agreement, which has been negotiated since 2009.

The deal covers market access, including public procurement contracts, technical standards and regulations, investments protection, competition and intellectual property rights, and sustainable development.

A final deal was expected to be signed at the G8 summit in Northern Ireland in June, but negotiations are taking longer than expected. According to Eurostat, the EU is Canada's second-largest trading partner after the US, while Canada is the EU's 12<sup>th</sup> most important trading partner. Direct investments in each other's market are even more significant than trade in goods.

The US and the EU officially started free trade negotiations this June, putting pressure on Canada to finalize the trade deal since the US is a much more significant trade and investment partner for the EU.

According to the German Ifo Institute, free trade between the US and EU could result in a decrease of exports from countries outside the deal, especially from Latin America, Asia and Africa.

Even countries like China, Canada, Mexico and Australia could be negatively affected if EU producers increase their share in the US market. There may be benefits for raw material exporters, however, who may gain access to a much larger, combined EU-US market.

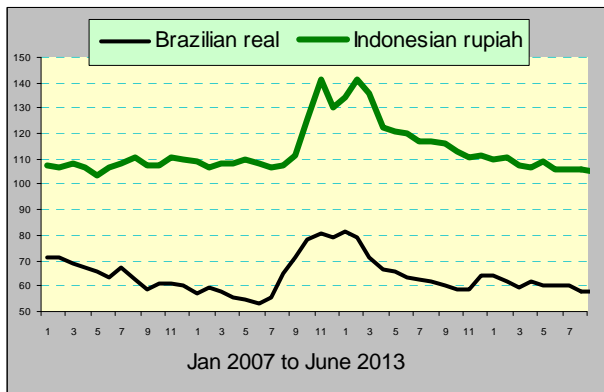
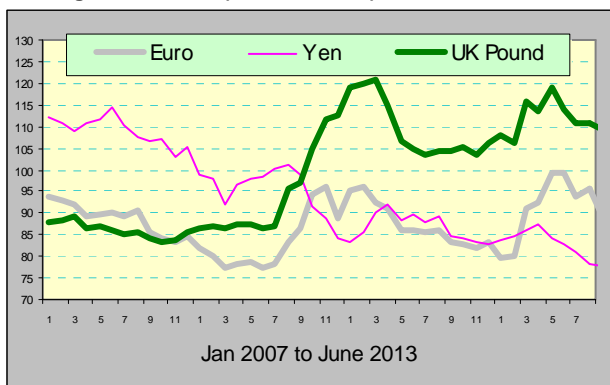
**Disclaimer:** *Though efforts have been made to keep prices near to accurate, these are published as a guide only. ITTO does not take responsibility for the accuracy of this information.*

## Main US Dollar Exchange Rates

As of 27th June 2013

Brazil	Real	2.2308
CFA countries	CFA Franc	501.49
China	Yuan	6.1910
EU	Euro	0.7686
India	Rupee	59.5335
Indonesia	Rupiah	9925
Japan	Yen	99.15
Malaysia	Ringgit	3.1601
Peru	New Sol	2.7825
UK	Pound	0.6574
South Korea	Won	1142.25

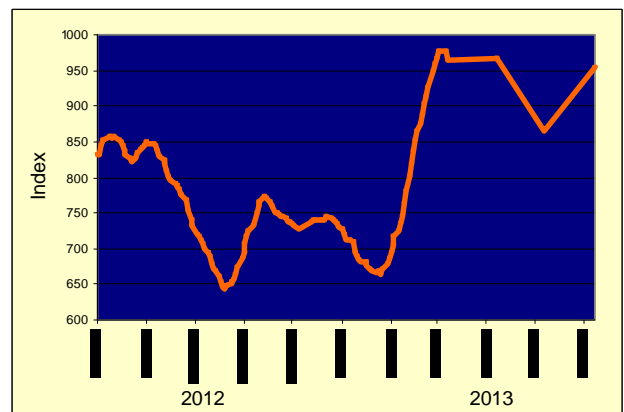
Exchange rates index (Dec 2003=100)



## Abbreviations and Equivalences

Arrows	Price has moved up or down
BB/CC etc	quality of face and back veneer
BF, MBF	Board foot, 1000 board foot
Boule	bundled boards from a single log
CI, CE, CS	Supplimentaire
CIF, CNF	Cost insurance and freight
Clean Sawn	square edged boule
cu.m cbm	cubic metre
FAS	First and second grade of sawnwood
FOB	Free-on board
Genban	Sawnwood for structural use in house building
GMS	General Market Specification
GSP	Guiding Selling Price
Hoppus ton	1.8 cubic metre
KD, AD	Kiln dried, air dried
Koku	0.28 cubic metre or 120 BF
LM	Loyale Merchant, a grade of log parcel
MR, WBP	Moisture resistant, Water and boil proof
OSB	Oriented Stand Board
PHND	Pin hole no defect
QS	Qualite Superieure
SQ,SSQ	Sawmill Quality, Select Sawmill Quality
TEU	20 foot container equivalent

## 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.

To have a free copy of this twice-monthly ITTO Market Information Service bulletin emailed to you on the day of production, please register at:

[http://www.itto.int/en/mis\\_registration/](http://www.itto.int/en/mis_registration/)