

# Tropical Timber Market Report

Volume 17 Number 9, 1st – 15th May 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).

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## Top Story

### **Addressing China's unbalanced, uncoordinated and unsustainable international trade**

China's foreign trade has grown robustly over the past 20 years and the country has established itself as a major trading nation.

While foreign trade makes an important contribution to China's economic and social development this trade is unbalanced, uncoordinated and unsustainable according to China's Ministry of Commerce.

It is recognised that the competitiveness of labour intensive industries in developing countries has improved to such an extent that these countries can compete very effectively with Chinese exporters.

The Ministry says China's core export competitiveness is not strong because the quality, grade and value-added is not high, the capacity of private sector R & D is weak and designs are generally below international standards. Plans have been drawn up to transform the structure of China's foreign trade growth

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## Report from Central/West Africa

### Optimism for stable markets into third quarter

Producers and exporters in W. Africa report being satisfied with current levels of business and are optimistic of continued market stability through into the third quarter even though markets in Europe are still very subdued.

### EUTR less onerous than some CoC procedures

While meeting the requirements of the EUTR continues to be a major challenge for importers in Europe, some UK traders are saying that the EUTR is less onerous than Chain of Custody (COC) procedures that have been in operation for some time.

Importers are also saying that, while the EUTR provides for prosecution of wrong doers, in a court of law hard evidence will be required for a successful prosecution. Anyone making a claim against an importer would have to provide sufficient, precise and verifiable evidence.

### Firm demand but this not translating into better prices

Producers say business with China has picked up after the quiet spell a month ago. Demand for logs, especially okoume, is higher and there is firm demand for sapele and sipo sawnwood.

This increased demand from buyers in China has not yet produced any price movements and there are even some reports of UK importers seeking lower prices for sapele sawnwood.

### Competitive pricing the key to success in Mid-east and N. African markets

Okoume sawnwood is now well established in the Middle East markets. Demand is growing quickly which is a challenge for producers who say okoume logs are now more difficult to source than in the past.

Overall, demand in Middle Eastern and North African markets is increasing and West and Central African exporters are confident of steady trade and stable prices in these markets.

Although prices tend to be very competitive in these markets, the quality requirements are easier than those demanded by European importers however, producers are willing to accept lower prices because the quality requirements mean higher recovery and less waste from the log.

India importers are also active in the market for a limited range of species and prices have held onto recent gains. Analysts suggest that prices will show a steady or slightly firmer trend through the next quarter.

### Reports of tight supply situation for Azobe

The shortage of azobe logs and sawnwood seems likely to continue for the time being. Throughout the producer countries the supply of logs in the most popular species is becoming more difficult.

Gabon producers point out they feel restricted by the 30 year cutting cycle which, unless concessions are very large, results in lower annual harvests and consequent higher harvesting unit costs.

### Log Export Prices

West African logs, FOB	LM	B	BC/C
<u>Asian market</u>			
Acajou/ Khaya/N'Gollon	215	215	-
Ayous/Obeche/Wawa	215	210	150
Azobe & Ekki	205	205	130
Belli	220	220	-
Bibolo/Dibétou	145	130	
Iroko	270	220	215
Okoume (60% CI, 40% CE, 20% CS) (China only)	245	225	200
Moabi	280	280	-
Movingui	185	155	150
Niove	165	165	-
Okan	300	300	-
Padouk	340	320	235
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	515
Okoumé FAS GMS	480▲
Merchantable	290
Std/Btr GMS	340▼
Sipo FAS GMS	550
FAS fixed sizes	-
FAS scantlings	490
Padouk FAS GMS	860
FAS scantlings	-
Strips	-
Sapele FAS Spanish sizes	480
FAS scantlings	505
Iroko FAS GMS	580
Scantlings	600
Strips	430▼
Khaya FAS GMS	430
FAS fixed	465
Moabi FAS GMS	550
Scantlings	550
Movingui FAS GMS	400

## Report from Ghana

### Getting to grips with illegal chainsaw milling

The Forest Services Division of the Forestry Commission has begun a pilot project on artisan milling as part of measures aimed at curbing illegal chainsaw milling.

At a training workshop various options for low cost milling, other than chainsaw milling, were explained to representatives of the forest communities in the pilot area.

The Assistant District Forestry Manager, Mr. Mark Aidoo Gyamfi, said the goal of the pilot programme is to transform illegal chainsaw milling operations into an environmentally conscious artisan milling sector.

Under the Multi-Stakeholder Dialogue Phase of the EU Chainsaw Project, Ghana has developed a new policy that seeks to improve the supply of legal lumber to the domestic market through artisan milling.

Artisan milling is defined as small-medium scale milling of logs from specified legal sources by a trained, certified, registered and licensed Ghanaian artisan without the use of chainsaw milling equipment.

#### Few investment projects in Central region

The Director of Research and Investment of the Ghana Investment Promotion Council (GIPC), Mr Kofi Antiri has said that of the 324 projects registered with the GPIC last year, only six were from the Central Region.

Since 1994 only 104 out of the about 3,725 projects registered with the GIPC has been registered from the Central Region. The GIPC has expressed concern over the poor response of businesses in the Central Region and is encouraging the development of projects in the region that can contribute to improving the socio-economic development.

#### Central Bank acts to support cedi

Ghana's central bank governor has said he would step up the supply of dollars to the interbank market to support the local cedi currency.

Mr. Henry Wampah said the decline in the local currency is a seasonal phenomenon linked to the needs of companies to secure dollars to make dividend payments.

#### Oil field developments continue

Kosmos Energy will invest \$400 million in its Ghana operations in 2013 as part of its commitments to the West African nation's Jubilee oil field and other projects, the firm's CEO has said.

The New York listed firm holds a 24.1 percent stake in Ghana's jubilee field which started pumping oil in December 2010 and has hit production of between 110,000 and 115,000 barrels a day over the last 3 months.

#### Boule Export prices

	Euro per m <sup>3</sup>
Black Ofram	220
Black Ofram Kiln dry	313
Niangon	510
NiangonKiln dry	565

#### Domestic Log Prices

Ghana logs	US\$ per m <sup>3</sup>	
	Up to 80cm	80cm+
Wawa	150-160↓	163-180↓
Odum Grade A	169-174	178-188
Ceiba	110-125↓	130-145↓
Chenchen	94-105	109-123
Khaya/Mahogany (Veneer Qual.)	112-123	126-145
Sapele Grade A	146-155	161-185
Makore (Veneer Qual.) Grade A	132-138	140-166
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	488	544
Ceiba	210	255
Dahoma	315	395
Edinam (mixed redwood)	380	450
Emeri	350	450
African mahogany (Ivorensis)	582	638
Makore	565	620
Niangon	518	600
Odum	605	715
Sapele	555	648
Wawa 1C & Select	269	319

#### Export Rotary Veneer Prices

Rotary Veneer 1-2mm , FOB	€ per m <sup>3</sup>	
	CORE (1-1.9 mm )	FACE (2mm)
Ceiba	300	345
Chenchen	320	350
Ogea	315	350
Essa	315	340
Ofram	320	350

#### Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afrormosia	1.21	1.04
Asanfina	1.45	0.80
Avodire	1.05	0.68
Chenchen	0.77	0.50
Mahogany	1.30	0.80
Makore	1.22	0.70
Odum	1.88	1.00

#### Export Plywood Prices

Plywood, FOB	€ per m <sup>3</sup>		
	Ceiba	Ofram	Asanfina
BB/CC			
4mm	430	600	643
6mm	420	615	622
9mm	360	438	475
12mm	361	430	439
15mm	310	378	368
18mm	305	363	360

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	15.10	18.00
Odum	8.54	11.88	12.00
Hyedua	14.08	14.00	18.45
Afrormosia	14.30	18.22	18.02

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

## Report from Malaysia

### Election fever dampens trading in domestic market

Malaysia went to polls for the thirteenth time on 5 May to fill 222 parliamentary seats. The intensive political campaigning caught everyone's attention as can be seen by the 85% voter turnout.

The ruling coalition, *Barisan Nasional*, was returned to power but with a smaller majority in the Federal Parliament.

### Peninsular Malaysia traders waiting for market signals

The timber market was very quiet during the election campaign period with traders, especially those dealing in sawn timber, reporting poor market sentiment in both the local and overseas market.

Throughout the timber industry there was a mood of “wait and see”. However, traders are optimistic that business in the domestic market will quickly return to normal.

Plywood traders also reported slow trading in the domestic market as housing developments slowed. One major trader did report that shuttering board prices increased by almost RM2.00 to RM45 a sheet (approximately US\$ 15.00) after the government implemented the revised minimum wage policy.

However, the traders are not confident that this slight increase will be maintained.

Other major traders reported 12 mm (5 ply) 4’ x 8’ WBP Shuttering Board 100% tropical timber selling at RM43.00 a sheet (approximately US\$14.30) and 12 mm (7 ply) of the same specifications selling at RM47.00 a sheet (approximately US\$15.70).

Plywood manufacturers are looking out for the start of work on two large development projects due to begin, one in the south Johor Iskandar Area and the other the Mass Rapid Transport project in the central region.

### Peninsular Malaysia log prices

Sawmills in Peninsular Malaysia reported log prices ex Matau – Dungun (Terengganu state) as follows:

Species	RM / ton	US\$ / ton (approx)
Keruing	1,450	483
Meranti Seraya	1,380	460
Meranti Sarang Punai	1,230	410
Meranti Rampai Daun	1,300	433
Balau	2,500	833
Chengai	4,300	1,433
Mersawa	1,450	483
Merbau	2,600	867

ton equivalent to 50 cu.ft

Analysts report that log prices have dropped on average 6% compared to levels in December 2012. Most mills reported adequate log inventories and are not increasing stock levels as there are no clear indications of market movements.

### Sarawak plymills report slow business

As in Peninsular Malaysia, the period leading up to the elections saw a dull timber market in Sarawak and plywood mills reported generally slow business.

One trader exported MR BB/CC 2.7 mm US\$570 per cu.m FOB, and 9 mm & up to Taiwan at US\$450 per cu.m FOB.

### Malaysia’s exports of wood products Jan – Dec 2012

	Product	FOB value (RM)	% chng 11/12
1211	Gaharu Woodchips	8,548,072	-12.6
1212	Sandalwood Chips	438,412	100.0
4401	Fuel Wood	181,593,878	70.2
4402	Wood Charcoal	69,634,039	15.9
4403	Logs	1,691,311,534	-9.2
4404	Hoop Wood	26,649,457	-1.9
4405	Wood Wool & Wood Flour	773,224	278.4
4406	Sleepers	20,565,353	17.3
4407	Sawn timber	2,455,647,672	-1.2
4408	Veneer	333,234,284	2.7
4409	Mouldings	711,905,612	-7.9
4410	Chipboard/ Particleboard	339,196,696	4.4
4411	Fibreboard	1,149,052,575	1.9
4412	Plywood	5,136,529,695	7.4
4413	Densified Wood	6,676,880	90.0
4414	Wooden Frame	142,410,969	7.6
4415	Packing Cases	183,748,378	n.a
4416	Casks, Barrels, Vats, Tubs	302,254	-67.5
4417	Tool Bodies & Handles	1,923,838	-13.2
4418	Builders Joinery	993,050,327	2.9
4419	Table & Kitchenware	3,749,856	-17.6
4420	Wood Marquetry	8,191,381	-16.4
4421	Other Articles of Wood	49,896,379	-8.1
4706	Pulp	122,700,359	240.0
	Wooden Furniture	6,528,766,631	n.a
	Rattan Furniture	21,218,442	n.a
14011	Bamboo	220,200	-1.2
14012	Rattan Whole & Splits	3,048,893	78.9
A3916	Wood Plastics Composite	5,606,685	7.2
<b>Grand Total</b>		<b>20,196,591,975</b>	

Source Dept of Statistics, Malaysia

### Sarawak log export prices (FOB per cubic metre)

Meranti SQ	US\$ 253 - 265
Kapur SQ	US\$ 340 – 350
Keruing SQ	US\$ 325 - 340
Selangan Batu Regular	US\$ 505 - 535

### Acacia mangium truck flooring to be developed

The Sabah Timber Industries Association (STIA) has appointed Forest Research Institute Malaysia (FRIM) as its technical partner for the development of added value products from local plantations of Acacia mangium.

This collaboration was made possible by a government Community Innovation Fund grant of RM 500,000 (approximately US\$ 167,000).

Acacia mangium plantations were first established in Sabah in the 1980s. At present the main markets are for logs to Vietnam and China and chips to Japan.

One of the objectives of the STIA cooperation with FRIM is to develop truck flooring boards from Acacia mangium for the export market.

The Daily Express newspaper quoted Dr Tan Yu Eng of FRIM as saying: “The scope of the cooperation covers principally development of effective means to improve the drying quality of Acacia mangium through the introduction of some pre-treatment techniques, exploring the possibility of applying saw-dry-rip in its sawntimber conversion, and the development of finger jointed truck flooring boards in compliance with regional market requirements”.

Tan went on to say “the challenge is to improve quality and recovery, followed by product development so as to enhance the profitability of the acacia industry in Sabah”.

## Report from Indonesia

### **SVLK undermining export competitiveness**

It is now four months since Indonesia’s timber legality assurance system (SVLK) became operational but the timber industry is expressing concern that the investments made by companies in Indonesia to secure SVLK certification is not delivering the benefits expected.

Analysts acknowledge there are still some implementation problems to be ironed out but point to the delay in ratification of the VPA between Indonesia and the EU as the most worrying issue.

At present, in the absence of a ratified VPA, the industry sees no trading advantage as Indonesian wood products exported the EU member states have to meet the same EUTR requirements as applied to products from countries which have not negotiated a VPA or do not have a national timber legality assurance scheme.

Indonesian exporters complain that the SVLK is currently undermining their competitiveness as the cost of complying with the SVLK has pushed up production costs but not provided any market advantage.

### **Surge in pulp imports to avoid SVLK costs**

Deputy Chairman of the Pulp and Paper Association (APKI), Rusli Tan said that the costs associated with the SVLK are pushing up production costs of its members and that, in the absence of a ratified VPA, paper manufacturers find it cheaper to import pulp for paper making for export thereby avoiding having to submit to SVLK certification.

The Indonesian SVLK only applies to timber raw materials coming from domestic sources and does not cover imported raw materials.

If the VPA is ratified then Indonesian companies will be required to use only verified legal raw materials, but in the absence of a ratified VPA this does not apply.

To maintain competitiveness some of paper manufacturers have decided to use imported raw materials to avoid the costs associated with SVLK certification.

Prior to January 2013 Indonesian companies imported around 5,000 tonnes of pulp per month but recently this figure has jumped to around 15,000 tonnes per month as paper manufacturers switch to using imported raw materials.

### **Forest clearing ban extended**

The government has decided to extend the exiting legislation which place a ban on forest clearing. This decision is despite strong lobbying from the powerful oil palm and mining sectors which have been seeking to have the current restrictions lifted so as to expand their operations.

Indonesia has been under considerable pressure to halt deforestation and destruction of peat land habitats.

A Presidential Decree (Instruksi Presiden, Nomor 6 Tahun 2013) was signed on May 13 2013. The decree demonstrates the commitment of the government to extend the land clearing moratorium for natural forest and peat land forest in conservation forests, protected forests and production forests.

For more see: <http://www.setkab.go.id/berita-8652-melalui-inpres-no-62013-presiden-sby-perpanjang-penundaan-izin-baru-pengelolaan-hutan.html>

Analysts point out that enforcing the regulations in the current legislation has been a problem as there were many cutting permits issued prior to the entry into force of the clearing ban and because of forest boundary issues where the extent of protected forests has been disputed.

Activists had been encouraging the government to quickly renew the forest clearing ban as they say oil palm plantation companies still have large areas of, as yet, unplanted land.

### **Private sector initiative for ecosystem restoration**

On May 07, 2013, Forestry Minister Zulkifli Hasan awarded a Concession for Ecosystem Restoration to PT Gemilang Cipta Nusantara, a sister Company of PT Riau Andalan Pulp and Paper (APRIL group).

PT Gemilang Cipta Nusantara is located in Kampar Peninsula, Kabupaten Pelalawan, Riau Province. The area allocated extends over 20,265 hectares and the concession has a duration of 60 years.

Media reports suggest that PT Gemilang Cipta Nusantara will invest US\$7 million to implement a REDD+ project engaging the Australian Fauna and Flora International and the domestic NGO Yayasan Bidara, to assist with restoration of the ecosystem.

### Domestic Log Prices

Indonesia logs, domestic prices	US\$ per m <sup>3</sup>
Plywood logs	
core logs	190-230
Sawlogs (Meranti)	160-260
Falcata logs	120-210
Rubberwood	80-110
Pine	110-150
Mahoni (plantation mahogany)	150-230

### Domestic Ex-mill Sawwood Prices

Indonesia, construction material, domestic (Ex-mill)	US\$ per m <sup>3</sup>
Kampar	
AD 3x12-15x400cm	480-620
KD	-
AD 3x20x400cm	520-700
KD	-
Keruing (Ex-mill)	
AD 3x12-15x400cm	400-520
AD 2x20x400cm	490-630
AD 3x30x400cm	440-510

### Export Plywood Prices

Indonesia ply MR BB/CC, export FOB	US\$ per m <sup>3</sup>
2.7mm	540-650
3mm	490-630
6mm	390-530

### Domestic Plywood Prices

MR Plywood (Jakarta), domestic	US\$ per m <sup>3</sup>
9mm	380-430
12mm	370-420
15mm	300-320

### Export and Domestic Other Panel Prices

Indonesia, Other Panels, FOB	US\$ per m <sup>3</sup>
<i>Particleboard</i>	
Export 9-18mm	340-560
Domestic 9mm	320-640
12-15mm	350-640
18mm	290-440
<i>MDF</i>	
Export 12-18mm	420-680
Domestic 12-18mm	400-640

### 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	520-551
Grade B	478-500

## Report from Myanmar

### Buyers feel pressure to quickly ship logs

Analysts report that the firm demand conditions remain. Trading activity picked up in early May after the end of the Myanmar New Year holidays and exporters focused on arranging vessels to ship logs from the auctions held before the holidays.

Financially sound and regular log buyers have long term contracts with shipping companies but other buyers prefer the 'spot' shipping market in the hope of securing competitive freight rates.

Demand for teak logs is particularly firm and there are regular export shipments being made as buyers build up

stocks. In contrast to trends in past years even the non-durable hardwoods are being shipped out immediately, driven by the prospect of the log export ban.

With only eleven months before Myanmar is expected to introduce a log export ban exporters, especially those with large stocks, are under a huge pressure to ship logs before the ban is introduced.

### Maintaining shipping schedules a challenge

Export data for the financial year 2012-13 show that about 1.2 million tons of timber was shipped. The present unshipped stock in Yangon is reportedly above 1 million ton.

Shippers in Myanmar face many logistical constraints. On top of the usual delays to shipments caused by the seasonal weather pattern, inadequate trucking capacity, port congestion and time restrictions on logging truck movement on roads leading to some of the wharves make scheduling shipments difficult.

### Escalation of illegal logging reported in domestic press

Over the past week the most talked about newspaper headline in forestry circles was from the Kumudra Journal of the 7th May which asked "How much have we sacrificed the forests in the Shan and Kachin states to meet the demands of the Chinese timber industry?" .

The article reports interviews with people living in the Shan and Kachin states as well as Myanmar Timber Merchants Association (MTMA) representatives and comes to the conclusion that the annual illegal trade in timber is about 100,000 tons.

Barber Cho, Secretary of the MTMA has said illegally harvested timber leaving the country via overland routes could be worth over US\$200 million annually and that the extent of the problem has been made worse by an escalation of the conflict between government forces and ethnic groups in the Shan and Kachin states.

Cho added that illegally harvested logs, when exported from Myanmar, are being 'legalised' through the payment of local taxes where the logs will be processed.

Analysts who have visited the area say that, in some cases, mountain sides have been almost totally denuded by illegal operators.

### Sanctions eased but industry still facing hurdles

It is the view of the MTMA that, while the EU has lifted sanctions on trade with Myanmar, certification and timber legality issues remain major barriers to trade for Myanmar timber exporters.

The US has lifted the ban on export of forest products from Myanmar but the US "Myanmar Freedom Act" has been extended which makes financial transactions difficult and costly.

Analysts say the ministry of forestry is struggling to address the situation and that there is need for a coordinated action plan for both the state and the private forestry and wood working sectors.

The following prices were recorded during the teak auctions on 26th and 29th April 2013.

Grade	Quantity (Tons)	US\$ per hoppus ton
4th Quality	10	7474
SG-1	28	5808
SG-2	27	5555
SG-4	340	3439
SG-5	90	2375
SG-6	123	2102
SG-7	190	1780

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.

### Report from India

#### Turn around in GDP growth forecast for 2013-14

The Prime Minister's Economic Advisory Council has, in a recent statement, indicated that a turn-around in economy from a decade's low growth is expected during fiscal 2013-14. As efforts to reign in inflation begin to deliver results the sentiment in the private sector has improved.

The very high levels of domestic investment recorded at the moment are generating optimism that if projects are implemented quickly then a higher rate of GDP growth can be achieved.

India's export performance was battered by declining overseas demand for most of last year but grew by 6.97% in March, the third successive monthly growth.

#### Packaging board plant Tamil Nadu

The chief minister of Tamil Nadu Ms. Jayalalithaa, has announced the establishment of a Rs.12 billion project for the annual manufacture of 200,000 tonnes of multi-layer double coated packaging board.

This new plant will be built in Tiruchi by Tamil Nadu Newsprint and Papers Ltd and is expected to provide additional employment for 2,000 people. At present around 40% of the demand for coated paper is met through imports

The new plant will produce high end white liner boards for folding boxes, the fastest growing segment in the paper industry.

The company is producing 400,000 tonnes of printing and writing papers and has recently started a 600 tonnes per day cement plant using paper mill waste and fly ash as raw material.

#### Scouting raw materials in Myanmar and Vietnam

To meet the rising demand for quality paper across India JK Paper is looking to develop new facilities in Myanmar and Vietnam to source pulp so as to increase output.

The company recognizes that in the short to medium term at least sourcing domestic wood raw materials will remain a challenge. Because of this the company says it is imperative to find new sources of quality raw materials. The focus on Myanmar and Vietnam is due to their proximity and also their policies for attracting inward investment.

The demand in India for paper continues to be strong. It is estimated at around 11.5 million tonnes is currently required to meet domestic demand and this could grow to 20 million tonnes by 2020.

The company has added close to 290,000 tonnes of production capacity over the last few years and its total production capacity stands at 455,000 tonnes at the moment.

#### Exports of Plywood and Allied Products

	2011/12	Apr - Dec 2012
Products	Rs. Mil.	Rs. Mil.
Plywood and plywood products	26864.8	27365.1
Cork and cork products	140.1	100.6
Hardboard	598.8	474.1
Other articles of wood	6854.6	7423.9
Sandalwood chips	105.8	38.1
Sawn timber	1008	1250.1
Tea chest panels	6.5	4
Veneer	698.4	651.3
Wooden furniture	16487	16761.3
Plywood and other products	965.7	661.6

Source: MoC Export Import Databank

#### Sales of teak and other hardwoods at Western forest Depots

During the last two to three auctions in south Gujarat depots the quality as well as quantity of logs offered for sale were very good such that prices improved on the back of strong buyer interest.

During the most recent auction a correction in prices was observed as buyers limited purchases to their immediate requirements only.

Average prices recorded at the most recent auction are as follows:

Teak logs	Per cubic foot
A quality for ship building	Rs.2300 - 2400
B quality for ship building	Rs.2200 - 2300
A for sawing	Rs. 1900-2000
B or sawing	Rs. 1700-1800
A Long length logs	Rs. 1500~1600
B Long length logs	Rs 1300-1400
Long length, Medium Quality	Rs 1100-1200
Short Length, Medium Quality	Rs 1000-1100
Short Length, Average Quality	Rs 900-950

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

3m to 4m Length	Per cubic foot
46 to 60 cm. girth	Rs 125-200
61 to 75 cm. Girth	Rs 200-250
76 to 90 cm. Girth	Rs 400-500
above 91cm. girth	Rs 550-700

Supplies and shipments of imported plantation teak have been steady and prices remain stable.

#### Imported plantation teak prices (C&F)

	US\$ per m <sup>3</sup>
Tanzania teak, sawn	450-800
Côte d'Ivoire logs	450-850
PNG logs	450-550
El-Salvador logs	400-550
Guatemala logs	400-500
Nigeria squares	300-500
Ghana logs	300-650
Guyana logs	300-450
Benin logs	400-700
Benin sawn	700-800
Brazil squares	400-650
Colombia logs	400-600
Togo logs	350-500
Ecuador squares	280-450
Costa Rica logs	400-650
Panama logs	400-550
Sudan logs	450-850

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

#### Ex-sawmill prices for imported hardwoods

Prices for air dried sawnwood per cubic foot, ex-sawmill are shown below.

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

#### Prices for Myanmar Teak processed in India

Sawnwood (Ex-mill)	Rs. per ft <sup>3</sup>
Myanmar Teak (AD)	
Export Grade F.E.Q.	4500-10500
Plantation Teak A grade	3750-4000
Plantation Teak B grade	2800-3100
Plantation Teak FAS grade	2000-2600

The price range is the result of variations in length and cross section.

#### Imported KD 12% sawn wood

Prices are currently firm due to weak rupee.

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	1200-1200

#### Plywood market prices

Prices remain unchanged as follows:

#### WBP Marine grade from domestic mills

Plywood, Ex-warehouse, (MR Quality)	Rs. per sq.ft
4 mm	30.00
6 mm	44.00
12 mm	67.00
15 mm	79.00
18 mm	95.00

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

Locally Manufactured Plywood "Commercial Grade"	Rs. per sq.ft	Rubberwood	Hardwood
4mm	Rs.14.50		Rs.23.00
6mm	Rs.21.75		Rs.31.50
8mm	Rs.27.25		Rs.35.50
12mm	Rs.32.75		Rs.41.50
19mm	RS.46.00		Rs.56.50
5mm Flexible ply	Rs.31.50		



### Forest inventory to be updated by 2016

The first national forest inventory in Brazil was conducted in the 1980s and the focus was on assessing timber stocks. A new inventory is planned and will be broader in scope encompassing sustainability.

Work on testing the methodology for the new inventory started in Santa Catarina and Brasilia in 2011 and full scale field work will begin this year and will be completed by 2016.

The new inventory will provide authorities with more information enabling them to plan and implement appropriate policies in areas such as forest concession allocation and management and carbon stock assessments.

The inventory is expected to provide a greater knowledge of the potential of the forests which represent about 62% of the 8.5 million square kilometers of the country.

The new forest inventory will not only provide information for developing conservation and environmental strategies but will also provide the means for developing sound economic strategies for the sustainable management from natural forest to ensure only legally sourced wood products enter the domestic market.

The new forest inventory will be based on some 20,000 data points across the country, 7,000 of which will be in the Amazon rainforest. The intention is to update this new inventory every five years.

The cost of the new inventory is estimated at R\$150 million, of which some R\$65 million will be provided from the Amazon Fund administered by the Brazilian Development Bank.

### São Paulo the largest domestic market for certified timber

The Institute of Agricultural and Forestry Management and Certification has released a report on the consumption of certified Amazon timber entitled "Unraveling the Brazilian market for FSC certified tropical timber".

The report addresses three main issues:

- the relationship between producers and buyers of FSC certified wood
- market opportunities for FSC certified wood
- demand for products with the FSC community label

The report is based on interviews with companies and communities managing forests as well as wood product manufacturers utilising timber from the Amazon.

Brazil has a massive area of certified forest and is ranked the world's sixth largest in terms of certified forest.

The report mentions that the area of certified forest in Brazil amounts to some 6.3 million hectares a figure which includes natural forests and forest plantations.

The report further states that the share of certified natural forests is approximately 20% of the total area of certified forest.

The report notes that around 70% of the available FSC certified timber is exported but that a large volume of tropical timber sold in the domestic market does not meet the social and environmental requirements of FSC certification. São Paulo state is the largest national consumer of certified timber (14%), followed by the Northeast region (9%).

The study highlights the potential for an increase in production of certified tropical timber and estimates that output could grow by about 70% over the next three years.

### Developments in wood product exports

Between 2002 and 2012 wood product exports increased from US\$3.8 billion to US\$8.5 billion however, exports of solid wood products, as a proportion of the total, fell from 46% to 22% in the same period.

Between 2005 and 2012 plywood exports declined 87%, tropical sawnwood exports declined 67% while exports of pine sawnwood fell 49%.

Other solid wood products exports also fell in the period 2005 to 2012 for example, pine plywood exports were down by a third; there was also a 38% reduction in exports of value-added products mainly furniture.

Data indicate that tropical timber exports were affected greater than products from plantations.

Analysts suggest that the cause of the decline in tropical timber product export was related to the increased costs involved in meeting more demanding standards for forestry operations, the lack of a clear development policy for the tropical wood products sector and environmental issues in importing markets. These factors also resulted in a decline in investment in tropical wood product manufacturing.

Another factor which contributed to the weaker exports was the strengthening of the Brazilian currency such that Brazilian exporters lost competitiveness in international markets.

### Pará state to have new organization to monitor forest and milling operations

To meet the requirement of the EU timber regulation European importers are requesting documentation to prove the origin of wood products and demonstrate legality throughout the supply chains.

This is a challenge for Brazilian exporters who say meeting the requirements of imports in Europe is complex

and requires Brazilian companies and government institutions to work together to ensure trade is uninterrupted.

In the state of Pará, the biggest exporter of tropical timber in Brazil, measures to improve monitoring and reporting of forest and processing operations are being considered. Media reports suggest it is possible a new organization will be established to provide monitoring services to industry.

It is estimated that the current forest concessions which were allocated after 2010 can supply between 14 and 20 million cubic metres of which 85% will be consumed in the domestic market and the remainder exported.

Analysts report that the pulp and paper sector has been able to adjust quickly to the requirements of the EUTR as most operators were producing certified products and had management processes in place which could be adapted to meet the requirements of importers in Europe.

#### 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) White Virola 4mm	806
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

### Industrial park planned for Pucallpa

In August this year work will begin on the construction of an industrial park in Pucallpa. The park will be adjacent to the Federico Basadre road, which runs from Pucallpa to Lima.

When complete the industrial park will extend over 288 hectares. The first phase of the development will involve 44 hectares and will cost around US\$12 million. Finance will be provided by the Development Finance Corporation (COFIDE).

The relocation of wood processing plants to the park is expected to facilitate greater control over the flow of logs. All logs coming from Loreto and Ucayali will enter the park making the monitoring and control of log movements more efficient.

The concentration of processing plants in the park will also provide an opportunity for efficient wood residue utilisation and disposal.

### Native communities contribute to National Forest and Wildlife Policy

The Association for the Development of the Peruvian Rainforest (AIDSESP), an organization that brings together native communities from around the country, has contributed to the draft National Forestry and Wildlife Policy (PNFFS).

During a recent workshop to discuss the Forestry and Wildlife Policy draft Alberto Pizango Chota, president of the AIDSESP, highlighted the importance of open and honest communication between indigenous peoples and the state. The workshop concluded with approval of the contributions from AIDSESP.

#### Export Sawnwood Prices

	US\$ per m <sup>3</sup>
Peru Sawnwood, 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

Peru Sawwood, FOB Callao Port (cont.)	US\$ per m <sup>3</sup>
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	798-871
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↑

Peru Sawwood, FOB Iquitos	US\$ per m <sup>3</sup>
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	294-330↑

#### Domestic Sawwood Prices

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

#### Export Veneer Prices

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

#### Export Plywood Prices

Peru plywood, FOB Callao (Mexican Market)	US\$ per m <sup>3</sup>
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

Lupuna Plywood BB/CC, domestic (Iquitos mills)	US\$ per m <sup>3</sup>
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

Peru, Domestic Particleboard	US\$ per m <sup>3</sup>
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

Peru, FOB strips for parquet	US\$ per m <sup>3</sup>
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

### India a major market for Guyana logs

For almost a month there has been no export of greenheart logs however, purpleheart logs were exported in both Standard and Fair sawmill qualities.

Purpleheart standard quality log FOB prices remain largely unchanged at US\$385 per cubic metre while FOB prices for Fair sawmill quality logs were at US\$300 per cubic metre.

Mora logs were exported in the period under review and prices firmed slightly. Both Standard and Small sawmill quality logs were exported at an average of US\$135 per cubic metre. The main market for logs for the period of review was India.

### Firm demand spurs improved prices

The export market for sawwood was active and favourable prices were secured.

Undressed greenheart sawwood was traded at prices ranging from US\$636 to US\$975 per cubic metre FOB.

Undressed purpleheart (select) sawwood say top end prices move from US\$950 to US\$1,100 per cubic metre FOB. On the other hand Undressed purpleheart (merchantable) sawwood prices remained stable at US\$650 per cubic metre FOB.

Undressed mora (select) sawwood export FOB prices also recorded gains, moving from US\$575 to US\$595 per cubic metre.

Undressed mora (merchantable) also attracted favourable prices earning as much as US\$615 per cubic metre FOB.

Dressed greenheart sawwood export prices improved from US\$1,102 just two weeks ago to US\$1,166 per cubic metre FOB, but Dressed purpleheart sawwood prices remained unchanged at US\$1,102 per cubic metre FOB.

Plywood export FOB prices were largely unchanged at US\$584 per cubic metre.

Roundwood (Piles and Posts) attracted favourable prices on the export market. Greenheart Piles earned as much US\$634 per cubic metre with main market being North America. Posts also secured favourable prices on the export market with US\$530 per cubic metre.

### Primary and value added industries to benefit from development initiatives

The forest industry recorded a stable performance in 2012 in comparison to 2011. The Guyana Forestry Commission is working with operators to encourage optimal utilisation of the forest and to widen the range of species harvested.

A number of initiatives are being undertaken by Government of Guyana and the Guyana Forestry Commission to improve the performance of the sector at the primary and value added levels. In addition a number

of other initiatives in the area of sustainable forestry management, REDD+ and climate change will continue during 2013.

**Export Log Prices**

Logs, FOB Georgetown	SQ - \$ Avg unit value per m <sup>3</sup>		
	Std	Fair	Small
Greenheart*	-	-	-
Purpleheart	215-385	210-300	-
Mora	135	-	135

\*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 Sawwood Prices**

Sawwood, FOB Georgetown		\$ Avg unit val. per m <sup>3</sup>	
EU and US markets		-Undressed	Dressed
Greenheart	Prime	860	-
	Standard	-	763-1,166
	Select	640-975	-
	Sound	636	-
	Merchantable	551-636	-
Purpleheart	Prime	-	-
	Standard	-	1,018-1,102
	Select	650-1,100	-
	Sound	-	-
	Merchantable	615-650	-
Mora	Prime	-	-
	Select	500-595	-
	Sound	-	-
	Merchantable	500-615	-

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	467-584
	Utility	5.5mm	no export
		12mm	"

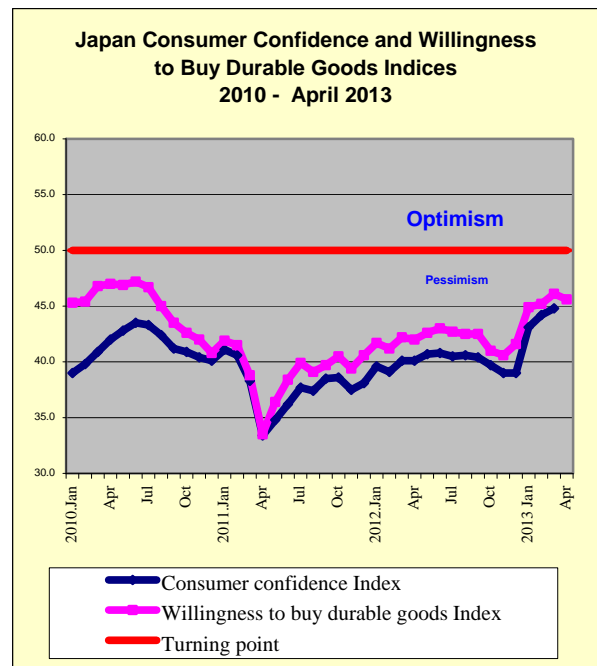
**Report from Japan**

**Consumer confidence unexpectedly slides**

The Cabinet Office released the latest Confidence Index for Japanese consumers. Unexpectedly the latest results show that consumer confidence has slipped since the March survey.

The seasonally adjusted consumer confidence index fell to 44.5 in April from 44.8 in March. The index of willingness to buy durable goods also declined.

Analysts had expected the index to continue to improve and were forecasting an index level of over 45 for April.



**Cabinet Office claims improvement in economy**

The Japan Monthly Economic Report from the Cabinet Office provides a summary of the economic outlook. See: Executive Summary (Apr 2013) <http://www5.cao.go.jp/keizai3/getsurei-e/2013apr.html>.

The report says the Japanese economy is showing signs of picking up but weakness remains in some areas. The positive signs are that:

- exports are levelling off
- industrial production is showing signs of improvement
- corporate profits show signs of improvement, mainly among large firms
- business investment is levelling off
- business sentiment shows signs of improvement
- the employment situation shows signs of improvement but some severe aspects still remain
- private consumption is picking up

Recent price developments indicate that the Japanese economy is still in a mild deflationary phase.

In the short-term prospects for recovery are expected to improve gradually, supported by an improvement in corporate and public confidence driven by a stronger export performance and the impact of the government stimulus package and new monetary policy. However, weak overseas demand remains a downside risk for the Japanese economy.

**Private consumption picking up**

Private consumption is picking up according to the monthly report. One of the factors behind this is that while real incomes remain broadly flat, consumer confidence is improving.

In the short-term private consumption is expected to continue to strengthen however, employment levels and income growth, or lack thereof, must be carefully monitored.

**Signs of improvement in business investment**

Business investment, which has been severely dampened by the current state of the domestic and global economy, is starting to level off.

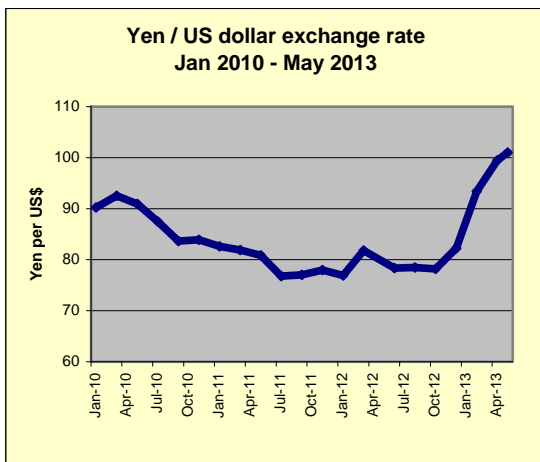
The quarterly financial statements of corporations suggest that business investment increased for the first time in four quarters. In the October - December quarter of 2012, investment by manufacturers fell but increased for non-manufacturers.

**G7 accepts yen exchange rate not being manipulated**

On foreign exchange markets the yen fell to a four year low against the US dollar on May 9. An exchange rate of 101 yen to the dollar marked a turning point for the yen as the government’s stimulus measures and the Bank of Japan’s efforts to expand liquidity start to have a greater impact.

The trigger for the yen to break the 100 yen to the dollar mark seems to have been in response to the improved US jobless claims reported on May 3 showing that first-time unemployment numbers fell to the lowest level since January 2008.

This news, coming on top of suggestions that the Federal Reserve may begin unwinding its quantitative easing schedule as early as June this year, altered the outlook in the yen:dollar currency markets. Many analysts believe a new round of yen weakness will now set in.



At the recent G7 meeting of representatives from members - the U.S., Germany, France, Italy, Japan, Canada and the U.K steered clear of discussions of ‘currency wars’ instead focused on how each member should put in place policies balancing austerity measures with growth-enhancing measures.

Prior to the meeting there was concern in Japan that the government’s aggressive monetary easing, which has resulted in a sharp weakening of the yen, would attract

criticism. However the sentiment expressed after the G7 meeting seemed to provide support for the policies adopted by the Japanese government and this could pave the way for a further weakening of the yen.

**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:

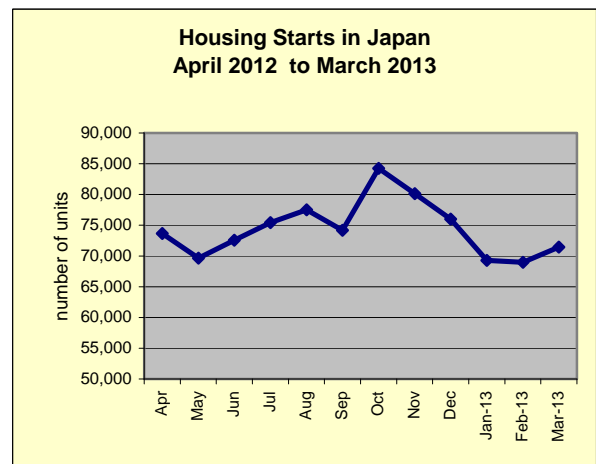
<http://www.n-mokuzai.com/modules/general/index.php?id=7>

**March new housing starts**

March starts were 71,456 units, 7.3% more than March last year, seven consecutive months increase. Owners units and rental units recorded double digit increase.

Seasonally adjusted annual starts were 904,000 units, 4.2% less than February because of decline of condominium starts.

This seems to be temporary drop and the Ministry of Land, Infrastructure and Transport commented housing market continues gradual recovery. In March starts, owners’ units showed 11.4% more and rental units 10.7% more. Owners’ units increased in populated regions like Tokyo and Nagoya then starts in three quake stricken prefectures of Iwate, Miyagi and Fukushima were considerably high.



Source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

Meantime, in units built for sale, condominium starts were down because of high starts in February but detached units increased for seven consecutive months and maintained more than 10,000 units level since last June.

Wood based units were 39,637, 11.3% more with the share of 55.5%, 3.7 points up from February.

**Plywood market**

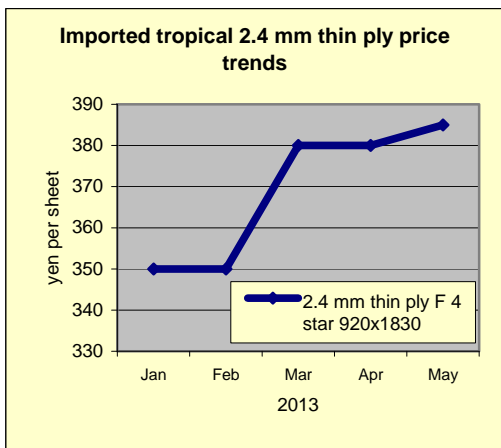
Movement of plywood is getting stable after excitement is fading. Inquiries in domestic softwood plywood are slowing by dealers. In the first quarter, wholesalers and retailers built up inventories in speculation but actual demand did not appear as expected so the inventory depletion is not progressing.

March was busy month as order balances of January and February were delivered all at one time then the shipment was high with 218,900 cbms so compared to March, April was quiet month. However, the shipment by the manufacturers continues high for precutting plants and house builders.

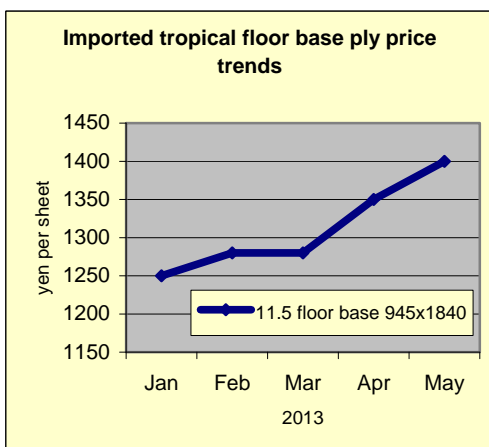
Considering low level inventory of 125,000 cbms, some are building inventory as the supply shortage may occur again once the demand takes off. Thus, the manufacturers are bullish and plan to increase the sales prices in May again.

In Tokyo regional market, the prices of JAS 12 mm 3x6 are 890-900 yen per sheet delivered, 20-30 yen up from April. 1,790 yen on 24 mm thick panel, 50 yen up. 1,350 yen on 9 mm 3x10 long panel, 50 yen up.

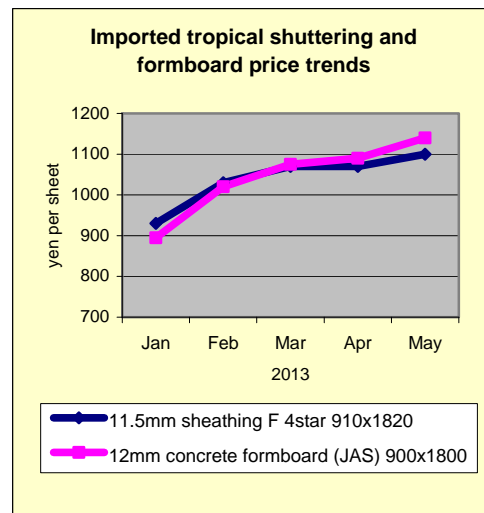
**Price trends for imported Indonesian and Malaysian plywood**



Data source: Nikkai Mokuzai Shimibun



Data source: Nikkai Mokuzai Shimibun



Data source: Nikkai Mokuzai Shimibun

On imported plywood, supplying mills suffer log shortage and high log cost in Malaysia and Indonesia so that export prices continue climbing but the market in Japan is slow to follow by lack of demand. Dealers' inventories are still high so that they are not able to buy future cargoes.

The supply side plans to increase the export prices again in May but the prices in Japan are slow to go up. Suppliers' price increase is too much too fast so that the Japanese buyers are beginning to lose interest and the future purchase volume has been declining since last February.

In Tokyo market, the prices of 3x6 JAS concrete forming panel are 1,100 yen per sheet delivered, 20 yen up from April. 12 mm structural panel are 1,150 yen, 50 yen up. JAS 3x6 coated concrete forming panel are 1,200 yen, 20 yen up.

**TPP participation and reaction by Japanese forest industry**

Japan has been expressing intention to participate TPP (Trans Pacific Partnership) and there are pro and con in Japan regarding the participation.

The National Federation of Forest Owners Cooperative Association recently met the Minister of Agriculture, Forestry and Fisheries and expressed the comment of the Association. The Association held the general meeting in late March and made up the resolution regarding participation of TPP.

The Association handed the resolution to the Minister. The resolution says that it is necessary to take maximum consideration of maintaining import duty on plywood and lumber, which is indispensable for maintaining forest industry and for taking measures preventing global warming.

It fears participation may trigger further deterioration of forest and forest industry by free trade. Also the Committee on Agriculture, Forestry and Fisheries passed the resolution in April 19, which says that important items

of agriculture such as rice, wheat, beef, pork, dairy products and sugar cane are excluded from the negotiation or should be renegotiated later.

Abolition of the import duty is not conceded including gradual abolition over ten years. It also includes the same resolution as the Forest Owners Association's resolution of maintaining the duty on plywood and certain kind of lumber.

On April 29, Canada agreed to let Japan in for TPP so all of eleven countries now support participation of Japan. After approval by U.S. congress, Japan will join the TPP Japan has been expressing intention to participate TPP (Trans Pacific Partnership) and there are pro and con in Japan regarding the participation.

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## Report from China

### **Addressing unbalanced, uncoordinated and unsustainable international trade**

Led by the Ministry of Commerce, efforts are being made to address the country's trade imbalance. More than ten ministries and commissions such as the National Reform Commission, Ministry of Finance and Ministry of Commerce have jointly prepared plans to accelerate imports and thus transform the structure of China's foreign trade growth.

A spokesperson from the Ministry of Commerce said import procedures will be streamlined to facilitate growth.

Specific measures mentioned to transform the trade flow include adjustments to the tariff structure, strengthening the range of information services and increasing transparency and coordination between the private sector and government agencies.

China's foreign trade has grown robustly over the past 10 years and the country has established itself as a major trading nation but still, say analysts, quality and industrial efficiency continue to be a problem.

While foreign trade makes an important contribution to China's economic and social development this trade is unbalanced, uncoordinated and unsustainable, hence the initiative of the Ministry of Commerce. Strengthening imports is one means to realise a balanced trade.

The role of foreign trade in China is seen as a means to promote economic growth, enhance social harmony, and expand international influence.

The current development model for China's foreign trade which relies on low cost resources such as energy and labour is considered unsustainable. Efforts will be made to adapt the economic development pattern through a transformation of international trade

The Ministry of Commerce has recognised that the competitiveness of labour intensive industries in developing countries has improved to such an extent that exporters in such countries can compete very effectively with Chinese exporters.

The Ministry also notes that international competition is now much more intense and that trade protectionism is on the rise making the international trading environment more complex.

It is recognized that China's core competitiveness is not strong, the quality, grade and value-added of exports is not high, the capacity of private sector R & D is weak and designs are generally below international standards.

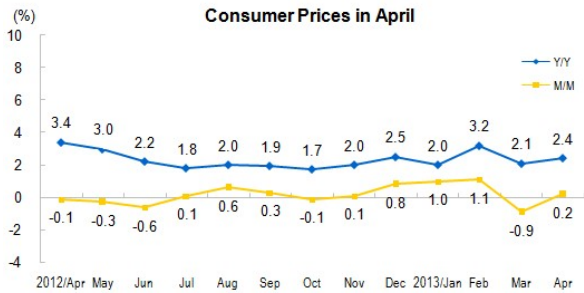
The Ministry has said that mere coordination between industry and government is not enough and that China's foreign trade development model must be restructured if trade is to continue to drive economic and social development in the country.

### **Consumer price index climbs**

In its monthly press release the National Bureau of Statistics of China reports that in April the consumer price index (CPI) increased 2.4 percent year-on-year.

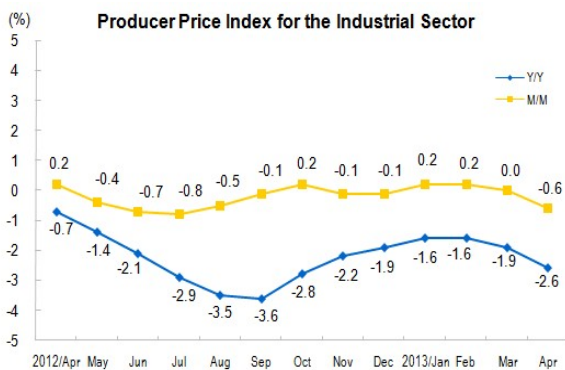
Prices increased by the same amount in both the cities and in rural areas. Food prices went up by 4.0 percent, while the non-food prices increased by 1.6 percent.

The prices of consumer goods went up by 2.2 percent and the prices of services grew by 2.9 percent.



### Industrial sector producer prices

In April 2013, the Producer Price Index (PPI) for manufactured goods fell 2.6 percent year-on-year, and dropped 0.6 percent month-on-month. Similarly, the purchasing price index for manufactured goods went down by 2.7 percent year-on-year, and 0.6 percent decrease month-on-month.



### Household furniture prices on the rise

The domestic newspaper, China Green Times, recently reported on a survey of furniture price trends based on visits to home furnishing stores.

The conclusion of the survey was that prices for household furniture have increased and are likely to continue upwards as wood raw material and labour costs increase. Analysts forecast that ex-factory prices for wooden furniture will increase by around 5% to 10% this year.

Prices for household furniture were found to have increased throughout 2012 and this trend will continue as solid wood products and high class, precious and rare timber species becoming less available.

According to domestic furniture manufacturers, while prices of locally made furniture are increasing, prices for imported European and the USA furniture are not likely to rise significantly.

### Raising consumer awareness will expand domestic demand for OSB

The first production line of oriented strand board (OSB) in China was built in 1985 with annual output of only 10 000 cubic metres. The national annual output of OSB was around 400 000 cubic meters in 2011.

The annual output of many OSB manufacturers small and can be as low as 20,000 cubic metres. Hubei Baoyuan Wood Industry Co., Ltd is the largest OSB producer in China with an annual output of 220,000 cubic metres.

OSB is mainly produced from species such as pine, poplar, birch and willow in the northeast of the country and from poplar in central and southern China.

It is reported that there are 104 OSB manufacturers in China but the market for OSB is not well developed for a product which is new to end-users.

Analysts point out that consumers find it difficult to get adequate information on the performance of OSB because of a lack of promotion by manufacturers.

The result of an investigation of OSB manufacturers and end-users revealed that consumers' awareness the properties and uses of OSB is very low.

Less than 20 percent of customers had a good appreciation of the advantages of OSB reflecting a serious disconnect between manufacturers and customers.

*Excerpts from: "The Oriented Strand Board industry Development in China". China Wood-based Panel 2012(2):7-10. Yu Baoli.*

### First quarter furniture shipments through Zhangzhou top US\$50 million

In the first quarter of 2013 and for the first time the value of furniture handled by Zhangzhou ports in Fujian Province exceeded US\$50 million, up 10% from the same period in 2012.

Furniture exports from manufacturers located in Fujian Zhangzhou City account for around 15% of total national furniture exports

Furniture from the province is mainly exported to the EU and the USA which together account for around 80% of all shipment. In the first quarter 2013 the value of furniture exports to the USA was US\$27 million (up 21%) and to the EU exports were worth US\$16 million, unchanged from levels from the first quarter in 2012.



### Guangzhou Yuzhu International Timber Market

yuan per cu.m		
<b>Logs</b>		
Lauan	Diameter 60 cm*	2000-2200
Kapur	Diameter 80 cm*	3100-3200
Merbau	Diameter 100 cm*	5500-5600
Teak	Diameter 30-60 cm	10000-13000
Wenge		4500-5500
<b>Sawnwood</b>		
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
Plantation Teak	Grade A	9600

### Shanghai Furen Forest Products Wholesale Market

yuan per tonne		
<b>Logs</b>		
Red sandalwood (India)	All grades	1 - 2 mil.
Burma (Myanmar and Nepal)	All grades	7000-8800
Granadillo (Mexico)	All grades	7500-8000
<b>Sawnwood</b>		
yuan per cu.m		
Okoume (Africa)	grade A	3700-4000
Sapelli (Africa)	grade A	6300-6500
Beech (Europe)	grade A	4400-4800
Red Oak (North America)	FAS	7300-7500
Cherry (North America)	2 inches	9800-10000
Maple (North America)	2 inches	8000-8300
Sapelli (Africa)	2 ins FAS HD	6300-6500
Merbau (Indonesia)	All grades	8500-13500

### Hangzhou Timber Trading Market

yuan per cu.m		
<b>Logs</b>		
Ash	4 m x 30 cm	3200-4500
Larch	4 m x 8 cm x 10	1800-2900
Linden	4 m x 26 cm	2200-3100
<b>Sawnwood</b>		
Beech ( Europe )	All grades	3200-4900
Black w alnut ( America )	All grades	7000-13000
Teak ( Myanmar )	All grades	9000-18000
Red oak ( North America )	All grades	4200-7200
Alder ( Myanmar )	All grades	4500-5300
Merbau	All grades	7200-14500
<b>Plywood</b>		
Yuan/sheet		
Red beech	3mm	50-72
Black w alnut	3mm	50-95
Teak	3mm	70-138

### Shandong De Zhou Timber Market

yuan per				
<b>Logs</b>				
Larch	4m Lgth	Dia	cu.m	
		18-22 cm	1200	
		24-28 cm	1250	
	30 cm	1450		
	6m Lgth	18-22 cm	1230	
		24-28 cm	1250	
30 cm		1500		
White Pine	4m Lgth	24-28 cm	1350	
		30 cm	1450	
		6m Lgth	24-28 cm	1350
	6m Lgth	30 cm	1450	
		4m Lgth		1700
			6m Lgth	1750
Mongolian Scots Pine	4m Lgth		30 cm	1360
		36 cm	1500	
		6m Lgth	30 cm	1420
	6m Lgth	36 cm	1600	

### Wenzhou Timber Trading Market

yuan per cu.m		
<b>Logs</b>		
Ash	2 m x 20-30 ( cm )	1300
Chinese fir		
	4 m x 16-18 ( cm )	1500
Wenge (Africa)	all grades	4500-5100
Teak (Africa)	all grades	2100-2500
Merbau	all grades	3500-5000
Spelli (Africa)	all grades	3200-3700
<b>Plywood</b>		
yuan/sheet		
Red beech	4'x 8'x 3 mm	40-80
Black w alnut	4'x 8'x 3 mm	40-85
Teak	4'x 8'x 3 mm	45-110

## Report from Europe \*

### Talk of economic depression as early optimism dashed

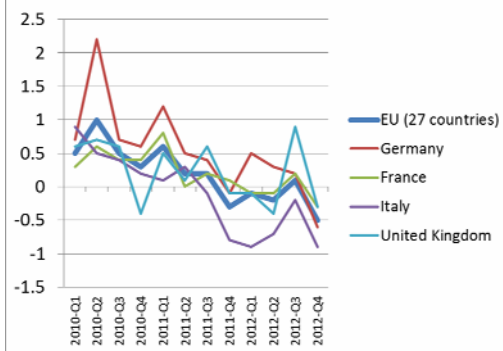
The month of March 2013 is likely to be remembered as a major turning point for the European wood industry. Not only did it mark the introduction of the EU Timber Regulation (EUTR), but it also brought extremely bad economic news.

Some newspapers and economists are now talking in terms of a "depression" in Europe. The fragile optimism of the opening weeks of the year has been dashed amid emerging signs that the recession is far from over.

Particularly discouraging was the release of numbers indicating an expectedly sharp decline in GDP in all the major EU economies in the last quarter of 2012 (Chart A).

This led the European Commission to report that EU-wide GDP shrank by 0.6% last year. They also forecast that GDP is likely to shrink by a further 0.3% during 2013. Euro-zone GDP is widely expected to have contracted for a sixth consecutive quarter in the first three months of 2013.

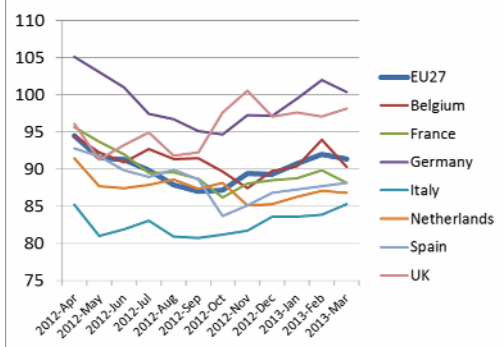
**Chart A: Quarterly change in GDP in the EU27 and selected EU countries**



One indicator of the rapid change in sentiment is provided by the Citigroup Eurozone Economic Surprise Index which tries to capture how well the data is coming in relative to economic expectations. At the end of February, the index stood at +70 as most data was exceeding expectations at that time.

However the index fell like a stone to -8 by the end of March following a series of very poor numbers on economic growth, employment, manufacturing, industrial production, and retail sales.

**Chart B: Eurostat Economic Sentiment Indicator**



**IMF forecast 0.3% decline in euro-zone GDP during 2013**

The IMF's twice yearly report on the global economy in April largely agrees with the EC's analysis, also forecasting 0.3% decline in GDP in the euro-zone in 2013, with France joining Spain and Italy in contracting.

Germany's economy is forecast to grow 0.6% this year. Uncertainty in the euro-zone is spilling over into other European economies.

For the UK, the IMF is forecasting growth of just 0.7% in 2013, after saying in January this year that the country's economy could expect 1% growth. IMF forecasts that Eastern European countries will grow at 2.25% this year, following 1.5% last year.

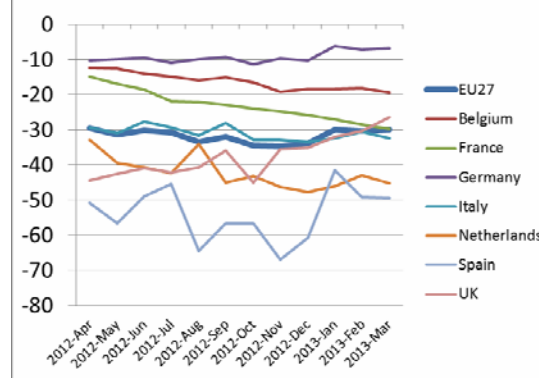
Similarly the Economic Sentiment Indicator (ESI) decreased in March in both the euro area and the EU, putting on hold the slow recovery in sentiment that started

in November last year. Sentiment declined by 1.1 points in the euro area and by 0.6 points in the EU (Chart B). The downturn was particularly large in Germany and France, the two leading economies of the euro-zone.

Indicators relating to the construction sector, of most direct relevance to wood consumption, remain very negative.

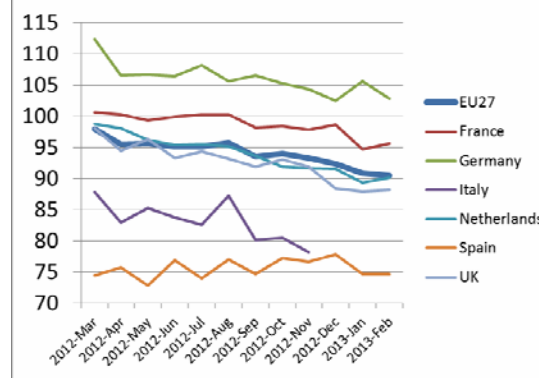
The Construction Confidence Index was flat at -30 during the first 3 months of 2013 (Chart C). This shows that construction professionals are very pessimistic about the likelihood of any upturn any time soon.

**Chart C: Eurostat construction confidence index**



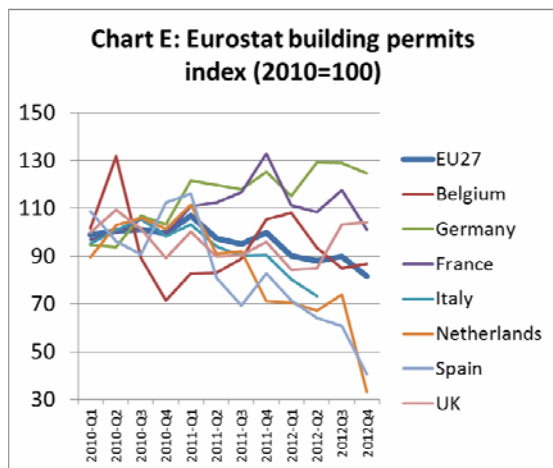
The European Construction Production Index, which measures actual output in the sector, has been declining since the start of the year (Chart D). Construction output across the EU in the first 2 months of 2013 was only 90% of the depressed levels registered in 2010.

**Chart D: Eurostat construction production index (2010=100)**



The latest data for the EU Building Permits Index shows there was a very sharp fall in the number of construction permits issued across the EU in the last quarter of 2012 (Chart E).

This strongly reinforces the view that construction activity is likely to be even weaker during 2013 than in the previous year.



Rising political discontent has been both a consequence and a cause of the uncertain economic situation. The problem is particularly pronounced in Italy which has been unable to form a government since the parliamentary election at the end of February.

No single party managed to secure sufficient seats to form a government. And one party, Beppe Grillo's Five-Star movement which won 26% of the vote, has made clear that it has no intention of forming a coalition with any prospective partner. The situation is unlikely to be resolved without another election.

Meanwhile essential measures needed to reduce the huge debt mountain and improve competitiveness in the euro-zone's third largest economy have been put on hold.

To make matters worse, euro-zone leaders seriously mishandled the debt crises in Cyprus. Although Cyprus is a tiny economy and the amount of money involved almost totally irrelevant to the wider euro-zone, European leaders managed to reignite fears of a euro break-up, create uncertainty over the safety of retail bank deposits all over Europe, and make it look like Germany is bullying the people of southern Europe.

**European plywood imports fell 10% in 2012**  
 EU imports of plywood were 3.4 million m3 with value of €1.23 billion in 2012, down 10% and 3.5% respectively compared to the previous year (Chart 1).

Imports of products identified as "tropical hardwood" fell by 19% to 288,000 m3, continuing a long term decline. Imports of "other hardwood" plywood fell by 7.6% to 1.91 million m3. Imports of softwood plywood fell 11.5% to 1.2 million m3.

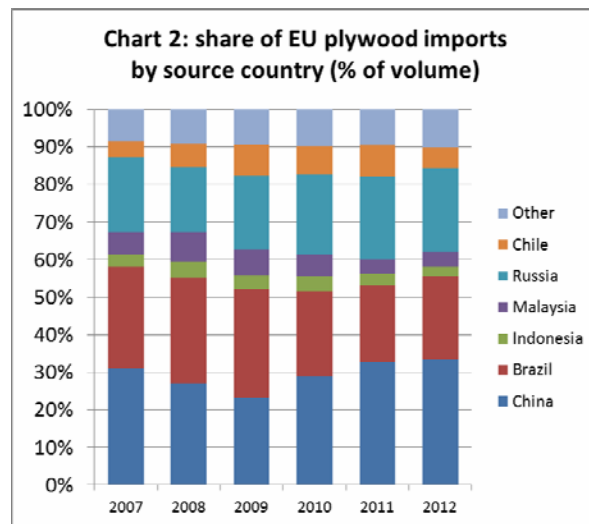
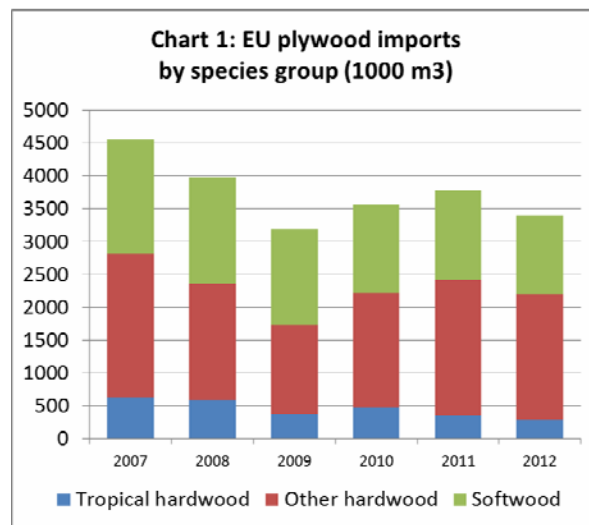
**EU-27 imports of plywood 2007 to 2012**  
 Categorisation of EU import data into "tropical" and "other" hardwood needs to be treated with caution. One of the weaknesses of the international harmonised system (HS) of product codes is that it defines "tropical wood" as containing any one of a specified list of tropical species.

Unfortunately the list doesn't cover the full range of tropical woods and has not moved with the times. It omits

several tropical species that have become commercially significant only quite recently. A particularly significant omission is bintangor, probably the leading tropical wood in Chinese plywood exports.

Most, if not all, bintangor plywood imported into the EU is likely to be identified as "other hardwood" in the EU statistics. It is widely known that an increasing volume of EU imports of plywood from China is "Mixed Light Hardwood" (MLH) manufactured from plantation grown eucalyptus and poplar rather than tropical hardwood veneer.

However, there's no way of knowing how far the process of substitution has proceeded. Therefore the recent decline in EU imports of tropical plywood and rise in imports of non-tropical hardwoods may be overstated.



**China contributes one third of EU plywood imports**  
 Once again China was the leading external supplier of plywood to the EU during 2012, contributing 33% of all imports (Chart 2).

While import volume from China declined 8% in 2012 to 114 million m3, this was in line with the overall fall in the

market. China's share of total imports in 2012 was the same as the previous year and up from 23% in 2009.

EU imports of plywood from Brazil fell 2% to 751,000 m3 in 2012. Brazil's share of total imports was 22% last year, a slight gain on the previous year, but still well down on 2009 when share reached 29%.

The vast majority of plywood imported into the EU from Brazil now consists of elliotis pine plywood from plantations in southern Brazil. Very little tropical hardwood plywood is now being exported from Brazil.

Imports from other traditional suppliers of tropical hardwood plywood to the EU also declined again in 2012. Imports from Malaysia were 134,000 m3, down 13% compared to the previous year. Imports from Indonesia were only 89,000 m3, down 22% compared to 2011.

Due to weak consumption and the low prices most European importers are now willing to pay for plywood products, manufacturers in Malaysia and Indonesia have been reorienting exports to other sales markets, notably Japan, South Korea, the U.S., and the Middle East.

Another factor was the closure of the Sumalindo mill in East Kalimantan, Indonesia, during August 2012 due to high production costs.

This reduced availability of Indonesian plywood, particularly larger 5X10 ft panels. This led European importers to increase purchases of substitute products from Russia and China.

EU imports from Russia declined 9% to 756,000 m3 in 2012. Russia's share of all EU imports remained level at 22% between 2011 and 2012. Russia's share has increased slightly from 20% in 2009.

The vast majority of EU imports from Russia now consist of birch plywood. Russian filmed birch plywood is an important competitor for Chinese filmed plywood in Europe.

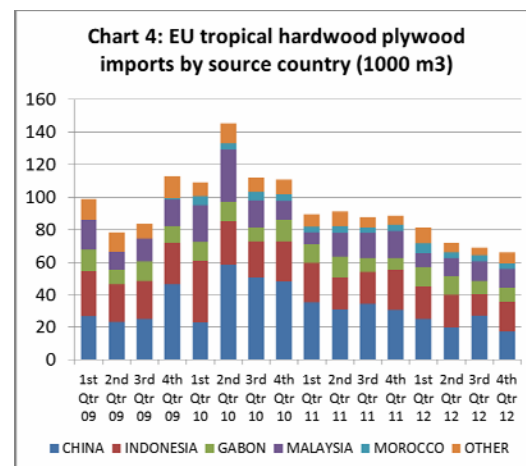
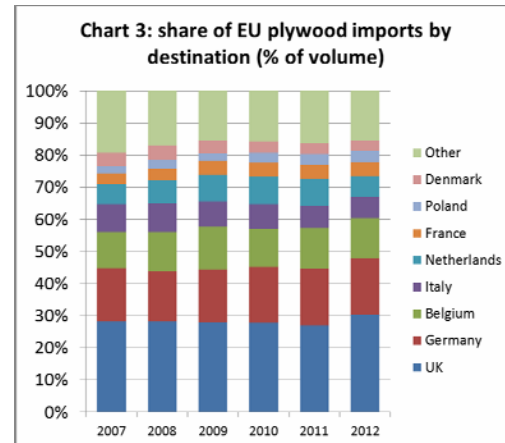
This product has also made inroads into traditional markets for some tropical hardwood products, particularly in continental Europe.

**UK plywood imports nearly at pre-recession levels in 2012**

Plywood is mainly destined for the UK, Germany and Belgium which together account for around 60% of all plywood imported into the EU from outside the region (Chart 3).

Imports by the UK were 1.03 million m3 in 2012, 1.4% up compared to the previous year and not far short of pre-recession levels. However imports into Germany declined 10% to 602,000 m3 in 2012, while imports into Belgium fell 12% to 419,000 m3.

There were also significant declines in plywood imports into some of the smaller markets including Italy (-13% to 229,000 m3), Netherlands (-32% to 219,000 m3) and France (-8% to 146,000).



**Imports slowed during every quarter of 2012**

The quarterly data indicates that EU imports of tropical hardwood plywood have fallen steeply and fairly consistently since a spike in imports in the second quarter of 2010 (this spike was due to a big surge in imports to the UK, probably due to short-term demand in advance of the 2012 Olympic Games). Imports of tropical hardwood plywood in the last quarter of 2012 fell to only 66,000 m3.

In contrast, EU imports of "other" hardwood plywood increased for 9 months starting in October 2011 to reach 530,000 m3 in the second quarter of 2012. However EU imports of this commodity then fell away sharply to only 420,000 m3 in the last quarter of the year.

This last trend appears to contradict anecdotal reports which suggested that some EU importers responded to introduction of the EUTR by building stocks in advance of enforcement from 3 March 2013.

This trend was most widely reported in the UK. However import data actually indicates a very sharp fall in UK imports of "other" hardwood plywood from 215,000 m3 in the third quarter to 146,000 m3 in the last quarter of the year.

UK imports during the fourth quarter of 2012 were also much less than the 172,000 m3 imported in the same quarter of 2011.

Much of the decline in UK trade of “other” hardwood plywood between the third and fourth quarters of 2012 was due to imports from China, which fell from 146,000 m3 to 84,000 m3 during this period.

It seems likely that many UK importers of Chinese plywood had already taken steps to build stocks well before the March 2013 EUTR deadline.

The sharp decline in UK imports in the last quarter of 2012 also needs to be viewed in the light of a significant slowdown in construction activity and the publication of poor construction forecasts at that time.

During 2012, low consumption in the EU meant that the duty-free quota was filled more slowly than during the previous 2 years. Imports also fell steeply to only 150,000 m3 in the last three months of 2012, the lowest quarterly figure for many years.

The extent to which the EUTR and current construction industry downturn will impact on the future EU plywood market will only become fully apparent with publication of more import data in 2013.

It will be particularly interesting to observe whether there was any short-term spike in imports in January and February 2013 due to last-minute efforts by importers to build stocks in advance of the March 2013 deadline.

**Slow start to the year for Chinese plywood in Europe**

In April 2013, anecdotal reports from market participants indicate that European landed stocks of plywood are high relative to demand. Stocks are being consumed only slowly.

In the current uncertain economic environment, most importers are now holding back on making new plywood purchases.

European traders suggest that demand for Chinese plywood was particularly slow throughout the first quarter of 2013 due to limited construction activity and weak demand from the packaging sector.

Due to concern about EUTR legal liabilities, importers have become extremely wary of buying replacement volumes of both MLH plywood and poplar/bintangor plywood from China.

At present, buyers in the UK, Belgium and the Netherlands are focusing on Chinese plywood composed of eucalyptus or poplar cores and certified tropical wood surface veneers. German buyers are now concentrating mainly on film coated poplar plywood from China.

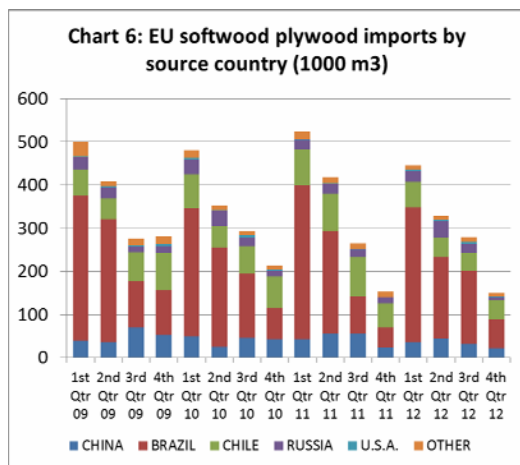
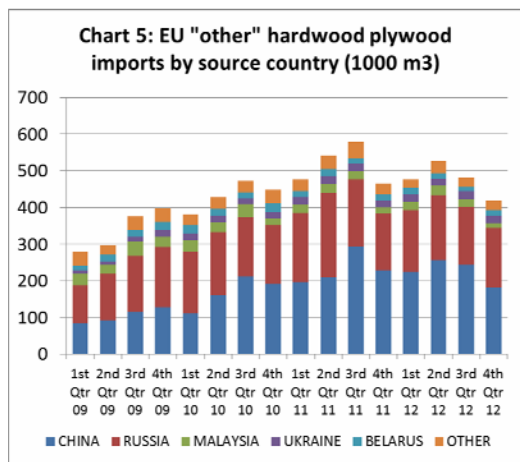
Prices for Chinese plywood on offer to European importers have also been rising this year. This is partly due to a significant narrowing in the supply base.

European importers are now buying from a restricted range of exporters regarded as best able to provide legality assurances. It’s also partly because those exporters are pushing for higher prices in order to cover the extra costs of EUTR documentation and the higher costs of securing legally verified logs and veneers.

There was also a significant freight rate increase on the China-Europe route in March this year. Rates for a 40 foot container increased from below \$2000 to over \$2500 during the month and are widely expected to continue to rise.

**Speculation on future of the European trade in Chinese plywood**

While European buying from China has slowed considerably in 2013, there is very little clarity yet on the extent to which EUTR might impact on EU imports from



Quarterly data for EU imports of softwood plywood bears the imprint of the import quota imposed on this commodity (Chart 6).

The EU allows duty free imports of 650,000m3 of softwood plywood every year, imposing a 10% duty on all imports above that amount.

The inevitable result is that softwood imports are strongly concentrated in the first half of the year as importers rush to beat the duty.

China longer term. China has become so important in the European market for hardwood plywood, while availability from other sources has declined, that it's not easy to identify alternatives.

One UK importer recently quoted by the UK Timber Trades Journal (TTJ) notes: "there is no EUTR-compliant source of supply that could pick up that amount of slack".

It's also not yet certain that EU importers will need to source large volumes of replacement product. European construction industry data suggests the market overall is moving into a phase of reduced consumption.

EU importers also report that Chinese suppliers are very actively exploring opportunities to develop procedures and change supply chains to help ensure EUTR compliance.

Stronger market incentives to go down this route are already emerging and may well strengthen. Anecdotal reports suggest that Chinese mills capable of delivering FSC certified plywood have seen a noticeable increase in demand this year.

The limited capacity of FSC certified mills in China is already taken up for several months in advance. For example, TTJ reports that one Chinese mill recently finalised an order for regular monthly shipments of FSC certified plywood to the UK to December 2013.

EU importers suggest that Chinese mills are also making further changes to the hardwood species used for face veneers in response to EUTR. For example, some are considering replacing tropical hardwood with imported European hardwoods such as beech or with dyed red poplar.

The prices of all these alternatives are likely to be significantly higher than prices for uncertified Chinese poplar/bintangor and MLH plywood.

However, Chinese plywood prices were so low in the past, and the supply of obvious substitutes is now limited, that there may well be scope to maintain higher prices in the EU for legally-verified Chinese products.

The extent to which Chinese exporters are encouraged down this route will depend partly on the effectiveness of EUTR enforcement. It will also depend heavily on the growth of alternative markets outside the EU, particularly within China itself, and the extent to which these will demand equivalent assurances of legality.

One complicating factor is the process on-going in the U.S. to consider imposition of anti-dumping duties on Chinese plywood in that market.

If the duties are imposed, it might lessen Chinese manufacturers' commitment to the U.S. market which, due to the Lacey Act, is one of the few additional sources of strong global demand for legally verified timber products. On the other hand, it might increase the relative

importance of the EU market, and therefore of EUTR compliance, to Chinese plywood manufacturers.

So the proposed U.S. anti-dumping duty is another area of uncertainty that could work either way depending on the product profile and market orientation of the individual manufacturer.

#### **No upturn in direct imports of tropical plywood**

In advance of EUTR, there was speculation that direct EU imports of hardwood plywood from tropical countries might increase as a result of EUTR. This is due to shorter and less complex supply chains for these products compared to plywood manufactured in China.

It is very early days, but at present there is no evidence that South East Asian suppliers are benefiting from the regulation. European demand for plywood from South East Asia has remained very weak since the start of the year.

Sales volumes are generally regarded as even lower than the same period in 2012. Much European buying in the region is now focused on speciality products and demand for standard BB/CC grades is particularly weak.

Replacement prices for both Malaysian meranti and Indonesian lauan plywood have remained generally stable in recent months. Importers say they are unable to pass on any price rises in the current market environment. However exporters complain about log shortages and rising prices for logs and other materials.

In this environment there seems little prospect of any significant increase in European demand in the next several months.

In contrast to South East Asian plywood, African and the remaining European-based manufacturers of okoume plywood report that European orders have picked up well during 2013. This is a potentially significant turn-around for a product that lost a lot of market share during the recession.

Several major Europe-based producers have closed in recent years. In addition to low consumption, this trend was encouraged by Gabon's log export ban in May 2010 which led to decreased availability of raw material to European manufacturers. European mills, mostly in France, now mainly depend on imports of okoume veneer from Gabon.

This year's increase in European demand for okoume plywood from remaining manufacturers is partly due to the withdrawal of other producers from the market. EUTR is also driving stronger demand for FSC certified okoume plywood.

As a result prices for okoume plywood have been firming during 2013 and FSC certified product is achieving a premium of 5-10% compared to uncertified product.

### **Robust imports of softwood plywood in 2013**

According to the German trade journal, 50% of the EU 650,000 m<sup>3</sup> annual quota for softwood plywood had been used by 20 March 2013.

EU imports of softwood plywood were 185,000 m<sup>3</sup> in January, 90,000 m<sup>3</sup> in February, and 40,000 m<sup>3</sup> in the first half of March. Imports to that date this year were marginally higher than the same period in 2012, but lower than in 2011.

With imports from other sources so low this year, early signs are that softwood plywood may be taking a larger share of the European market this year.

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

## **Report from North America \***

### **Sight improvement in US employment**

Employment improved slightly in March. The unemployment rate was 7.6% in March, down from 7.7% in February, according to the US Bureau of Labor Statistics.

The number of jobs in construction increased, as the housing market recovers and demand for new homes and remodelling grows.

### **Higher home prices support consumer confidence**

Rising home prices, stock prices and improving employment contributed to higher consumer confidence in March.

The Thomson Reuters/University of Michigan consumer sentiment index rose from 77.6 in February to 78.6 in March.

Personal income levels are unlikely to increase this year. But higher home prices increase household wealth and support spending. Consumers appear less worried about an economic downturn despite the cuts in federal spending.

### **Decline in home builders' confidence despite housing market recovery**

Home builder confidence fell by two points to 44 in March, despite higher demand for houses. Only when the Housing Market Index by the National Association of Home Builders/Wells Fargo climbs over 50, the majority of home builders regard market conditions as good.

The association attributes the decline in confidence in the market for single-family homes to the following factors:

- Difficult access to credit
- Rising prices and shortage of building materials
- Shortage of skilled labour in construction

### **February home sales down**

Home sales slowed in February following the strong sales activity in January. Sales of new homes declined by 4.6% in February this year however, the inventory of new, unsold homes remains below normal levels.

US housing starts increased slightly from the previous month. Construction started on 917,000 homes in February (seasonally adjusted annual rate), up by 0.8% from the previous month.

The number of starts were almost a third higher than in February 2012. Single-family starts grew by 0.5% from January. The share of single-family homes in total starts remained stable at 67%.

The number of building permits issued for new single-family homes was 946,000 in February (seasonally adjusted annual rate), up 4.6% from January. The number of permits issued is usually an indicator of future building activity.

### **Canadian housing starts increase again**

Canada's housing starts increased by 14% in February, following a decline in January. Home sales slowed, but resale market prices remain relatively stable.

High home prices contribute to Canada's very large household debt, which reached over 150% of disposable income in 2012, compared to about 140% in the US.

### **Non-residential construction expected to grow in 2013**

Spending on non-residential building construction was unchanged in February. Compared to the same time last year, private non-residential construction is 6% higher, while public construction is lower due to lower public spending.

Non-residential construction spending is expected to grow in the second half of 2013, according to the Architecture Billings Index. In February the index registered its strongest growth since early 2008. Architecture firms reported growth in all major building sectors.

Two thirds of the firms surveyed also reported that building codes and regulations have become more stringent. Energy codes and regulations for building accessibility have changed the most, which can increase design and construction cost.

### **US imports of processed wood products slowed in February**

The growth in wood product imports slowed from the previous month, but imports remain significantly higher than at the same time last year.

#### *Hardwood plywood*

US imports of hardwood plywood continued increasing in February. Total imports were 274,194 m<sup>3</sup>, up 9% from January and 50% higher than year-to-date 2012. The growth was mainly due to higher imports from China, which rose to 179,529 m<sup>3</sup> (+49% year-to-date).

### US imports of hardwood plywood, cubic metres

	Dec-12	Jan-13	Feb-13	% change
Total US import	211,612	252,379	274,194	9%
China	139,636	148,678	179,529	21%
Russia	12,485	9,091	11,592	28%
Indonesia	19,569	30,607	22,804	-25%
Malaysia	7,151	11,518	14,154	23%
Canada	6,568	7,820	7,273	-7%
Ecuador	15,865	33,904	25,755	-24%
Other	32,771	52,485	46,115	-12%

Data source: Department of Commerce, US Census Bureau, Foreign Trade Statistics

Imports from Indonesia (22,804 m<sup>3</sup>) and Ecuador (25,755 m<sup>3</sup>) declined from January, but on a year-to-date basis Ecuador is still the second largest supply source after China. Imports from Malaysia were 14,154 m<sup>3</sup> in February (+45% year-to-date).

### Hardwood moulding

Hardwood moulding imports declined to \$12.5 million (-5% year-to-date). Imports from China were worth \$4.8 million (-7% year-to-date). Imports from all other major suppliers also declined. Hardwood moulding imports from Brazil were \$2.8 million, down 15% from year-to-date 2012.

### US imports of hardwood mouldings, US\$

	Dec-12	Jan-13	Feb-13	% change
Total US imp	14,286,001	18,168,032	12,489,061	-31%
Brazil	3,469,347	5,158,298	2,836,863	-45%
China	5,390,078	6,018,243	4,805,775	-20%
Malaysia	1,269,630	1,186,448	926,923	-22%
Canada	1,124,921	965,306	1,148,150	19%
Other	3,032,025	4,839,737	2,771,350	-43%

Data source: Department of Commerce, US Census Bureau, Foreign Trade Statistics

### Wood flooring

US imports of assembled flooring panels declined to \$8.5 million in February, but they remain 27% above year-to-date imports in February 2012.

### US imports of assembled flooring panels, US\$

	Dec-12	Jan-13	Feb-13	% change
Total US imports	9,161,709	11,990,268	8,475,083	-29%
China	6,653,204	8,732,600	6,010,281	-31%
Canada	1,285,325	1,721,731	1,313,573	-24%
Indonesia	280,327	410,518	108,162	-74%
Brazil	416,631	558,034	402,098	-28%
Other	526,222	567,385	640,969	13%

Data source: Department of Commerce, US Census Bureau, Foreign Trade Statistics

Imports from China were \$6.0 million (+30% year-to-date). Year-to-date imports from Canada and Indonesia grew more moderately, while Brazil's shipments surpassed Indonesia at \$0.4 million (+80% year-to-date).

Hardwood flooring imports declined further to \$2.6 million in February (+54% year-to-date). China is the largest supply source (\$0.9 million in February, +87% year-to-date).

### US imports of hardwood flooring

	Dec-12	Jan-13	Feb-13	% change
Total US im	3,613,921	3,429,571	2,641,230	-23%
Malaysia	505,809	372,274	536,785	44%
Indonesia	1,005,333	1,316,826	349,397	-73%
China	809,841	874,711	860,275	-2%
Peru	299,384	222,104	221,382	0%
Canada	123,817	211,529	73,765	-65%
Other	1,292,938	865,760	894,773	3%

Data source: Department of Commerce, US Census Bureau, Foreign Trade Statistics

Indonesia has been the second-largest supplier in 2013, although February shipments declined to less than \$0.4 million. Malaysian hardwood flooring exports increased to \$0.5 million in February (-30% year-to-date).

### Wooden furniture

US imports of wooden furniture declined in February after trending higher in December and January. February imports were worth \$1.029 billion, 9% down from the previous month.

Much of the decline is in furniture imports from China, Vietnam and Malaysia, while imports from Canada and Mexico increased. Year-to-date February imports of wooden furniture are 12% higher than in 2012.

### US imports of wooden furniture<sup>1</sup> (US\$)

	Dec-12	Jan-13	Feb-13	% change
Total US imports	1,121,573,610	1,132,386,531	1,029,312,053	-9%
China	571,596,692	571,266,912	528,629,637	-7%
Vietnam	186,371,303	190,063,192	160,843,349	-15%
Canada	79,386,255	80,648,437	81,395,252	1%
Malaysia	52,748,094	57,988,954	49,849,912	-14%
Mexico	35,087,306	38,272,013	39,255,645	3%
Indonesia	43,695,414	49,029,940	46,583,728	-5%
Other	152,688,546	145,117,083	122,754,530	-15%

Data source: US Census Bureau Foreign Trade Division

1 Excluding furniture parts

Includes:

- 940161 Seats W Wooden Frames, Upholstered, Nesoi
- 940169 Seats W Woodn Frames, Not Upholstered, Nesoi
- 940330 Wooden Office Furniture, Except Seats
- 940340 Wooden Kitchen Furniture, Except Seats
- 940350 Wooden Bedroom Furniture, Except Seats
- 940360 Wooden Furniture, Nesoi

China's furniture exports to the US decreased to \$528.6 million in January (+17% year-to-date). Vietnam's shipments were \$160.8 million (+13% year-to-date), while imports from Malaysia declined to \$49.8 million (-1% year-to-date).

### US producers raise wood flooring prices

The National Wood Flooring Association reported on April 1 that large US manufacturers of engineered and solid wood floors will raise prices by up to 10%. This would be the second or third price increase for many producers since November 2012. According to the manufacturers, price increases are necessary because of the rising cost of raw materials.



### Remodelling market outlook

The remodelling, renovation and repair of homes, is a significant market for processed wood products. The majority of kitchen and bath cabinets are sold for remodelling, and in recent years over half of the wood flooring sold was used for remodelling, according to the National Wood Flooring Association.

Demand for a range of other wood products, such as furniture, mouldings, stairs and doors, is also linked to the remodeling of homes.

The Joint Center of Housing Studies of Harvard University expects growth in remodelling spending to accelerate in 2013. The Hardwood Review Weekly has analysed how the economy and the housing market will affect the remodelling sector:

- Homeowners are more likely to remodel when home prices are rising, as is the case now.
- A large number of foreclosed homes are still likely to come on the market. A large share (one third) of foreclosed homes was bought by investors in 2012. Investors tend to spend more on the remodeling of foreclosed homes than banks or homeowners.
- Existing homes need more improvements since homeowners spent less money on remodeling during the recession and fewer new homes were built.
- Low interest rates encourage more homeowners to take out a loan for remodeling projects.

The following obstacles for the remodeling market were identified:

- The inventory of existing and new homes is below average. This limits sales and therefore remodeling by sellers and buyers of houses.
- Access to credit is still tight, which also limits home sales.
- Remodeling depends on consumer confidence. If unemployment grows and economic growth slows, spending on remodeling can quickly decline.
- Employment in the construction sector grew in March, but many home builders and contractors still report a lack of skilled workers to carry out remodeling projects.

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

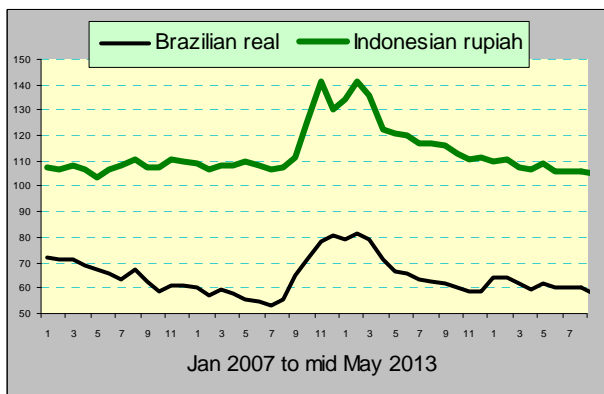
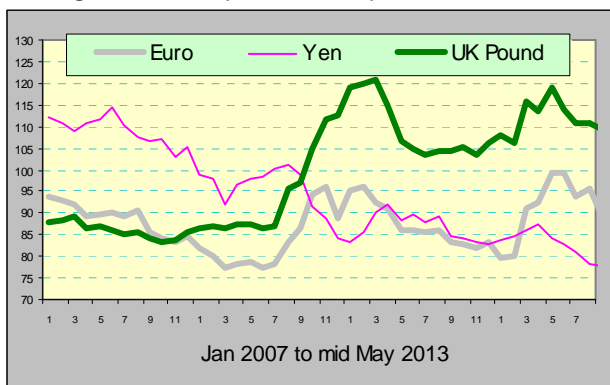
**Disclaimer:** *Though efforts have been made to keep prices near to accurate, these are published as a guide only. ITTO does not take responsibility for the accuracy of this information.*

## Main US Dollar Exchange Rates

As of 10<sup>th</sup> May 2013

Brazil	Real	2.0211
CFA countries	CFA Franc	505.05
China	Yuan	6.1395
EU	Euro	0.7697
India	Rupee	54.8105
Indonesia	Rupiah	9734
Japan	Yen	101.60
Malaysia	Ringgit	2.9867
Peru	New Sol	2.6020
UK	Pound	0.6509
South Korea	Won	1106.25

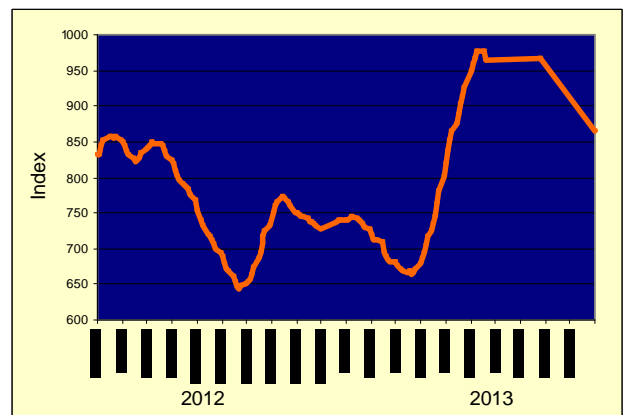
Exchange rates index (Dec 2003=100)



## 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.

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