Tropical Timber Market Report

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Contents

Top Story

Error in EU statistics – EU imports of Indonesian furniture fell sharply in first quarter

The value of first quarter 2013 EU furniture imports from Indonesia were wildly over stated due to a statistical error in Belgian import data.

The value of the Belgian imports of Indonesia furniture in January 2013 were reported as around euro 200 million. When revised figures are released the figure is more likely to be in the region of euro 4-5 million.

The Belgian Statistical Office will publish new data in September 2013. It is now forecast that first quarter 2013 EU imports of furniture from Indonesia fell by around 15%.

(more on page 4)

Headlines

Report from Central/West Africa

Market conditions remain fragile

At the beginning of the year West and Central African exporters forecast that market conditions in 2013 would be tough and this is proving to be the case.

Okoume log and lumber prices are very firm at present and supplies are reported to be limited. Some okoume exporters are saying that red meranti has become more price competitive in some markets as Malaysian exporters are still aggressively pushing meranti sawnwood as they seek to secure new markets.

Mills holding down stocks of non-prime timbers

To meet the trading conditions of the day, producers are keeping a close watch on order levels and production so as not to increase stock levels when market conditions are fragile. Producers are being very selective with the species they harvest and process as the market for the non-prime timbers is weak.

Over the past two weeks some price changes for logs and sawnwood have been reported and in the short term overall demand remains steady except for European destinations.

Because of the poor market conditions some of the larger millers are tending to consolidate their businesses by either reducing the number of mills or reducing total output to better match production with expected demand. No-one is expecting demand in the EU to improve this year.

Sapele still a market favourite

On the bright side, demand in China for logs has improved but prices remain at the same level as a month ago. While demand from Chinese importers has increased this demand is for only a very few species.

Sapele sawnwood continues to be a favourite in China but supplies have been disrupted because the Central African Republic, a significant sapele supplier, has closed its borders due to the civil unrest.

Côte d'Ivoire opens negotiations on VPA with EU

Negotiations for a Voluntary Partnership Agreement (VPA) between EU and Côte d'Ivoire began on 17 June in Abidjan. Seventeen members of Côte d'Ivoire's newly formed National Technical Committee representing government, civil society and the private sector participated in the meeting.

Log Export Prices

West African logs, FOB	€ per m^3		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	220	215	155
Ayous/Obeche/Wawa	220	210	150
Azobe & Ekki	220	220	145
Belli	230↑	230↑	-
Bibolo/Dibétou	145	130	
Iroko	265	220	220
Okoume (60% CI, 40% CE, 20% CS) (China only)	255↑	240↑	220↑
Moabi	295↑	285↑	-
Movingui	190↑	175↑	175↑
Niove	165	165	-
Okan	260↓	260↓	-
Padouk	330	310	230
Sapele	270	255	175
Sipo/Utile	310↓	290	165↓
Tali	280	280	-

Sawnwood Export Prices

West African sawnwood, FOB		€ per m^3
Ayous	FAS GMS	330
Bilinga	FAS GMS	520
Okoumé	FAS GMS	480
	Merchantable	290
	Std/Btr GMS	345↑
Sipo	FAS GMS	550
	FAS fixed sizes	-
	FAS scantlings	540↑
Padouk	FAS GMS	900↑
	FAS scantlings	-
	Strips	340
Sapele	FAS Spanish sizes	490↑
	FAS scantlings	515↑
Iroko	FAS GMS	580↓
	Scantlings	600
	Strips	435↑
Khaya	FAS GMS	445↑
	FAS fixed	470↑
Moabi	FAS GMS	550
	Scantlings	550
Movingui	FAS GMS	400

Report from Ghana

Improving wood supply to domestic market key to eliminating illegal logging

The Minister for Lands and Natural Resources, Alhaji Fuseini, said the Forestry Commission would continue to implement activities under the National Forestry Plantation Programme so as to improve the supply of timber to the domestic market and at the same time satisfy the public wood procurement policy.

The Minister made this known at a press conference in Accra where he also announced Ghana's gold production in 2012 was the highest in the history of the country amounting to over 4 mil. ounces worth almost US$6 billion.

As demand for sawnwood in the domestic market grows there is an urgent need for the government increase plantation output which will help reduce the incidence of illegal logging.

The minister said the Forestry Commission has established a Rapid Response Unit to clamp down on illegal activities within the forest reserves and protected areas.

Low prices affects export earnings from non-traditional products

Revenue from Ghana's non-traditional exports (NTEs) which does not include timber, cocoa beans and minerals fell around 4% in 2012 to US$2.3 billion.

According to the Ghana News Agency, available figures show that exports of processed and semi-processed goods contributed about 90% to total earnings, with agricultural and handicraft products making up the balance.

Europe remains the main destination for non-tradional exports and accounted for about 50% of the total in 2012. The 15 member ECOWAS countries accounted for 31% of export sales.

According to the acting Chief Executive of the Ghana Export Promotion Authority (GEPA), Mr. Gideon Kwame Boye Quarcoo, the decline in the 2012 revenue could be attributed to a general weakening of prices.

Boule Export prices

	Euro per m³
Black Ofram	230↑
Black Ofram Kiln dry	310
Niangon	500
NiangonKiln dry	560

Domestic Log Prices

Ghana logs	US$ per m³	
	Up to 80cm	80cm+
Wawa	150-160	163-180
Odum Grade A	169-174	178-188
Ceiba	115-133↑	138-150↑
Chenchen	100-108	111-128
Khaya/Mahogany (Veneer Qual.)	112-123	126-145
Sapele Grade A	146-155	161-185
Makore (Veneer Qual.) Grade A	133-138	141-166
Ofram	112-118↑	130-135↑

Export Sawnwood Prices

Ghana Sawnwood, FOB	€ per m³	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	855	945
Asanfina	480	544
Ceiba	220↑	255
Dahoma	326	395
Edinam (mixed redwood)	370	444
Emeri	349	418
African mahogany (Ivorensis)	577↓	638
Makore	558	623↑
Niangon	513	592↓
Odum	611	700
Sapele	563	648
Wawa 1C & Select	260	323

Export Rotary Veneer Prices

Rotary Veneer 1-2mm , FOB	€ per m³	
	CORE (1-1.9 mm)	FACE (2mm)
Ceiba	295	345+
Chenchen	320	356
Ogea	325	350↓
Essa	326	355
Ofram	320	357

Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afrormosia	1.32	1.04
Asanfina	1.45	0.91
Avodire	1.12	0.72
Chenchen	0.85	0 .60
Mahogany	1.30	0.80
Makore	1.32	0.70
Odum	1.88	1.00

Export Plywood Prices

Plywood, FOB	€ per m³		
BB/CC	Ceiba	Ofram	Asanfina
4mm	427	600	648
6mm	420	610	622
9mm	360	404↓	475
12mm	366↑	435↑	439
15mm	322↑	378	368
18mm	305	363	364

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

Export Added Value Product Prices

Parquet flooring 1st	FOB € per sq.m		
	10x60mm	10x65-75mm	14x70mm
Apa	12.60	15.30↑	18.80↑
Odum	10.00↑	11.20	12.40
Hyedua	14.08	14.00	18.45
Afrormosia	14.30	18.65	18.33

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

Report from Malaysia

Smoke haze eases in Peninsular Malaysia

The smoke haze problem in Peninsular Malaysia has eased considerably because of a change in the weather. Heavy rain in Indonesia has contributed to the efforts of the authorities to bring the fires under control.

The Indonesian President Susilo Bambang Yudhoyono has offered an apology to the people of Singapore and Malaysia for the thick smoke haze from raging fires in Sumatra. In his message the Indonesian President said "we accept the smoke pollution is our responsibility and we will tackle the problem".

In related news it seems that the Indonesian police are investigating a Malaysian firm having plantations in Sumatra as this company is thought to be responsible for one of the major forest fires.

Number of forest rangers to be doubled

Increased public awareness of environmental issues, possibly sharpened as a result of the current smoke haze, has prompted the Malaysian Minister of Natural Resources and Environment, G Palanivel, to announce that the permanent forest cover in Peninsular Malaysia will be extended to five million hectares from the present 4.7 million hectares.

BERNAMA, the national news agency, has reported the minister as saying, "the health of the forest is an important issue for the country, not only as a source of income, but also for the protection and conservation of flora and fauna.

Efforts must be made to ensure sustainable forest management and to prevent poaching and illegal killing of endangered animals".

The Malaysian government has agreed to double the number of forest rangers to help manage, monitor and protect forest resources. Presently, Malaysia has about 2000 forest rangers stationed in permanent forest reserves spread across the country.

Drive on to get more companies to register with MTIB

Industry analysts report that officials from the Malaysian Timber Industry Board (MTIB) have mounted a campaign to get more wood product manufacturers, especially furniture producers, to register with MTIB. It is thought that this is in preparation for further negotiations with the EU on a VPA.

Persistent power failures affecting production in Sabah

It is perhaps fortunate that the timber industry in Sabah is experiencing quiet trading conditions as mills are suffering from power failures.

The Sabah Timber Industries Association (STIA) recently called for urgent action by the federal and state governments to solve the continuing problem over power failures in the Seguntor Industrial Area where many timber companies have production facilities.

STIA told the Daily Express newspaper their records show there were 662 hours of downtime in 2011, and 106 hours without power in 2012. The STIA says power outages this year are already over 500 hours.

India remains number one Sarawak log buyer

The Sarawak Forestry Department reported that in the period January to April 2013, the State produced a total of 2,596,901 cu.m of logs. Swamp species contributed only 67,483 cu.m, while the remaining harvest was of hill species.

Of the total log production, 1,000,304 cu.m were exported. Log exports for the first four months of 2013 were worth around RM 572 mil.

For the year to-date India is the leading buyer of logs having bought 606,583 cu.m (worth RM 370 mil.) and Taiwan P.o.C was second, purchasing 149,974 cu.m (RM 85 mil.). China was the third largest buyer at 93,920 cu.m (RM 44mil.).

Imports by these countries are followed by Vietnam 66,596 cu.m (RM 29 mil.) and Japan 44,852 cu.m (RM 29 mil.). From being the main buyer of Sarawak logs Japan is now only the fifth ranked importer.

Imports of Sarawak sawnwood by Philippines and Thailand top 76,000 cu.m

In the January to April 2013 period, Sarawak exported a total of 271,573 cu.m of sawntimber worth RM 237 mil.

Importers in the Philippines bought the most at 76,686 cu.m (worth RM 29,670,539) and Thailand was the second largest buyer at 76,226 cu.m (RM 74,898,825).

Yemen was the third biggest buyer of sawntimber at 34,041 cu.m (RM 41 mil.), followed by Taiwan P.o.C at 21,866 cu.m (RM 17 mil.). Buyers in Singapore purchased 10,201 cu.m (RM 11 mil.).

Product and market diversity brings rewards

In the year to April 2013 Sarawak exported a total of 976,600 cu.m of plywood (worth RM 1,418 mil.).

Japan was the main buyer at 545,718 cu.m (worth RM 799 mil.) and South Korea was number two at 106, 330 cu.m (RM 136 mil.).

Third biggest buyer was Taiwan P.o.C at 98,544 cu.m (RM 135 mil.), followed by Yemen 49,461 cu.m (RM 62 mil.) and Egypt at 39,745 cu.m (RM 58 mil.).

The value and volume of veneer exports from Sarawak in the year to April 2013 totalled 63,596 cu.m (worth RM 73 mil.).

In addition, 2,040 cu.m of mouldings were exported earning RM 5 mil. along with 40,761 cu.m of particleboard (RM 19 mil.); 63,814 cu.m of MDF (RM 90 mil.); 5,061 cu.m of laminated board/flooring (RM 12 mil.) and, 105,800 tonnes of woodchips/particles (RM 20 mil.).

Report from Indonesia

Error in EU statistics, Indonesia furniture exports to EU fall sharply

In the June issue of this market report statistics on Indonesian furniture imports by the EU were presented. Specifically our report said:

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

As yet unconfirmed reports say that the data provided to Indonesian authorities by the EU was incorrect due to a statistical error in Belgian import data.

The value of the Belgian imports of Indonesia furniture in January 2013, as provided by the Belgian Statistical Office, was not euro 200 million.

It is more likely that imports were in the region of euro 4-5 million. The Belgian Statistical Office said it will publish revised data in September 2013.

It is now forecast that first quarter 2013 EU imports of furniture from Indonesia will be around euro 100 million instead of the euro 296 million reported by the EU. If this is the case then EU imports of Indonesian furniture actually fell around 15%.

Illegal logging bill approved after 11 years

The Indonesian parliament has now approved a bill on prevention and eradication of deforestation but this has attracted criticism from environmentalists who say the Ministry of Forestry has been given too much authority under the new law.

The draft legislation was first submitted in 2002 as an illegal logging bill but debate on the bill was delayed such that it was first discussed by the House only in 2010.

The deputy chairman of House Commission IV overseeing agriculture and forestry, Firman Subagyo, said the initial draft only dealt with illegal logging but that since its introduction to the House there was a clear need to expand the legislation to include deforestation.

Firman said this legislation would go a long way to providing the means for the Ministry of Forestry to effectively protect the country's natural forest.

Environmental groups had strongly opposed the text of the draft because of concerns it could result in indigenous communities being denied access to the forests on which they depend. Appropriate changes were made to the draft before it was debated and approved.

The Minister of Forestry, Zulkifli Hasan, has reaffirmed that the powers vested in his ministry to address illegal logging and deforestation would not be used against indigenous communities.

Indonesia-Australia Kalimantan Forest Conservation Partnership to be reassessed

The Australian government has indicated it will not extend the Indonesia-Australia Kalimantan Forest Conservation Partnership in its present form and will halt a project in Indonesia to restore and protect forests and peatland in Kalimantan.

The Australian prime minister has met with his Indonesian counterpart to discuss which elements of the original project could be supported in the future.

Domestic Log Prices

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

Domestic Ex-mill Sawnwood Prices

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

Export Plywood Prices

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

Domestic Plywood Prices

MR Plywood (Jakarta), domestic	US$ per m^3
9mm	390-440
12mm	390-430
15mm	300-330

Export and Domestic Other Panel Prices

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

Export Added Value Product Prices

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

Report from Myanmar

Teak log sales

The following prices were recorded for teak log sales during competitive bidding on 21st and 24th June 2013 during the Myanma Timber Enterprise tender. The next tender sale is in late July.

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

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

Teak harvests to be drastically reduced

The State-run newspapers the Mirror Daily and the New Light of Myanmar has reported that Myanma Timber Enterprise (MTE) is drastically cutting its annual harvesting.

MTE is still the sole agency responsible for harvesting, extraction and distribution of logs in Myanmar.

This reduction in harvest is said to be with a view to stopping the decline in forest cover in the country.

Maintaining the forest cover is seen as key to preventing natural disasters, especially floods, as more efficient water resource management will be possible.

The newspapers also reported that MTE harvested about 268,900 Hoppus tons (HT) of teak and 1,391,600 HT of other hardwoods during the financial year 2012-13. The target for 2013-14 will be about 180,000 HT teak and about 800,000 HT of other hardwoods.

Analysts suggest the sharp reduction in harvests is to take account of the current processing capacity in the country which is insufficient to handle the volume of logs that would become available if past annual harvest levels were maintained after the log export ban is introduced in April 2014.

The Daily Eleven newspaper of 10 July reported that in answer to questions in the Amyotha Hluttaw (Upper House of Parliament), Win Tun, Minister of Environmental Conservation and Forestry (MOECAF), said 600,000 HT of hardwood logs will be sold by open tender to private saw-millers in the country to satisfy domestic sawnwood requirements.

He also mentioned that, compared to harvest levels last year, teak harvests would be reduced by 40% and harvests of non-teak hardwoods will drop 45%.This is a very significant reduction in log harvests.

Under these circumstances analysts with long working experience with MTE are making informed guesses on the availability of logs for export sales during the current fiscal year. Of the teak logs to be harvested this year more than 20,000 HT will be requited by mills and plant run by the MTE leaving only about 160,000 HT for export in log form.

Of the 800,000 HT of non-teak hardwood logs to be harvested this year about 600,000 HT is expected to be processed by domestic mills, about 100,000 HT will be for the MTE plywood factories and other plants and MTE will have to supply about 100,000 HT to joint venture companies producing plywood and other wood based products.

If these assumptions are correct, say analysts, the planned harvest reduction will leave few logs available for export.
Until now Myanmar relied on the export of logs and sales of value added products for income generation but with the proposed harvest reductions the country may not be able to achieve its export earnings target.

Greenply Industries of India invests in Myanmar
Daily Eleven News reported that the Myanmar Investment Commission has approved an investment by an Indian based company, Greenply Industries Ltd. (India), for production of wood based products.

A new production facility will be built at the Dagon Port Industrial Zone.

In related news the paper quoted an official from MOECAF as saying Asian, US, and EU investors are also planning to invest in the wood processing sector in the country.

Report from India

Smuggling of red sanders continues
Illegal felling and smuggling of high value timber is in the news again in India. The Enforcement Directorate of India has intercepted 13 containers containing 200 tons of red sanders and has arrested the trader and seized his assets. The Indian media are saying that just this one trader exported more than Rs.1000 million before the arrest.

This much sought after wood ultimately ends up in several of the main Asian markets where it is used for the manufacture of musical instruments amongst other high value items. While this single arrest is a step in the right direction analysts in India can only guess at how much more of this precious wood is being smuggled by how many other traders

Sales of teak and other hardwoods at western Indian forest depots
Auctions were held at Ahwa, Borkhet, and Waghai depots of the Dangs Forest Division. Auctions were also held at various depots of the Rajpipla and Vyara Forest Division.

Approximately 7,000 cubic metres of teak and about 4,000 cubic metres of non-teak hardwoods were sold.

Because the monsoon has set in buyers know that future auctions may be postponed so there was active bidding for the available logs which pushed prices slightly higher than in previous auctions.

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

Teak logs	Per cubic foot
A quality for ship building	Rs.2200 - 2300
B quality for ship building	Rs.2100 - 2200
A for sawing	Rs. 2000-2050
B or sawing	Rs. 1950-2000
A Long length logs	Rs. 1850~1900
B Long length logs	Rs 1800-1850
Long length, Medium Quality	Rs 1500-1600
Short Length, Medium Quality	Rs 1050-1100
Short Length, Average Quality	Rs 950-1000

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

3m to 4m Length	Per cubic foot
46 to 60 cm. girth	Rs 150-200
61 to 75 cm. Girth	Rs 250-300
76 to 90 cm. Girth	Rs 400-500
above 91cm. girth	Rs 500-600

Plantation teak imports

Plantation teak imports have slowed due mainly to the sharp depreciation of the rupee against US Dollar, the main currency used in this trade. Indian importers try to effect payments quickly so as to secure the best exchange rate as the rupee continued to weaken.

Current prices, C & F Indian ports per cubic metre are shown below.

	US$ per m3
Tanzania teak, sawn	350-700
Côte d'Ivoire logs	450-750
PNG logs	400-550
El-Salvador logs	350-650
Guatemala logs	350-500
Nigeria squares	300-450
Ghana logs	300-650
Guyana logs	300-450
Benin logs	400-600
Benin sawn	700-800
Brazil squares	350-600
Colombia logs	400-550
Togo logs	350-500
Ecuador squares	300-450
Costa Rica logs	380-650
Panama logs	350-550
Sudan logs	400-700
Congo logs	450-550
Kenya logs	450-500
Thailand logs	350-450
Trinidad and Tobago logs	500-550
Uganda logs	550-650

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

Domestic prices for sawnwood

The domestic prices for air dried sawnwood remained unchanged over the past two weeks.

Sawnwood, (Ex-mill) (AD)	Rs. per ft3
Merbau	1600-1650
Balau	1800-1900
Kapur	1100-1250
Red Meranti	850-900
Radiata Pine (AD)	
Whitewood	550-600
	550-575

Price variations depend mainly on length and cross section of sawn pieces

Prices for domestically milled Myanmar teak sawnwood

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

Price variations depend mainly on length and cross section of sawn pieces

Prices for imported KD 12% sawnwood, per cu.ft ex-warehouse

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

Price variations depend mainly on length and cross section of sawn pieces

Prices for domestically manufactured plywood

WBP Marine grade from domestic mills

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

MR grade from domestic mills

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.28.75	Rs.37,00
12mm	Rs.34.25	Rs.43.25
19mm	RS.48.00	Rs.59.50
5mm Flexible ply	Rs.33.00	

Monsoon planting season underway

The monsoon has arrived in India and this is the time for planting. The Forestry Departments of many states are cooperating and distributing saplings of fruit bearing trees which also yield good quality of timber such as jack fruit (Artocarpus spp,) jambhul (Eugenia spp,) kokum (Garcinia spp.), wild badam (Terminalia catappa) and tamarind (Tamarindus indicus).

Nurseries in Mangalore are distributing sandalwood and red sanders saplings in addition to teak and mahogany.

According to a press release from the Maharashtra Forestry Department during last year's planting season the state government supported the planting 77 million saplings over an area of 75,000 hectares and for this season they have prepared 145 million saplings.

Products from many trees in India have medical uses and quite a few are of religious significance also. Such trees include ashok (Ashoka sarica), bael or bilva (Aegle marmalosa), sacred fig, Peepal (Ficus religiosa), banyan, (Ficus bengalenses) and nagkesar (Mesua ferrea). Such trees are also planted during the monsoon period.

Himalayan state of Uttarakhand launches disaster early warning initiative

Last month the Indian Himalayan state of Uttarakhand suffered devastating flash floods and land slides after three days of extremely heavy rain. The flood and landslides resulted in unprecedented devastation and loss of life and property.

The state authorities believe the extent of the disaster was made worse because of heavy deforestation, uncontrolled mining activity and building along river banks. More than 10,000 are feared dead and the government is still assessing the extent of casualties.

To limit damage from such disasters in the future the state government has launched a programme which will provide regular assessments of the status of glaciers, forests, rivers, soil etc. to be used as a basis for disaster prevention initiatives.

Report from Brazil

Tax hike hits wood product manufacturers

The tax on industrialised products (IPI) was raised as of 1 July and this has affected furniture, wood panel and veneer manufacturers. The new IPI rates for these three products will go from 2.5% to 3% and will be effective until a review in September.

The Ministry of Finance pointed out that they have no room for exemptions and asked the timber sector representatives not to pass along the tax increase to consumers to avoid adding to inflationary pressures.

According to the Institute for Retail Development of (IDV), there is a dilemma between the government's commitment to fiscal adjustment and the desire to maintain the competitiveness of the items listed in the programme. Representatives of Walmart Brazil say that this change in tax rate will have a major impact on sales

Partnership benefits small furniture companies

A furniture cluster in Belo Horizonte, Minas Gerais state will benefit from the recently launched Technology Services Network (Rede de Serviços Tecnológicos - RST).

The RST will benefit almost 200 micro and small companies in the city of Belo Horizonte and the municipalities of Pará de Minas and Carmo do Cajuru in the Midwest region of the state. The RST has a budget of R$ 2.6 million for activities until 2016.

The RST is a project within the Supporting Service for Micro and Small Businesses (SEBRAE) implemented in partnership with the Inter-American Development Bank (IDB) and the Center for Technology and Quality of Furniture Industry (Cosmob), with support from the United Nations Development Program (UNDP) and the Multilateral Investment Fund (MIF).

The objectives of the RST include improving the quality of furniture parts manufactured by small companies, improving manufacturing processes and introducing the application of advanced design methods. Incentives will be provided for the development of prototypes and investigation of new technologies appropriate to the sector.

In 2008, in the states of Amazonas and Pará, a similar programme was implemented called the SEBRAE-IDB-Cosmob partnership. The idea was to create competitiveness and disseminate technical solutions suitable for small companies.

After the successful experience in the Amazon, the state of Minas Gerais will now implement a similar project after which the project activities will be extended to the furniture sector of Arapongas, in the state of Paraná. In total, the RST project, with a budget of R$ 16 million, will involve 1,214 companies.

Amazon fund approval for forest monitoring project

The Brazilian Development Bank (BNDES) has offered RS 23 million from the Amazon Fund to the Organization of the Amazon Cooperation Treaty (OTCA), an intergovernmental organization formed by Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru, Suriname and Venezuela, whose territories comprise about 99% of the Amazon biome.

With this latest disbursement the Amazon Fund will have invested in 37 projects valued at R$462, 8 million the aim of all projects is to address deforestation and sustainable development.

The Amazon Fund initiative began in 2011 and has the support of the Brazilian Ministry of Foreign Affairs and the Ministry of the Environment which includes the National Coordinating Institution for deforestation control.

The Brazilian National Institute for Space Research (INPE) will participate in the project providing training and technology for the forest cover monitoring. This technology was developed with support from the German agency for international technical cooperation and the International Tropical Timber Organization.

Currently there are no accurate data on the forest cover and deforestation in the OTCA countries, except Brazil.

This project “Forest Cover Monitoring in the Amazon” will deliver support to other OTCA countries in respect of satellite image analysis, access to forest cover monitoring technologies, national forest monitoring planning as well as harmonisation of institutional capacity for land use change monitoring and surveys.

The programme will also support regional cooperation to combat illegal deforestation and the sharing of experiences related to public policy instruments for the reduction of deforestation rates.

Rio Grande so Sul regains leadership in furniture exports

The state of Rio Grande do Sul (RS) has once more taken the lead in terms of international sales of furniture with US$ 76 million exported between January and May 2013, a 4.9% increase compared to the same period in 2012.

The second ranked exporter was Santa Catarina state with just over US$ 75 million in exports, a 2.9% drop from the same period in 2012. Exports of furniture from Paraná and São Paulo trail the leaders.

The main countries that imported furniture from Brazil up to May this year were Argentina (US$52 million), the United States (US$ 38 million), the United Kingdom (US$30 million) and Peru (US$16 million).

Furniture from Rio Grande do Sul was exported mainly to the UK (US$10 mil.), followed by Uruguay (US$9.8 mil.), Peru (US$8.6 mi.) and Chile (US$8.3 mil.).

According to the Association of Furniture Industries of the State of Rio Grande do Sul (MOVERGS), there are still serious obstacles hampering growth of furniture exports from Rio Grande do Sul. The association has said the state needs a robust trade policy to increase competitiveness of the furniture sector.

Price movements

Prices of wood products in the domestic market increased by around 0.3% compared to prices in the previous fortnight.

The values in US dollars, as shown in the table below, below fell on average by 4.6% because of the depreciation of the Brazilian currency against the US dollar.

Domestic Log Prices

Brazilian logs, mill yard, domestic	US$ per m³
Ipê	163⬇
Jatoba	109⬇
Guariuba	87⬇
Mescla (white virola)	91⬇

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB		US$ per m³
Jatoba Green (dressed)		1275⬇
Cambara KD		740⬆
Asian Market (green)	Guariuba	372⬆
	Angelim pedra	874⬆
	Mandioqueira	302
Pine (AD)		220

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green)		US$ per m³
Northern Mills (ex-mill)	Ipé	888⬇
	Jatoba	614⬇
Southern Mills (ex-mill)	Eucalyptus (AD)	244⬇
	Pine (KD) 1st grade	224⬇

Export Veneer Prices

Veneer, Export (Belem/Paranagua Ports) FOB	US$ per m³
White Virola Face 2.5mm	341
Pine Veneer (C/D)	240

Domestic Veneer Prices

Rotary cut Veneer, domestic	US$ per m³	
(ex-mill Northern Mill)	Face	Core
White Virola	265⬇	217⬇

Export Plywood Prices

Plywood, FOB	US$ per m³
White Virola (US Market)	
5.2mm OV2 (MR)	498
15mm BB/CC (MR)	460⬆
White Virola (Caribbean market)	
4mm BB/CC (MR)	650⬆
12mm BB/CC (MR)	470⬆

Pine Plywood EU market, FOB	US$ per m³
9mm C/CC (WBP)	374⬆
15mm C/CC (WBP)	347⬆
18mm C/CC (WBP)	343⬆

Domestic Plywood Prices

Plywood, domestic (ex-mill Southern mill)		US$ per m³
Grade MR (B/BB)	White Virola 4mm	[illegible]⬇
	White Virola 15mm	580⬇

Domestic prices include taxes and may be subject to discounts.

Prices For Other Panel Products

Belem/Paranagua Ports, FOB	US$ per m³
Blockboard Pine 18mm 5 ply (B/C)	420⬆
Domestic Prices, Ex-mill Southern Region	
Blockboard White Virola faced 15mm	557⬇
Particleboard 15mm	351⬇

Export Prices For Added Value Products

FOB Belem/Paranagua Ports		US$ per m³
Decking Boards	Cambara	1,002⬆
	Ipê	2,688⬆

Report from Peru

Exports fall 15 percent

According to the Export Association of Peru (ADEX), exports in the period January – April 2013, were US$47.2 million FOB compared to US$55.5 million FOB in the same period last year representing a decline of almost 15%.

To-date, the three main export markets were China, Mexico and United States and these three markets accounted for just over 70% of all wood product exports. Imports by the Dominican Republic increased significantly over the previous year.

The main product of interest in the Chinese market was hardwood flooring while for the US the two most traded items were kiln-dried sawnwood and plywood.

China actively buying sawnwood and processed products

Exports of sawnwood in the period January – December 2012 represented the 38% of all wood product exports and for 2013, up to April, sawnwood exports totalled US$18.1 million FOB but in the same period in 2012 the value of sawn exports was US$22.9 million FOB.

Sawnwood from Peru was shipped mainly to buyers in China which accounted for about 30% of all sales up to April 2013.

Exports of semi-manufactured products up to April this year accounted for 37% of all wood product exports. The cumulative value of exports of semi-manufactured products up to April this year was US$17.3 million FOB representing a decline of over 10% on the value of exports in the same period in 2012.

Once again the main market for semi-manufactured wood products was China (58%) however, demand in Mexico and Sweden improved significantly compared to the same period in 2102.

US the main market for veneer and plywood exports

Exports of veneer and plywood up to April 2013 were US$5.6 million FOB compared to the US$7.2 million in the same period in 2012 representing a 23% drop. The US is the main market for veneer and plywood exports and this market accounted for 62 % of all exports of these products.

Exports of furniture and furniture parts had been growing over the past few years but, for the year to-date, the value of exports is down. Up to April 2013 exports of furniture and furniture parts totalled US$ 2.3 million FOB a drop of around 7% on the same period in 2012.

Export Sawnwood Prices

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

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

Domestic Sawnwood Prices

Peru sawnwood, domestic	US$ per m^3
Mahogany	867-911
Virola	92-134
Spanish Cedar	264-305
Marupa (simarouba)	83-99

Export Veneer Prices

Veneer FOB Callao port	US$ per m^3
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^3
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	380-408↑
	B/C 9x4x8mm	345-350
	B/C 12x4x8mm	356-377↑
	B/C 8x4x15mm	416-439↑
	C/C 4x8x4mm	389-425
Lupuna plywood B/C 8x4x4mm Central Am.		370-393

Domestic Plywood Prices

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

Domestic Prices for Other Panel Products

Peru, Domestic Particleboard	US$ per m^3
1.83m x 2.44m x 4mm	282
1.83m x 2.44m x 6mm	230
1.83m x 2.44m x 12mm	204

Export Prices for Added Value Products

Peru, FOB strips for parquet		US$ per m^3
Cabreuva/estoraque KD12% S4S, Asian market		1287-1388
Cumaru KD, S4S	Swedish market	866-981
	Asian market	1289-1350↓
Cumaru decking, AD, S4S E4S, US market		1210-1298
Pumaquiro KD # 1, C&B, Mexican market		423-511
Quinilla KD, S4S 2x10x62cm, Asian market		493-519
	2x13x75cm, Asian market	732-815

Report from Guyana

Wamara log exports to China

In the period under review there were no log exports of major commercial species except wamara (Swartzia leiocalycina) which was exported to buyers in China at acceptable prices in the region of US$120 per cubic metre.

On the other hand sawnwood exports held up and prices were considered favourable during the period reviewed.

Good prices secured for sawn greenheart and purpleheart

Sawn Undressed greenheart (select) top end FOB prices increased from US$1,060 to US$1,230 per cubic metre and greenheart (merchantable) export prices were also favourable at US$636 per cubic metre FOB.

The main markets for this prime timber were Caribbean nations, Europe and North America.

Undressed purpleheart (select) FOB prices moved up and the best price secured was US$1,100 per cubic metre FOB. The main markets for undressed purpleheart include North America and the Oceania countries.

Undressed mora (select and sound) is in demand in the markets of Australia, the Caribbean, Europe and North America. Export FOB prices were good at US$500 per cubic metre. Dressed mora sawnwood export prices remain unchanged.

Firm demand in Caribbean markets but washiba is the favourite in N. America

Dressed greenheart low end price saw an increase from US$675 to US$721 per cubic metre FOB while top end FOB prices remained unchanged at US$1,060 per cubic metre.

Dressed purpleheart prices remained unchanged during the period reviewed. In recent weeks demand from buyers in the Caribbean has grown for the prime commercial timber species from Guyana.

Guyana's ipe is attracting favourable prices in the export market and recently prices moved as high as US$ 2,550 per cubic meter FOB.

Splitwood export prices can in firm and averaged US$1,023 per cubic metre FOB in the Caribbean and North American markets.

Guyana Expo 2013 focuses business partnerships for delivery of low cost homes

The construction and real estate sectors contributed an average of around 11 percent to GDP over the past four years and the value of output from the two sectors in 2012 ranked the fourth largest after agriculture, wholesale and retail services and mining.

The recent Building Expo 2013 focused on the development of partnerships between local companies and those form outside the aim being diversification of the production base.

The minister of the Central Housing and Planning Authority, Irfaan Ali, said that there has been tremendous growth in the housing sector over the past four years as part of the government's effort to create a winning environment "we must build tomorrow's infrastructure today therefore major projects that the government is engaged in now will definitely boost Guyana's economy," said the minister

Private Sector Commission Chairman Mr. Ronald Webster emphasised the significance of the construction sector to Guyana's economic well being. He said that globally the construction and real estate sectors are the cornerstone of economic growth.

Export Log Prices

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

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

Export Sawnwood Prices

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

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

Export Plywood Prices

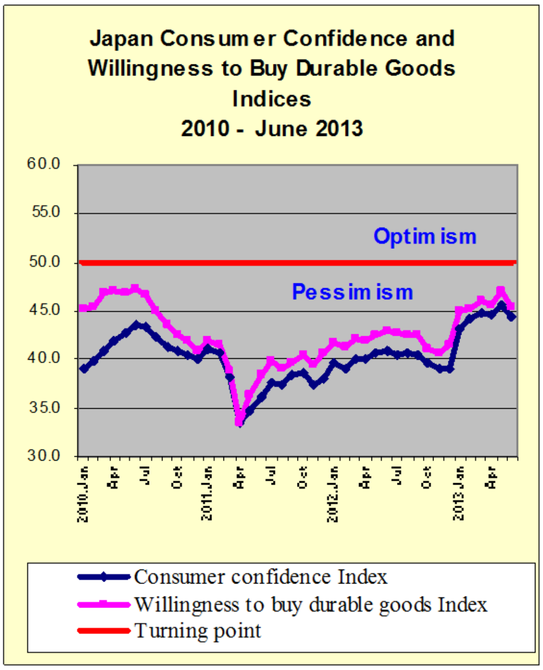
Plywood, FOB Georgetown Port			$ Avg unit val. per m^3
Baromalli	BB/CC	5.5mm	-
		12mm	450-584
	Utility	5.5mm	-t
		12mm	-

Report from Japan

Consumer confidence falls on concerns for income growth and price rises

Japanese consumer confidence declined in June marking the first fall in six months.

The main reason cited for the fall was consumer expectations for rising prices and stagnant income growth. For the Cabinet Office data see:
http://www.esri.cao.go.jp/en/stat/shouhi/shouhi-e.html



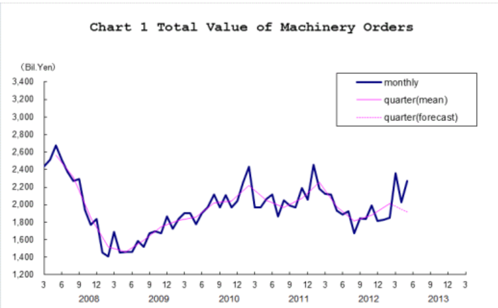
Source: Cabinet Office Japan

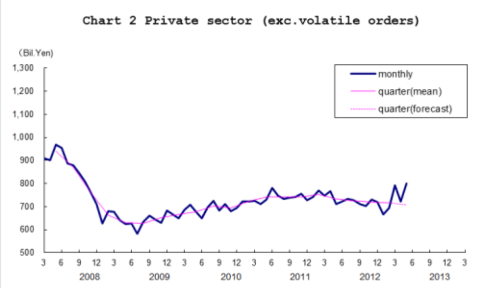
The latest survey shows that ‘household sentiment’ fell to 44.3 in June, down 1.4 points from the level in May. See: http://www.esri.cao.go.jp/en/stat/juchu/1305juchu-e.html#g01

Household sentiment covers consumer expectations for overall ‘livelihood’ as well as income growth expectations, employment and a willingness to buy durable goods. All four of these elements declined June in the survey. A consumer confidence number below 50 indicates pessimistic expectations.

Japanese companies finally begin expansion investment

In Japan, private sector machinery orders are used as an indicator of private sector investment trends. In the statistics from the Cabinet Office the data exclude orders placed by very large companies such as electric power companies it also excludes orders for ships.





Source: Cabinet Office Japan

The Cabinet Office report for May says the total value of machinery orders increased by 12% in May from the previous month.

These latest figures, along with the results of the Bank of Japan's Tankan survey, suggest companies in Japan are planning to expand investment.

Stimulating private sector investment is at the heart of the government's plan to reverse the weakening economy and get the Japanese economy back onto a growth path.

Improved profits should lift household income and business investment

In its Monthly Economic Report the Cabinet Office is now painting a more optimistic picture for the Japanese economy. See:
http://www5.cao.go.jp/keizai3/getsurei-e/2013jun.html

In summary the report says:

- the Japanese economy is picking up steadily
- exports show movements of picking up
- industrial production is picking up
- corporate profits are improving, mainly among manufacturers
- business investment is starting to level off
- firms’ judgment on current business conditions shows movements of improvement
- the employment situation is improving, although some severe aspects remain
- private consumption is picking up

However the report cautions that “recent price developments indicate that the Japanese economy is in a mild deflationary phase, while signs of change have recently been seen in some areas”.

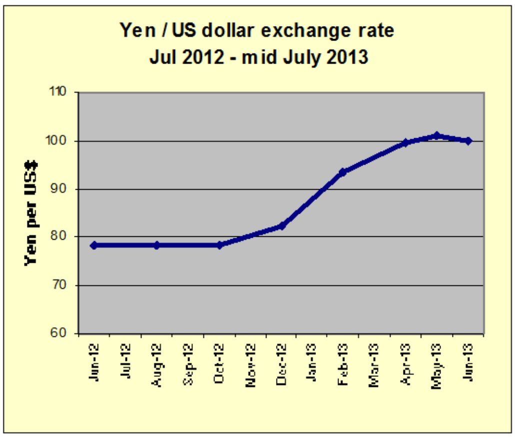
In the short term a recovery may take hold if improved corporate profits lead to higher incomes and business investment. Much now depends on growth in exports but, as the report points out, weakness in overseas economies is a downside risk for the Japanese economy.

The good news is that private consumption and company investment is picking up. If consumers see incomes improving, says the report, a measure of sustainability in growth may be achieved.

Positive growth in the housing sector is also adding to the overall impression that a turn-around in the economy is possible. Construction of owner occupied homes and houses built for rent has picked up and sales of condominiums in the Tokyo metropolitan area have been increasing. The report notes that exports are increasing. Exports to Asian countries remain subdued but exports to the U.S. are showing improvement but exports are not growing.

Bank of Japan stance creates more exchange rate volatility

The US dollar was trading at yen 98 in early July. The dollar was sold after comments from the Federal Reserve suggested the US stimulus programme would have to be continued for some time yet.



However the yen strengthened against the US dollar in the past weeks largely because the Bank of Japan did not offer any further indication that it would expand its monetary easing initiative.

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

Plywood market
The market of both imported and domestic produced plywood continues firm trend with the prices edging up. Shipment of domestic plywood has been brisk for precutting plants and house builders. Both production and shipment in May exceeded 210 M cbms.

The shipment has been over 200 M cbms for eight straight months then the monthly production has also been over 190 M cbms for nine straight months.The inventory increased by 5,000 cbms in May but remains at low level of 127 M cbms.

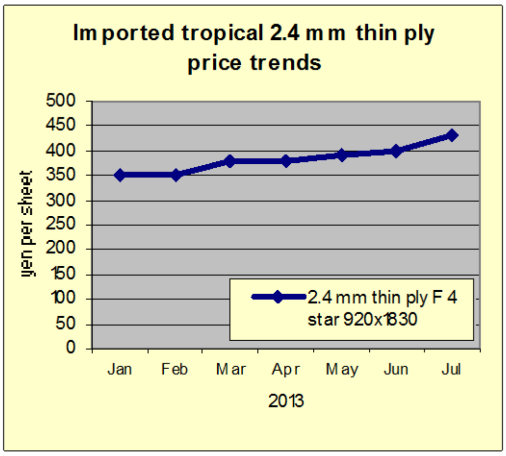
Plywood manufacturers hold aggressive stance and keep increasing sales prices little by little in every month. Currently in Tokyo market, 12 mm 3x6 (special type/F4 star) prices are 950 yen per sheet delivered, 20 yen higher than June, 24 mm 3x6 prices are 1,900 yen, 30 yen up, long sheet 9 mm 3x10 prices are 1,370 yen , unchanged from June.

Imported plywood market is firm with higher FOB prices offered by the suppliers. Log supply shortage and higher log cost continue in Malaysia so that there is no sign that FOB prices would slack.

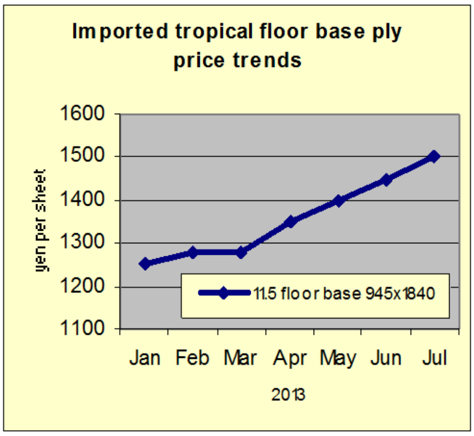
With this background, the market in Japan continues firm despite higher port inventories and higher arrivals in April and May over 340 M cbms.

Shipments in the second quarter were slower but the cost of future arrivals is higher so importers and wholesalers are holding firm stand.

Price trends for imported Indonesian and Malaysian plywood



Data source: Nikkai Mokuzai Shimbun



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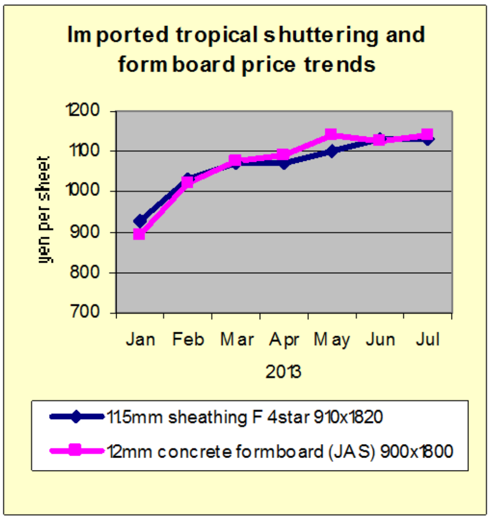


Data source: Nikkai Mokuzai Shimbun

Benefit for low income house buyers
The Tax Commission of controlling parties made up a plan to give cash benefit for low income house buyers, which are not able to take advantage fully of housing mortgage loan tax reduction after the consumption tax increase in April 2014.

For ones whose annual income is less than 5.1 million yen, maximum of 300,000 yen cash is given when consumption tax rate is 8% then when the rate is raised to 10%, maximum of 500,000 yen is given, whose annual income is less than 7.75 million yen.

Also in case house buyer with age of 50 or older pays cash to buy a house with annual income of less than 6.5 million yen, the same benefit is applied.

The government extended the housing loan tax reduction measure, which was supposed to end in March 2014, for four more years to March 2017. This is to relieve housing market, which is likely to drop when the consumption tax is raised.

This is the system to deduct 1% of housing loan balance from the income with the maximum deduction of 200,000 yen but the amount is changed to 400,000 yen after the consumption tax is raised in April 2014.

However, this system is beneficial to higher income people, whose annual income is more than 6 million yen so to make the measure fair for low income house buyers, cash benefit is newly proposed.

Wood Use Point System

The administration office of the Wood Use Point System publicized list of 545 products by 30 companies of wood products (furniture, office furniture), 600 products by 61 manufacturers of wood stove, 1,348 products by 22 manufacturers of interior and exterior materials and 705 official windows for point issuance and for application of trade of the points. Also it announced that additional builders for the system are invited since July 8.

Wood products are bed, desk, table, chair, bookshelf, partition, bench, counter, storage cabinet and cupboard manufactured by Izumo Wood Works, Itoki, Uchida Youkou, Okamura, Kokuyo Furniture, Xience, Toa Ringyo, Dream Bed, Yoshiken、Teikoku Kizai, Hida Sangyou, Wise Wise Inc. and others.

Manufacturers of registered building materials for interior and exterior are Daiken, Eidai, Nichiha, Shimane Plywood, Sato Kougyo, Marutama Sangyo, Pal Wood, Noda, Kariya Annex, AP Floor (Akita Plywood), Chubu Flooring, Sato Kogyo, Sorachi Veneer, Sumitomo Ringyo Crest, Seihoku Plywood, Japan Kenzai, Kohoku Veneer, Fujishima Wood Manufacturing and others.

In 22 companies, 21 are interior materials manufacturers (5 interior wall, 19 floor and some are both). Windows for application vary by prefectures but they are mainly selected from group of architects, construction companies, wood products distributors and forest unions

JAS rules on CLT

The Ministry of Land, Infrastructure and Transport has made up draft of JAS rules on CLT (cross laminated timber) and is inviting public opinions through July 12.

JAS draft specifies formation of lamina, lamina quality, adhesive, formaldehyde emission, species and test method. After public opinions are collected in July, official rule of JAS on CLT is expected to be issued by the year end.

Lamina has to be 12 mm or thicker and less than 50 mm in thickness and basically even in thickness. Width is less than 300 mm. Type of adhesive is specified depending on environment and direction of gluing.

Once JAS rule is officially enacted, the Ministry of Land, Infrastructure and Transport sets standard strength so that CLT can be used as structural materials.

Revision of JAS rule on LVL

The National LVL Association formed JAS revision committee since four years ago and the Association thinks that LVL use is limited if it is used as structural post and beam and it is necessary to develop market of LVL as panel so it hopes that the revision this time would contribute developing new market area for LVL.

In revised rule, there will be two type of structural LVL. One is standard structural LVL of type A then type B allows use of orthogonal layer into LVL freely to some extent. For more information see Japan Lumber Reports No 613 of July 12th.

Report from China

China's GDP growth in first half meets expectations

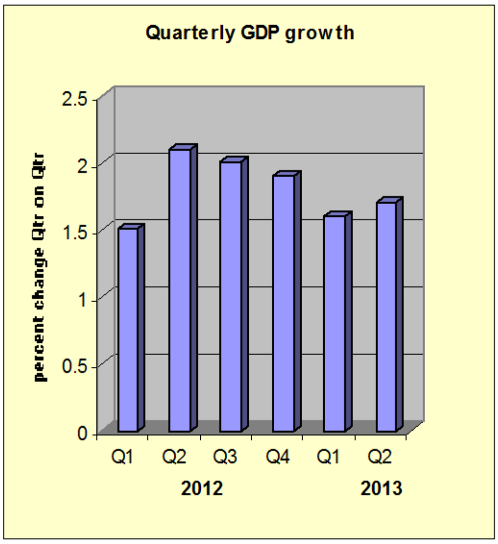
On the 15th July the Chinese National Bureau of Statistics of China released data on growth in the economy in the first half of 2013.

See
http://www.stats.gov.cn/english/pressrelease/t20130715_402910992.htm

This press release identified that in the first half of 2013 the country faced a complicated and volatile economic but, overall the national economy achieved steady development and grew at a moderate pace in line with expectations.

According to preliminary assessments, GDP in the first half of this year was 24,800.9 billion yuan, a year-on-year increase of 7.6 percent calculated at comparable prices and is in line with economists' expectations.

Growth in the first quarter was 7.7 percent, but dropped to 7.5 percent for the second quarter.



Data source: Bureau of Statistics, China

In the first half, total value added (calculated at comparable price) by industrial enterprises was up by 9.3 percent year-on-year, representing a 0.2 percent decline on levels in the first quarter.

Added value industrial output encouraging

An analysis of various types of enterprises showed that the value added growth of the state-owned and state holding enterprises went up by 5.2 percent; 5 percent for collective enterprises; 10.9 percent for share-holding enterprises and 7.4 percent for foreign enterprises.

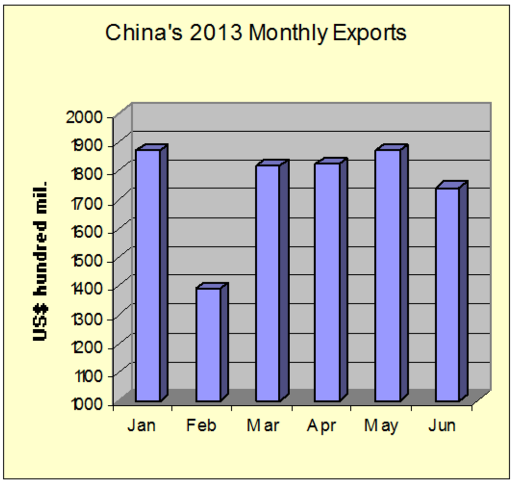
The year-on-year growth of heavy industry was 9.6 percent and 8.4 percent for the light industry. All the 41 industrial divisions registered year-on-year growth.
The quarter-on-quarter growth of GDP in each quarter of 2012 and in the first two quarters of 2013 was 1.5 percent, 2.1 percent, 2.0 percent, 1.9 percent, 1.6 percent and 1.7 percent respectively.

Retail sales contributing more to GDP

In the first half, retail sales of consumer goods reached 11,076.4 billion yuan, an increase of 12.7 percent , or 0.3 percent higher than that in the first quarter but 1.7 percentage points lower than that same period of last year.

June trade data fuels concern on slowing growth

China Customs has released June 2013 trade data which show an unexpected fall in exports and imports and this has added to concerns that growth in the economy is slowing. The Customs data showed that exports fell 3.1 percent in June strikingly down from the forecasts 4 percent rise.



Data source: Bureau of Statistics, China

Imports also fell around three quarters of a percent from a year ago as domestic demand slowed. As reported previously, the Chinese government is trying to manage a transition from an economy founded on exports to one with a better balance between domestic and export demand.

Analysts expect that the economic reforms being introduced by the Chinese government will slow growth in the short-term. At a recent meeting in Washington the Chinese finance Minister suggested that reforming the economy and stimulating domestic consumption is more important to the country than striving for ever higher GDP growth.

Curbs on credit to dampen growth prospects

Many analysts are forecasting that the Chinese economy is in for a hard landing as growth slows and the impact of the massive credit growth (equivalent to 30 per cent of GDP from 2008 to 2012) begins to take its toll.

The People's Bank of China (Central Bank) moved to restrict credit growth in June this year, presumably assessing that loan growth was at risky levels. Any curb on the availability of credit will, say analysts, result in lowering GDP growth.

One of the first moves likely to be implemented is further restrictions on credit to those industrial sectors where there is overcapacity and businesses are dependant for survival on cheap credit.

Free convertibility of yuan to be tested at new business zone in Shanghai

The government has announced the establishment of a pilot free trade project in Shanghai where trading will be done with a freely convertible yuan. The use of other financial products which are currently not available will also be tested.

While it is not yet clear how the 'test' zone will operate it is expected that companies would be free to import and export without the having to satisfy the usual Customs and Central Bank regulations.

In 2009 Shanghai secured government approval to become an international financial centre and this new initiative will give another boost to the prospects for Shanghai to become a highly competitive trade centre.

Popularity of beech spurs investment in beech planting

During the first quarter of the year China's beech log imports amounted to 144,290 cubic metres valued at US$28.42 million. The average price for beech was US$197 per cubic metre.

Of the total, beech log imports from the top three supply countries namely Germany, France and Belgium, were 120,401 cubic metres, making up around 80 percent of the total.

China's beech sawnwood imports were 76,021 cubic metres in the first quarter 2013 and were valued at US$28.58 million. The average price for sawn beech was US$376 per cubic metre.

Beech sawnwood imports were mainly from Romania, Germany and France which together accounted for 63,435 cubic metres of total sawn beech imports.

Beech is a popular wood in China and is widely used for furniture, doors, window frames and flooring. China's timber importers seem to prefer beech from European suppliers.

Recently, efforts have been directed at establishing beech plantations in China. The company Jiangsu Suqian City Sanye Garden Co., Ltd based in Shuyang City, Jiangsu Province will be planting 1 million beech saplings as a first phase in its attempt to establish a viable domestic plantation resource.

China Forestry Group Corporation purchases forest land in New Zealand

China Forestry Group New Zealand, a subsidiary of a Chinese state enterprise recently announced that it had purchased 13,600 hectares of forest land in New Zealand. The company is forecasting that plantations on its land will produce around 7 million cubic metres of logs in 2045.

This acquisition provides the China Forestry Group a permanent base in New Zealand and marks the company's first foray into buying forest land as it seeks to expand its overseas operations. The Chinese group is currently one of New Zealand's largest wood exporters, shipping around 75,000 cubic metres of logs to China every month.

China Forestry Group joins a growing list of offshore investors interested in land assets in New Zealand. Last year, Korea's Sunchang Corp. bought 3,000 hectares of forest land in Marlborough, in New Zealands South Island.

However, purchases of land by foreign companies has raised concerns that they are pricing local farmers out of the market. Rural land prices rose 11.3% between March 2011 and March 2013 according to data from the Real Estate Institute of New Zealand.

New wood processing zone for Puyang

Zhe Yu Wood industry Co., Ltd has invested RMB5 billion yuan to establish a large wood processing zone in Puyang City of Henan Province.

It has been reported that wood processing, materials R&D and business services will be concentrated at the new site which will focus on plywood and added value product manufacturing.

The investment will be in three phases, RMB1.2 billion yuan will be invested in the first phase and the value of the annual output is forecast at RMB3 billion yuan. On completion of the investment this will be one of the largest wood processing operations and will extend over an area of 320 hectares.

Transformation at Taicang Port generates income and jobs

According to the statistics from Jiangsu Taicang Inspection and Quarantine Bureau, timber imports through Taicang Port rose 18 percent to 4.90 million cubic metres in 2012, elevating the port to the number one in terms of timber imports..

Sawnwood imports through Taicang Port reached 1.38 million cubic metres or 29 percent of the national total sawnwood imports in 2012.

Containerised logs imports have increased and in 2012 the number of containers handled at the port rose over 200 percent to 37,000.

Timber from Russia once dominated the cargo hanled at the Port but this has changed as more shipments from more countries are directed through Taicang.

Cargoes of logs from North America rose dramatically in 2012 to 2.91 million cubic metres, accounting for 60 percent of the total log imports through Taicang Port.

Log imports from Southeast Asian and Oceania countries also increased. There are more than 100 wood processing enterprises around Taicang Port

The increased timber imports are generating greater income for the port authority and Customs and are also stimulating development of the insurance, warehousing, processing and transportation sectors.

Reports indicate that as a result of the increased business through the port more than 1000 jobs have been created.

Special fund for green construction

It has been reported that Guangdong provincial government will now open its 'energy-saving special funds' to the construction sector in order to promote energy saving and green house gas emission reduction.

In the past the 'energy saving special fund' in Guangdong Province was only for industrial enterprises and projects but this year the fund will be extended to the construction field.

To promote green building the Guangdong provincial government will provide subsidies for the major projects after getting third party evaluation.

Reports indicate that subsidies of yuan 25 per square metre will be granted for a two star ranked building and that the maximum subsidy will not exceed RMB1.5 million for one project. Yuan 45 per square metre will be granted for three star ranked buildings for which the maximum subsidy will not exceeded RMB2 million for one project.

The subsidies will not exceed 50 percent of investment for public sector projects and will not exceed 20 percent of investment for green projects in non public sectors.

Guangzhou Yuzhu International Timber Market

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

Shanghai Furen Forest Products Wholesale Market

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

Hangzhou Timber Trading Market

Logs		Yuan/cu.m
Ash	4 m ×30 cm	3200-4800
Larch	4 m ×8 cm ×10 cm	1800-2900
Linden	4 m ×26 cm	2400-3500
Sawnwood		
Beech (Europe)	All grades	2800-5000
Black walnut (N. America)	All grades	7000-13000
Teak (Myanmar)	All grades	9000-18000
Red oak (N. America)	All grades	3500-5000
Alder (Myanmar)	All grades	4500-5300
Merbau	All grades	7200-12000
Plywood		Yuan/sheet
Red beech	3mm	50-75
Black walnut	3mm	60-102
Teak	3mm	70-148

Shandong De Zhou Timber Market

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

Wenzhou Timber Trading Market

Logs		Yuan/cu.m
Ash	2 m ×20-30 (cm)	1300
Chinese fir	4 m ×16-18 (cm)	1500
Wenge	all grades	4500-5100
Teak (Plantation)	all grades	2100-2500
Merbau	all grades	3500-5000
Spelle	all grades	3200-3700
Plywood		**Price yuan/sheet**
Red beech	4'×8'×3 mm	40-80
Black walnut	4'×8'×3 mm	40-85
Teak	4'×8'×3 mm	45-110

Report from Europe *

EU furniture production declines while imports rise in 2012

The share of imports in total EU wood furniture supply peaked at 16% in 2010 and then fell away again to 13% in 2011 (see February 2013 report). Eurostat has yet to publish furniture production figures for the whole of the EU in 2012, however the data already available suggests that import penetration rebounded again last year.

The Eurostat index of furniture production in the EU, which was rising in 2011, fell throughout the course of 2012 (Chart 1).

However the total value of EU27 wood furniture imports (from outside the EU) increased by 3.8% to euro5.39 billion (Chart 2).

Chart 1: Eurostat furniture production volume index (2010=100)

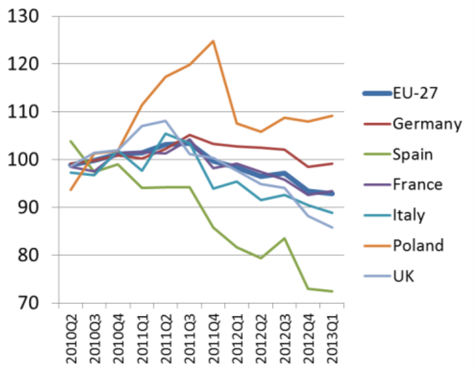
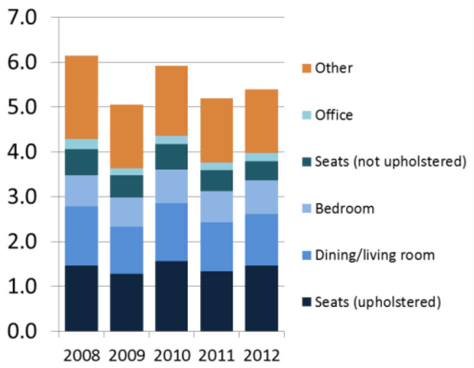


Chart 2: EU-27 wood furniture imports by type (€ billion)



In 2012, EU imports of upholstered seats increased 10.1% to euro1.47 billion, dining/living room furniture increased 4.8% to euro1.15 billion, bedroom furniture increased 7.2% to euro750 million, and office furniture increased 1.7% to euro180 million.

These gains offset a 6% decline in imports of non-upholstered seats to euro430 million and a 1% decline in all other wood furniture categories to euro1.42 billion.

Falling furniture production in Italy, Poland and France during 2012

Furniture production trends at national level in several leading manufacturing countries indicate that overall EU production is likely to have fallen last year.

According to CSIL, the Italy-based furniture industry research organisation, Italy maintained its position as the EU's largest manufacturer of furniture during 2012 despite a 10.5% decline in production value to euro18.14 billion.

Imports fell 10% to euro1.58 billion and exports increased by 0.7% to euro10.51 billion. Apparent consumption fell by 19.4% to euro10.28 billion.

Data from the consultancy firm B+R indicates that the value of furniture produced in Poland, the EU's third largest manufacturer, declined last year. B+R report a 7.3% fall in Polish production value to PLN29.4 billion (euro6.91 billion).

B+R suggest that declining production value was mainly due to a fall in demand from large commercial and public sector clients in Poland. By contrast, Polish furniture exports are estimated to have risen by around 3% last year.

France, Europe's fifth largest furniture manufacturing country, also slowed in 2012. According to information jointly compiled by the French trade associations FNAEM and UNIFA, and the IPEA research institute, turnover in the French furniture sector declined 3% to euro9.54 billion in 2012.

Turnover fell in nearly all sectors of French furniture manufacturing including cabinets (-3.9% to euro3.28 billion), kitchens (-1.6% to euro2.38), upholstery (-4.7% to euro2.33 billion), bathroom furniture (-2.9% to euro270 million), garden furniture (-1.8% to euro140 million).

These falls were slightly offset by 0.5% growth in the beds and mattresses sector to euro1.14 billion.

German furniture sales increase 1.3% in 2012

There was better news from Germany, Europe's second largest furniture manufacturer. According to the German Federal Statistics agency, sales of furniture (excluding mattresses) manufactured in Germany increased by 1.3% to euro16.28 billion in 2012.

Sales of home furniture increased by 0.3% to euro8.46 billion, kitchen furniture increased 3.9% to euro4.20 billion, and shop and other contract furniture increased by 4.5% to euro1.62 billion. These gains offset a 2.1% decline in sales of office furniture to euro3.62 billion.

German furniture production was rising strongly across all sectors in the first half of 2012 but then slowed again in the second half of the year.

Intra-EU versus extra-EU furniture trade

Chart 3 shows the ratio of extra-EU imports to intra-EU imports for wood furniture product groups.

The ratio provides a measure of the extent to which EU importers of these products are dependent on suppliers outside the EU relative to suppliers inside the EU.

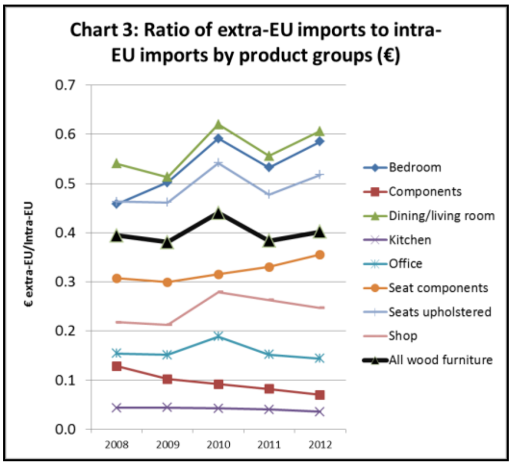


Chart 3: Ratio of extra-EU imports to intra-EU imports by product groups (€)

In 2012, extra-EU imports of all wood furniture products of euro5.39 billion compared to intra-EU imports of euro13.43 billion, a ratio of 0.40.

This compares to 2011 figures of euro5.20 billion for extra-EU imports and euro13.54 billion for intra-EU trade, a ratio of 0.38. This trend suggests a slight increase in EU market penetration by non-EU manufacturers during 2012.

In 2012, market penetration by external suppliers rebounded particularly strongly in those sectors which are already relatively dependent on manufacturers outside the EU – the bedroom, dining/living room, and upholstered seating furniture sectors.

However market penetration by external suppliers in 2012 was low and declining in the shop, office, and kitchen furniture sectors.

EU27 furniture imports by supply region and destination

Chart 4 highlights the extent to which China has come to dominate EU imports of wood furniture products. During the period 2008 to 2012, China's share of EU import value increased from 49% to 55%.

During the same period, the share of imports from other Asian countries fell from 32% to 29% and share from Latin America fell from 4% to 2%. Share of imports from the CIS region, Africa, and North America have been negligible during this period.

However, non EU European countries maintained share of around 10% import value throughout the 5 year period.

Over the last five years, a rising share of wood furniture imported into the EU has been destined for just three countries: the UK, Germany and France (Chart 5). In 2012, the UK accounted for 31% (euro1.69 billion) of all EU imports, Germany for 18% (euro1.00 billion), and France for 15% (euro840 million).

Between 2011 and 2012, import value increased by 13.8% into the UK, 4.1% into Germany and 10.3% into France.

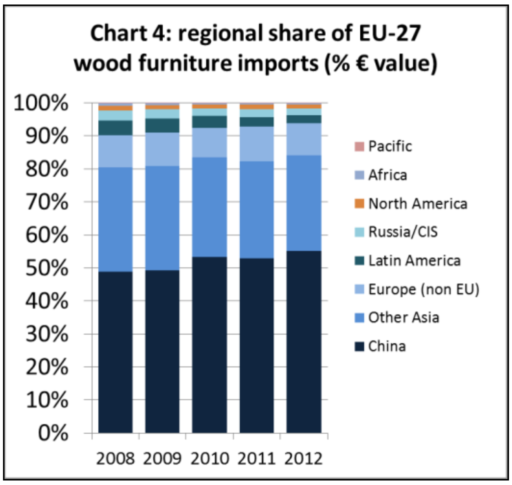


Chart 4: regional share of EU-27 wood furniture imports (% € value)

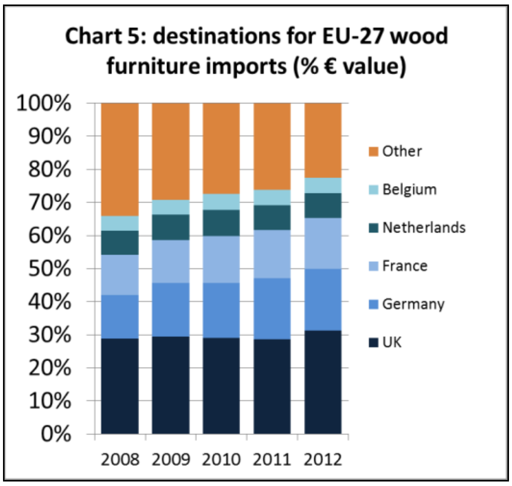


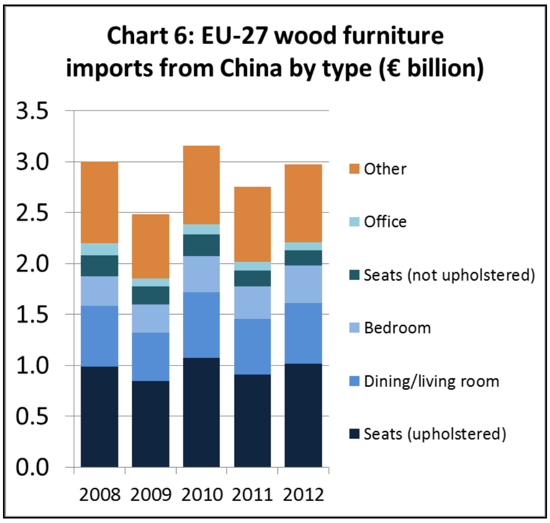
Chart 5: destinations for EU-27 wood furniture imports (% € value)

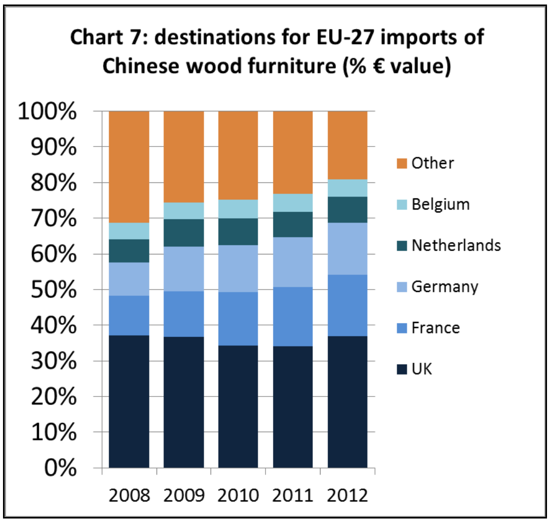
EU wood furniture imports from China

EU imports of wood furniture from China increased by 8% to euro2.97 billion in 2012. This partially reversed a 13% decrease in imports from an all-time high of euro3.16 billion in 2010 to euro2.75 billion in 2011.

Between 2011 and 2012, the EU recorded a rise in imports from China of upholstered seats (+11.7% to euro1.02 billion), dining/living room furniture (+8.8% to euro590 million), bedroom furniture (+14.4% to euro370 million), and office furniture (+3.0% to euro80 million).

However in 2012 there was a 5.5% decline in EU imports of non-upholstered seats from China to euro150 million.



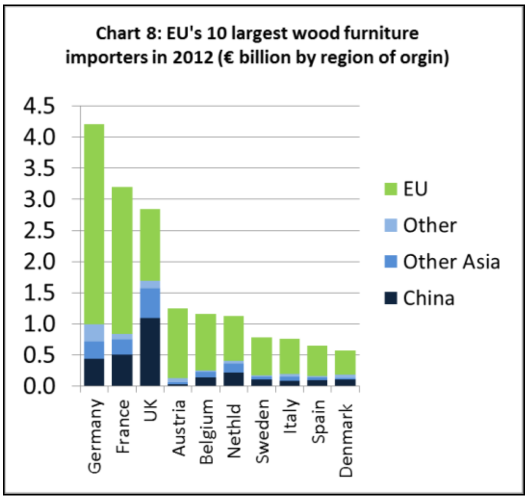


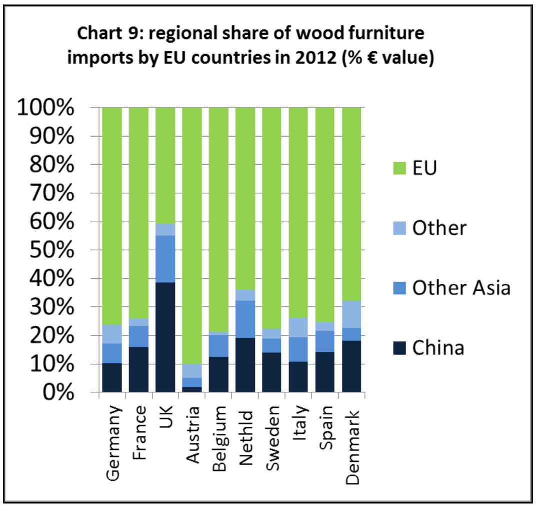
EU's 10 largest wood furniture importers in 2012

Chart 8 shows total imports of wood furniture by 10 EU Member States, including imports from both inside and outside the EU.

Chart 9 indicates very high variability in Member State dependency on wood furniture imports from outside the EU – ranging from close to 60% in the UK to less than 10% in Austria. This variation is due to a number of factors including:

- The presence of very large domestic manufacturing furniture sectors in some countries (particularly Italy, Germany, and Poland);
- Proximity to these manufacturers elsewhere in the EU (most other Central European countries also source a very large proportion of furniture from Italy, Germany and Poland);
- The level of loyalty to domestic furniture brands (a major factor behind low levels of imports into Italy);
- Extent of consolidation in the retail sector – external suppliers have had more success developing markets for furniture products in countries with relatively large consolidated retail networks (such as the UK, Benelux countries, Germany and France) than in countries with more fragmented retail networks (such as in Italy and many Eastern European).





Immense challenges in Implementing EUTR in the furniture sector

The challenges of implementing the EU Timber Regulation (EUTR) in the furniture sector are probably more pronounced than in any other sector.

The wood content of furniture products is often extremely complex, a single piece combining composite and reconstituted panels with a variety of veneers and sawn timber, a large proportion of which may be finger-jointed from off-cuts in a wide variety of woods from numerous sources. Much of the wood content of a furniture item may be hidden, particularly in upholstered products.

For the time being, this is less of a problem than it might be for EUTR for the simple reason that a large proportion of furniture products are not actually covered by the regulation.

The EUTR currently only applies to wood furniture included under Harmonised System (HS) Code 9401 (furniture other than seating). Wood furniture under HS Code 9403 (seating) is excluded.

Wooden seating accounts for euro1.94 billion (36%) of the euro5.39 billion of wood furniture imported in 2012. Considering just imports from China, euro1.18 billion (40%) of imports of euro2.97 billion are excluded from EUTR.

Implementing EUTR in the furniture sector is also complicated by the lack of vertical and horizontal integration. There has been some consolidation in the international furniture industry in recent years – particularly driven by IKEA in Europe – but the sector remains very fragmented compared to many other industrial sectors.

The world's 200 largest furniture manufacturers only account for around 30% of total production worldwide. The wood furniture sector particularly is characterised by relatively low barriers to entry, is still often based on small scale artisan operations, and is very widely distributed.

Even IKEA, the largest and most integrated furniture company in the world, has emphasised the considerable challenges of fully conforming to a strict interpretation of EUTR requirements across all its operations.

The company is sourcing wood raw material from hundreds of different forests every year. At every stage of the supply chain and during the manufacturing process, there is mixing of wood material from innumerable different sources.

Despite the resources at its disposal and implementation of a very comprehensive due diligence system, IKEA emphasise that "it is not normally possible to trace an individual product back to the forest" and that "physical tracing of wood is resource inefficient".

In an effort to ease implementation of EUTR in sectors like furniture, the European Commission has issued specific guidance on how to handle composite products under the regulation. The guidance is rather cursory, and falls well short of providing all the answers. However, it offers some flexibility in interpreting the law which should assist the furniture trade.

The EC's Guidance on composite wood products relates to Article 6(1) of the EUTR which sets out requirements for the due diligence system that must be implemented by the "operator" (i.e. the company that "places timber on the EU market").

The due diligence system must include "*measures and procedures providing access to the following information concerning the operator's supply of timber or timber products placed on the market"*. The required information includes *"description, including the trade name and type of product as well as the common name of tree species and, where applicable, it's full scientific name; country of harvest, and where applicable sub-national region where the timber was harvested and concession of harvest*."

The guidance emphasises that the obligation to have "*access to information*" on the species content and place of harvest applies no matter how many different tree species are in any one product or how many countries of harvest are involved.

However, the guidance also observes that there may be particular challenges to achieving this objective for composite products. The guidance accepts that the species mix in any one product group may be very wide and vary over time. It notes that

"*If the species of wood used to produce the product varies, the operator will have to provide a list of each species of wood that may have been used to produce the wood product*".

The guidance for composite wood products also needs to be considered alongside an obligation in the EUTR Implementing Regulation that

"*operators shall apply the due diligence system to each specific type of timber or timber product supplied by a particular supplier within a period not exceeding 12 months, provided that the tree species, the country or countries of harvest or, where applicable, the sub-national region(s) and concession(s) of harvest remain unchanged*".

This indicates that the list of possible species in each product group needs to be regularly reviewed at intervals not exceeding 12 months. Furthermore it implies that suppliers of wood products into the EU must be ready to inform operators immediately of any change that might occur in the species mix or region of origin.

The EC guidance goes on to give example descriptions of operator's supply. These imply (although do not make explicit) that the following is acceptable when dealing with composite products where there is a negligible risk of illegal harvest:

a. To define "supply" as all the consignments of a specified product (e.g. "flat-pack kitchen fittings") over a specified period of time (e.g. "1 Jan - 31 Dec 2013");
b. To use broad terminology with no need necessarily to reference percentage mix to describe the species content of these consignments (e.g. " Mixed conifer: mainly Scots pine (Pinus sylvatica) and Norway spruce (Picea abies)");
c. Having identified "country of harvest", to then use broad terminology to describe the "concession of harvest" (e.g. "Multiple private forest owners");
d. To use national, regional or product-specific risk assessment prepared "under certification

guidelines” as one way to demonstrate legal origin.

However, when sourcing products with a non-negligible risk of illegal harvest, the example descriptions imply (again without making explicit) that more specific information is required.

For example, the illustration for "12-mm plywood” indicates that detailed source information should be sought for bintangor face veneer. In this instance, the operator should have access to information on the individual concession in a specified province.

This may be demonstrated by documentation issued by a government agency in the country of harvest or by independent certification. Given that the commercial name “bintangor” encompasses 180-200 individual species within the genus Callophyllum, the illustration indicates that the species may be identified for purposes of EUTR conformance as “Callophyllum sp.”

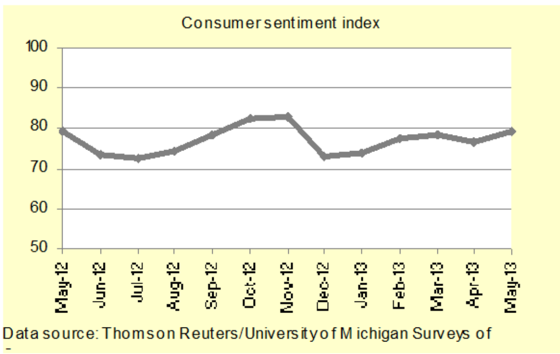
* The market information above has been generously provided by the Chinese Forest Products Index Mechanism (FPI))

Report from North America

Consumers more positive about economy

Consumer confidence in the US economy went up in May, according to the Thomson Reuters/University of Michigan consumer sentiment index. Higher home prices and rising stock market prices supported the more positive outlook.

Consumers plan to buy more than any other time since 2007. Households of all income levels were more confident in the economy, but the largest gain was in high-income households (incomes above $80,000).



Growth in manufacturing of wood products, furniture

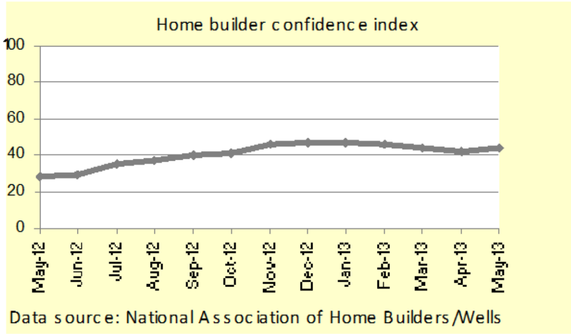
Economic activity in the US manufacturing sector declined in May for the first time since November 2012, according to the Institute of Supply Management. On a positive note, the wood product and furniture manufacturing industries reported growth in May.

Unemployment remained essentially unchanged in April and May. Unemployment was 7.6% in May, according to the US Bureau of Labor Statistics.

Growing demand for new homes

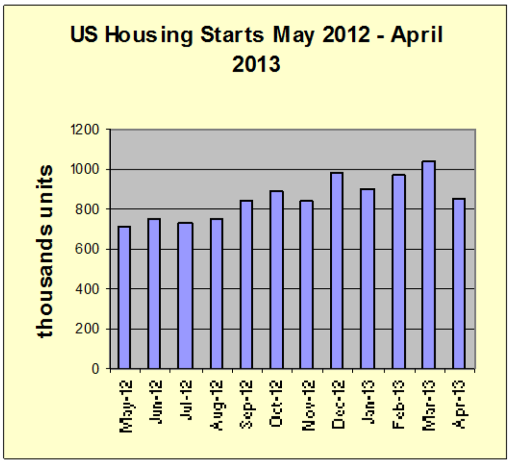
Builder confidence in newly built single-family homes improved in May, according to the National Association of Home Builders.

Higher building material costs and the lack of skilled workers in some regions remain a challenge for builders. However, more Americans are looking to buy a house, while the supply of homes for sale is tight.



New home construction strongest in the Midwest

US housing starts fell to 853,000 in April at a seasonally adjusted annual rate, down by 16.5% from the previous month. The decline was almost entirely in multi-family homes. The share of single-family homes in total starts was 72%, up from just 60% in March.



The number of building permits issued passed the one-million mark in April. 1.02 million permits were issued, at a seasonally adjusted annual rate, up 14.3% from March. The number of permits issued is usually an indicator of future building activity.

The Midwest saw the strongest increase in housing starts (+10.9%) and building permits (+22.3%). The Northeast posted declines in both housing starts (-12.8%) and building permits (-2.0%).

Home prices up

Sales of existing homes increased by 0.6% in April. The supply of homes for sale increased, but it remains lower than what is considered a balanced market between sellers and buyers.

Home prices increased from March to April. The largest gains were in cities in the West (Sacramento, Las Vegas, San Francisco), according to the Zillow Home Value Index.

Canadian housing starts declined in April

Canada's housing starts declined to 176,000 in April, at a seasonally adjusted annual rate. The value of residential building permits issued is up, but the Canada Housing and Mortgage Corporation does not expect a reversal of the downward trend in construction.

The housing market remains robust, based on sales of existing homes and home prices.

Slow recovery in non-residential construction

Spending on non-residential building construction increased by 1.0% from March to April (at a seasonally adjusted rate). Private construction grew by 2.2% in April.

Public construction continued to decline (-3.0%) due to reduced government spending. Commercial buildings was the best-performing sector within public construction.

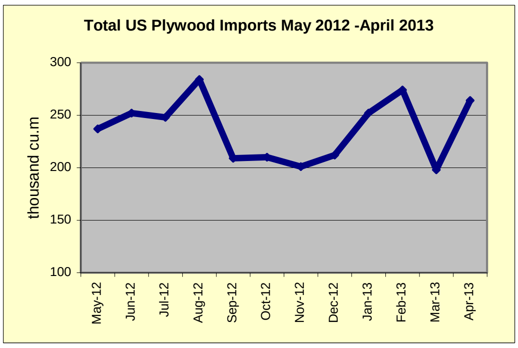
Architectural firms with a commercial/industrial specialization reported a decline in business conditions in April, according to the Architecture Billings Index.

The commercial building construction market remains variable. Institutional architecture firms reported more steady growth, but the rate of improvement is slow.

Higher hardwood plywood and furniture imports in April

US imports of plywood, including imports from China, recovered in April after a steep drop in March. Furniture imports also grew, while imports of other processed wood products were largely stable compared to the previous month.

Hardwood plywood imports rebounded in April after a steep drop in March. Total hardwood plywood imports were 264,715 m³ in April, up 33% from March. Year-to-date imports are 35% higher than in 2012.



The recovery in total imports was due to higher imports from China. China's shipments increased from 61,058 m³ in March to 170,984 in April (+33% on a year-to-date basis).

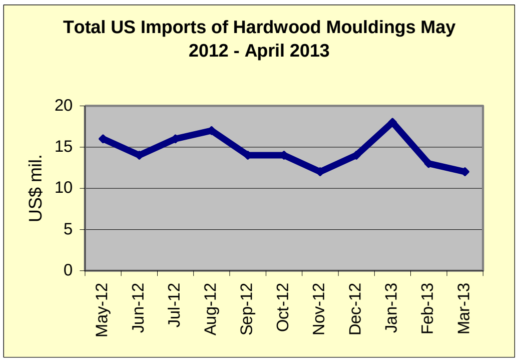
Imports from Indonesia fell to 31,322 m³ in April, but year-to-date imports remain 99% above 2012. Imports from Malaysia also decreased from March to 9,046 m³ in April (+23% year-to-date).

Shipments from Ecuador fell to 11,871 m³ (+422% year-to-date), but Ecuador remains the third-largest supplier of hardwood plywood so far in 2013, after China and Indonesia.

Hardwood moulding

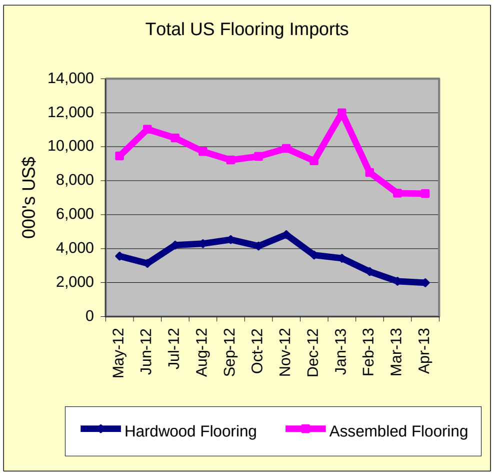
Hardwood moulding imports increased in April following two months of low import volumes.

The US imported $14.2 million worth of hardwood moulding (-14% year-to-date). Imports from China increased to $4.7 million, but year-to-date imports from China remain 22% below 2012. Hardwood moulding imports from Brazil decreased to $2.6 million (-28% year-to-date).



Wood flooring

US imports of assembled flooring panels remained steady in April at $7.2 million. However, year-to-date imports are 11% lower than in 2012. Imports from China increased slightly but they remain far below 2012 imports. China's shipments were $3.3 million (-25% year-to-date).

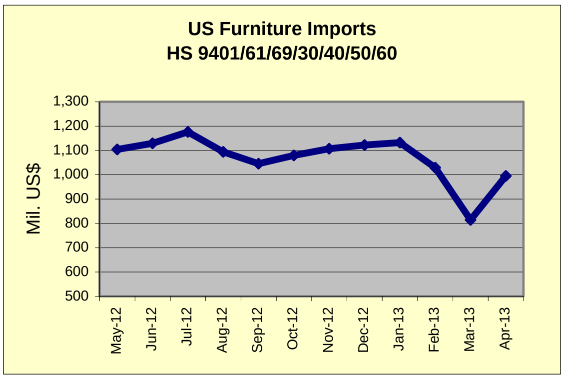


Hardwood flooring imports continued to decline and total imports fell to just under $2.0 million in April. Year-to-date imports are still 20% higher than in 2012. Malaysian hardwood flooring shipments to the US increased to $0.7 million in April (-35% year-to-date).

Imports from Indonesia were worth $0.5 million (+169% year-to-date). Imports from China remained below $200,000 (+36% year-to-date).

Wooden furniture

US imports of wooden furniture recovered from the sudden drop in March. April imports were worth $994.5 million (+3% year-to-date).



China's furniture shipments to the US grew to $456.3 million in April (+3% year-to-date). China's share in total imports was 46%, up from 39% in March.

Imports from Vietnam were $147.6 million in April (+7% year-to-date). Mexico's shipments declined steeply in March, but they went back up to $45.4 million in April.

March furniture orders were up by 1% year-to-date compared to 2012, according to a monthly survey of US furniture manufacturers and distributors (Smith Leonhard Furniture Insights May 2013). Two-thirds of the companies surveyed reported higher orders so far in 2013.

Furniture shipments fell by an estimated 3% compared to March 2012. Year-to-date furniture shipments were only 1% higher than in 2012,

Furniture inventories at distributors and manufacturers remain relatively high for business conditions. Inventories declined by 4% in March from the previous month towards more balanced levels.

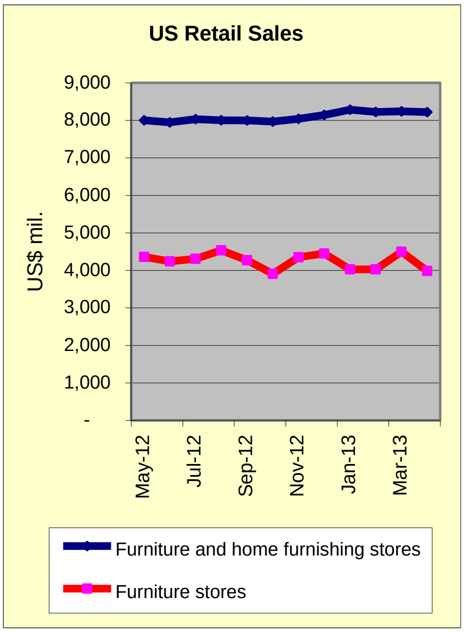
Market outlook: Growth in home sales will support furniture demand

The March data on new furniture orders and shipments indicates that market conditions are stable. April and May were more positive for manufacturers and distributors, according to Smith Leonhard.

The High Point Market furniture show in April was very successful for most attendees. Improving consumer confidence and the growth in home sales will contribute to a stronger demand for furniture.

Furniture retail figures disappoint

Retail sales at furniture stores in the US fell by 11% from March to April, according to the US Census Bureau. April sales were $3.98 billion, when adjusted for seasonal patterns and holidays. Furniture sales were only 1% higher than in April 2012.



Proposed rules for formaldehyde emissions from composite wood products

The US Environmental Protection Agency (EPA) published the proposed rules for formaldehyde emissions from composite wood products on May 29. The rules apply to hardwood plywood, particleboard, MDF and finished products containing these materials. Both imported and domestically produced products must meet the standards.

The proposed regulation consists of two rules:
The first rule sets the limit how much formaldehyde can be released. It also includes testing requirements, product labelling, and documentation and recordkeeping requirements.

The second rule sets the third-party certification requirements for composite panel manufacturers. EPA-recognized third-party certifiers will regularly audit manufacturers, and conduct and verify formaldehyde emission tests. More information about the proposed rules is available here: http://www.epa.gov/oppt/chemtest/formaldehyde/index.html

The EPA accepts comments about the proposed rules until August 9, 2013.

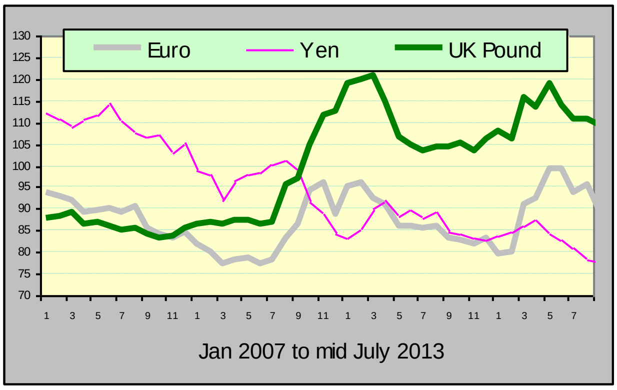
Disclaimer: Though efforts have been made to keep prices near to accurate, these are published as a guide only. ITTO does not take responsibility for the accuracy of this information.

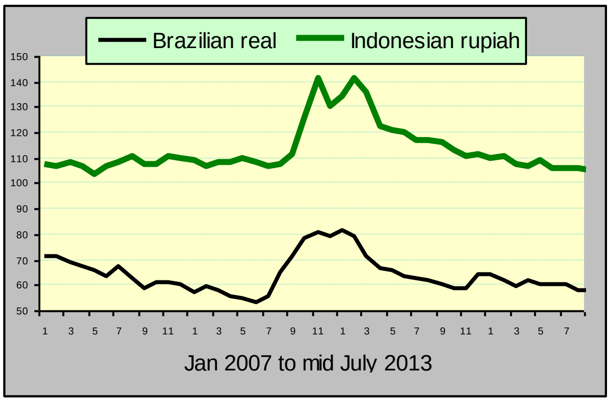
Main US Dollar Exchange Rates

As of 12th July 2013

Brazil	Real	2.2572
CFA countries	CFA Franc	501.19
China	Yuan	6.1296
EU	Euro	0.7824
India	Rupee	60.1025
Indonesia	Rupiah	9958
Japan	Yen	101.15
Malaysia	Ringgit	3.1867
Peru	New Sol	2.7765
UK	Pound	0.6727
South Korea	Won	1141.98

Exchange rates index (Dec 2003=100)

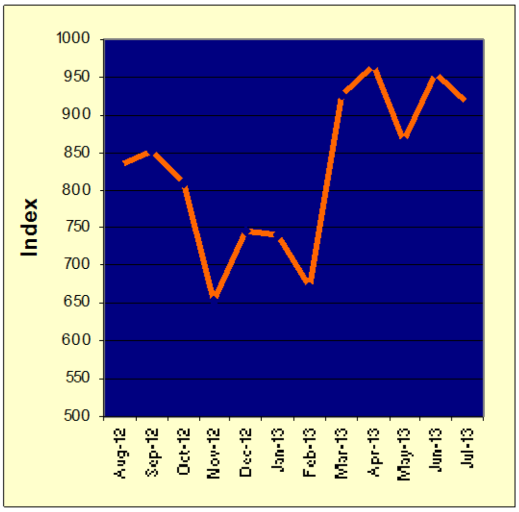




Abbreviations and Equivalences

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	Supplinementaire
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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