

# Tropical Timber Market Report

Volume 17 Number 14, 16th – 31st July 2013



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

## Contents

Central/West Africa	2
Ghana	3
Malaysia	4
Indonesia	5
Myanmar	7
India	7
Brazil	8
Peru	9
Guyana	11
Japan	12
China	13
Europe	16
North America	18
Currencies and Abbreviations	24
Ocean Freight Index	24

## Top Story

### **Indian industry fears re-introduction of import duties on wood products**

It has been reported that the government is considering raising import duties on some major imported items as it attempt to reduce the trade deficit.

Unfortunately wood and wood products are included in the list of items for which import duties may be raised. Import duties on wood products were removed some time ago when the current prime minister was finance minister.

The industry and forestry sector feel that a re-imposition of import duties on wood products would have a negative effect on the economy

(more on page 8)

## Headlines

	<i>Page</i>
<b>ITTO initiates work on EPD for tropical timber</b>	<b>4</b>
<b>Indonesia to host market dialogue in August</b>	<b>6</b>
<b>Brazil's June export trends encouraging</b>	<b>10</b>
<b>Peruvian plantation company executives learn from Chilean counterparts</b>	<b>11</b>
<b>Japan joins Trans Pacific Partnership talks</b>	<b>14</b>
<b>China changes transport license regulations to eliminate miss-use</b>	<b>17</b>
<b>EU tropical hardwood imports decline</b>	<b>19</b>
<b>Mexico enforcing new phytosanitary Regulations</b>	<b>23</b>

## Report from Central/West Africa

### No confidence that EU construction activity will improve market prospects

Producers are reporting that current levels of demand are as expected for this time of the year and well within their capacity. In the quiet trading environment there are no indications of any general trend in prices.

European markets remain depressed and producers do not foresee any short term opportunity to make substantial changes in production or prices.

Most producers are not optimistic that there will be any sudden change in demand from Europe buyers even when construction activity picks up after the traditional quiet market during the summer months.

### Firm demand in India and China the only bright spot in otherwise quiet market

Demand in China and India for logs and sawnwood remains good. Buyers for the Chinese market continue to support the trade and there have been some minor price increases since the end of June. Recently the price of tali logs increased by euro 10 cu.m FOB on the back of a surge in demand for this particular timber.

In recent weeks there have been more reports of producers in the region beginning to cut back on production of all but the most popular timbers. Cameroon log exports are active and the on-set of the rain season appears not yet to have affected transportation.

### BBC programme says EUTR failing to stop illegal timber getting to Europe

The British Broadcasting Service (BBC) recently aired a television programme alleging illegal logging in Congo Brazzaville.

See: <http://www.bbc.co.uk/programmes/b037lp1d>

The BBC says, "Raphael Rowe spent six months tracking logs from Congo's jungle, and discovers that new (EU) timber regulations are failing to stop illegally-felled wood getting into European stores and on to the consumer".

The UK Timber Trade Federation (TTF) was one of the first trade bodies to respond to BBC programme and selected quotes from TTF statement are reproduced below. For the full TTF response see:

<http://www.ttf.co.uk/Article/Detail.aspx?ArticleUId=FAAE986F-2618-40B0-945A-F377C096CFF3>

The TTF statement says: "John White, Chief Executive of the Timber Trade Federation said we applaud the programme makers for highlighting the damage and destruction that illegal, irresponsible, unsustainable logging practices can cause.

However, the danger with programmes of this nature is that the responsible, certified, legal and sustainable firms operating in tropical areas to strict business standards also get tarred with the same brush.

They will then retreat and pull their investment from these regions, leaving only these 'jungle outlaws' behind.

It highlights the need for all consumers to be aware of the origin of the products they are buying, and for active, engaging due diligence to be conducted, never accepting any products simply on good faith. This is exactly what the EU timber regulation (EUTR) is intended to achieve.

However, Panorama also makes clear that the EUTR needs consistent, high-levels of enforcement throughout the EU. It would appear that this is not happening. We will be raising the names mentioned in this programme with trade bodies in other member states and at EU level".

The Chief Executive of the Timber Trade Federation further said, "Roughly 90% of the timber traded by TTF members is certified, while the remainder has been through a rigorous risk assessment procedure.

We are extremely proud that, after six months of research by the BBC, there was no allegation of impropriety or wrongdoing against any TTF member or indeed any UK company in the programme".

### Proof of legality a prerequisite for trade to EU

It is unfortunate that the BBC television programme mentioned above failed to emphasise the substantial documentary proof of legality that timber exporters from all tropical timber producing countries now provide to EU importers.

This proof is required to satisfy the tough EU timber regulation which came into effect in March this year, the sole purpose of which is to eliminate illegally harvested timber from the EU market.

### Log Export Prices

West African logs, FOB	€ per m <sup>3</sup>		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	220	215	155
Ayous/Obeche/Wawa	220	210	150
Azobe & Ekki	220	220	145
Belli	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	-
Moungui	190	175	175
Niove	165	165	-
Okan	260	260	-
Padouk	330	310	230
Sapele	270	255	175
Sipo/Utile	310	290	165
Tali	290↑	290↑	-

### Sawnwood Export Prices

West African sawnwood, FOB		€ per m <sup>3</sup>
Ayous	FAS GMS	330
Bilinga	FAS GMS	520
Okoumé	FAS GMS	480
	Merchantable	290
	Std/Btr GMS	345
Sipo	FAS GMS	550
	FAS fixed sizes	-
	FAS scantlings	540
Padouk	FAS GMS	900
	FAS scantlings	890
	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

#### Upgrading the Abidjan-Lagos corridor road

On the 15th July the inaugural meeting of the five-nation ECOWAS Steering Committee on the upgrading of the 1,030 km Abidjan-Lagos corridor road project met to begin work on the legal and institutional framework, the terms of reference for various studies and on finance and resource mobilisation.

For the ECOWAS press release see:

<http://news.ecowas.int/presseshow.php?nb=223&lang=en&annee=2013>

The committee, comprised Ministers of Road Infrastructure, Transport, Public Works, Finance and Justice of Benin, Cote d'Ivoire, Ghana, Nigeria and Togo.

The road, which carries around 75 per cent of regional trade and impacts some 30 million people, links major cities such as Lagos, Cotonou, Accra, Lomé and Abidjan as well as the region's dynamic sea ports. The road also serves landlocked countries such as Burkina Faso, Mali and Niger.

The committee recommended that a feasibility study be conducted prior to securing financing support from the African Development Bank, the World Bank and the African Finance Corporation.

The ministers further recommended that the BRIC countries (Brazil, India, China and South Africa) should be approached with a view to securing the required financing.

#### Independent power producers to solve power shortages

Ghana's ministry of energy has released details of an agreement with General Electric (GE) for the building of additional power generation capacity in the country to alleviate the problem of power outages.

In a press release the ministry says,

"GE will be facilitating the development, financing and technical partnership required for the implementation of an incremental 1000MW of power in collaboration with the Government of Ghana over the next 5 years.

(see: <http://www.energymin.gov.gh/?p=1539>)

The agreement comes on the heels of the Government's proposed target to generate a total of 5000 Megawatts by 2016.

The Minister for Energy and Petroleum, Honorable Emmanuel Armah-Kofi Buah, commended GE on its efforts and stated that the Government of Ghana is committed to achieving increased power outputs through strategic collaboration with private sector investors.

He noted that the government is putting in place the necessary structures and creating the enabling environment to attract the needed Independent Power Producers (IPPs) to ensure that the country had a constant supply of power for economic growth.

The "Ghana 1000MW Project" will introduce the Power Park Concept to enable lower cost of power and faster implementation.

GE plans to develop the Power Park in collaboration with partners and investors as well as develop local capabilities and service providers in plant operation and maintenance".

#### Bamboo bio-energy technologies from INBAR

According to a Ghana News Agency report the International Network for Bamboo and Rattan (INBAR), is promoting bamboo charcoal technologies in Ghana which have the potential to contribute to growth in the bio-energy sector.

In a statement issued in Accra, the Country Director of INBAR, Michael Kwaku, said the China-Africa collaboration focuses mainly on bamboo to provide clean, safe and 'green' energy.

#### Boule Export prices

	Euro per m <sup>3</sup>
Black Ofram	235▲
Black Ofram Kiln dry	300▼
Niangon	512▲
Niangon Kiln dry	580▲

#### Domestic Log Prices

Ghana logs	US\$ per m <sup>3</sup>	
	Up to 80cm	80cm+
Wawa	150-165▲	170-185▲
Odum Grade A	169-174	178-188
Ceiba	115-133▲	138-150▲
Chenchen	100-108	111-128
Khaya/Mahogany (Veneer Qual.)	121-125▲	146-155▲
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 FAS 25-100mm x 150mm up x 2.4m up	€ per m <sup>3</sup>	
	Air-dried	Kiln-dried
Afrormosia	855	945
Asanfina	480	544
Ceiba	231↑	266↑
Dahoma	320↓	368↓
Edinam (mixed redwood)	384↑	500↑
Emeri	353↑	500↑
African mahogany (Ivorensis)	580↑	675↑
Makore	575↑	658↑
Niangon	513	613↑
Odum	642↑	769↑
Sapele	567↑	655↑
Wawa 1C & Select	275↑	323

### Export Rotary Veneer Prices

Rotary Veneer 1-2mm, FOB	€ per m <sup>3</sup>	
	CORE (1-1.9 mm)	FACE (2mm)
Ceiba	292↓	315↓
Chenchen	320	358↑
Ogea	320↓	350↓
Essa	322↓	355
Ofram	320	357

### Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afrormosia	1.32	0.80↓
Asanfina	1.20↓	0.99+
Avodire	1.12	0.72
Chenchen	0.85	0.60
Mahogany	1.30	0.60↓
Makore	1.26↓	0.54↓
Odum	1.88	0.72↓

### Export Plywood Prices

Plywood, FOB BB/CC	€ per m <sup>3</sup>		
	Ceiba	Ofram	Asanfina
4mm	424↓	600	641
6mm	420	592↓	622
9mm	360	409↑	475
12mm	366↑	435↑	439
15mm	322↑	374↓	373↑
18mm	305	363	367↑

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

### ITTO initiates work on EPD for tropical timber

Experts from Indonesia and Malaysia met in Bogor, Indonesia to prepare the workplan for development of environmental product declarations (EPDs) for three tropical wood products, meranti plywood, ipe decking and khaya lumber.

In 2003, ITTO published a review of available information on Life Cycle Analysis (LCA) for tropical timber products but did no further work until initiating the current EPD project.

The ITTO Trade Advisory Group (TAG) has, over the last few years, vigorously encouraged work on EPDs as international markets are demanding this information on tropical timber products especially as EPDs are already available for wood products from temperate and boreal countries and for alternatives to wood.

The current work will fill a critical gap in the environmental data for three tropical wood products and will hopefully stimulate more work tropical wood products.

The expected outcomes from the current work include a Life Cycle database, LCA reports for the three products conducted in line with ISO standards, assessment of the carbon footprint for the three products in line with the PAS2050 methodology and an overall EPD for each product examined.

### What is PAS 2050?

PAS 2050 is a publicly available specification for assessing product life cycle GHG emissions, prepared by BSI British Standards and co-sponsored by the Carbon Trust and the Department for Environment, Food and Rural Affairs (Defra).

PAS 2050 is an independent standard, developed with significant input from international stakeholders and experts across academia, business, government and non-governmental organisations (NGOs) through two formal consultations and multiple technical working groups.

The assessment method has been tested with companies across a diverse set of product types, covering a wide range of sectors.

### Across-the-board increases in 2012 exports from Sarawak

The Sarawak Timber Industry Development Corporation (STIDC) reported that the timber sector in Sarawak increased its contribution to state exports from RM 7.1 billion in 2011, to RM 7.5 billion in 2012.

Plywood was the main export revenue earner. The volume of plywood exported increased by 17% to 2.6 million cubic metres and the value of exports increased 6% to RM 4 billion (approx. US\$ 1.23 billion).

STIDC reported that Japan is still the biggest market for plywood from Sarawak accounting for of 1.4 million cubic metres (RM2.3 billion) followed by the Middle East 334,000 cubic meters (RM411 million) and Korea 331,000 cubic metres (RM427 million).

Exports to Japan, the Middle East and Korea constituted 79% of the total volume of all sawnwood exports in 2012.

The STIDC reported that, although the volume of log exports increased by 7% 3.3 million cubic metres compared to the 3.1 million in 2011, the value of log exports fell 2% to RM1.8 billion.

The Sarawak Timber Association reported a total harvest of 3.48 million cubic metres of meranti logs last year which made up almost a third of the 9.13 cubic metres of logs harvested last year.

India was the top buyer of logs with purchases of 2.1 million cubic metres (RM1.2 billion), followed by Taiwan P.o.C 387,000 cubic metres (RM213 million) and China 345,000 cubic metres (RM176 million).

2012 exports of sawnwood increased by 12% to 822,000 cubic metres from 731,000 cubic metres in 2011. The corresponding increase in export earnings grew by 13% to RM785 million.

Thailand remained the number one market for Sarawak sawnwood accounting for 240,000 cubic metres (RM235 million).

#### **Indicative plywood prices for various markets**

The Sarawak plywood manufacturers reported the following plywood FOB prices for MR BB/CC quality boards; Taiwan P.o.C, 8.5-17.5mm, US\$440; South Korea, 8.5-17.5mm, US\$460; China/Hong Kong 9-18mm, US\$450 and Middle East, 9-18mm, US\$430 – 435.

#### **Advancing Sustainable Trade in Asia**

Because Asia can play an important role in unlocking the production and trade of sustainable forest products PEFC will, in cooperation with the Malaysian Timber Certification Council, hold its first Forest Certification Week from 11-15 November 2013.

For more information see: <http://www.pefc.org/news-a-media/general-sfm-news/1231-pefc-forest-certification-week-2013-advancing-sustainable-trade-in-asia>

“There are tremendous opportunities for stakeholders in Asia to contribute to sustainable forest management in Asia, for both forest managers as well as companies along the timber value chain,” said Ben Gunneberg, PEFC Secretary General.

“As forest certification has yet to fully penetrate the Asian market and new approaches are required to strengthen market demand, build capacity and connect supply chains to deliver sustainable products.

PEFC will bring together diverse stakeholders across the forest sector landscape for this year’s Stakeholder Dialogue during the PEFC Forest Certification Week, to take stock and identify opportunities to catalyze action on and uptake of sustainable practices with respect to the forest based sector within the Asian region”.

### **Report from Indonesia**

#### **Despite government subsidies SVLK certification slow in Bali**

The Bali Industry and Trade Agency reported that of the more than 250 exporters specialising in wooden handicrafts in Bali only 18 have been SVLK certified.

Head of the forest product development division at Bali’s Forestry Agency, I Ketut Subawa has said that the Agency is finding it difficult to get community forest owners and wood craft exporters to submit to SVLK certification despite the subsidies provided by the Ministry of Forestry.

Forest owners and exporters are still not convinced of the benefits of SVLK certification.

Community forests in Bali are small at just over 9,700 ha but currently only around 60 ha. in Singaraja, Buleleng regency have been SVLK certified.

The Jakarta Post has reported Subawa as saying “Honestly, we are unable to provide the calculations when people ask what kind of price increase they can obtain after having their timber certified.

However, we can only guarantee that having their timber certified prevents them from having their products rejected in the export market.”

In related news the Indonesian government has demanded an explanation from EU officials on the delay in ratification of the VPA and a specific time frame for completion of all the formalities in Europe.

#### **SVLK clinics provide free support to industry**

To support the timber industries secure the mandatory SVLK certification consultation clinics have been established in Yogyakarta, Jepara, Surakarta, Pasuruan, and Jombang.

The establishment of these clinics was initiated by a non-governmental organization, Java Learning Center (Javlec), in collaboration with the provincial trade and industry offices in the various cities. This effort by Javlec is being supported by the Multi-Stakeholder Forestry Programme (MFP)-KEHATI.

The clinics provide advice to various stakeholders such as local government officials, timber enterprises, associations and field facilitators. The aim of this initiative is to address forest governance, licensing and synchronisation of activities of the associations.

#### **Domestic consumption will be future driver of economic growth**

Indonesia’s domestic demand continues to be robust, offsetting the slow growth in exports.

According to research by McKinsey Indonesia, 90 million Indonesians will by 2030 be considered the “consumer class”, a group with annual incomes surpassing \$3,600. This, says the McKinsey report, opens up business opportunities which could be as high as US\$1.8 trillion.

In a press release the Bank of Indonesia (BoI) has said that it expected the economy to expand by 6.1 percent in 2013 and by around 6.4 to 6.8 in 2014.



On the other hand, the World Bank is now forecasting the Indonesian economy to grow 5.9 percent in 2013, down from its previous forecast of 6.2 percent in March.

However, the Bank report notes that expectations are for a moderate slowdown in 2013 but the risk of a more pronounced slowdown is high as recovery in exports is expected to be slow and domestic investment is likely to weaken.

In related news the BoI released CPI inflation data. See: See:[http://www.bi.go.id/web/en/Ruang+Media/Siaran+Pers/sp\\_151113\\_dkom.htm](http://www.bi.go.id/web/en/Ruang+Media/Siaran+Pers/sp_151113_dkom.htm)

Inflation in June 2013 increased 1.03% compared to one month earlier, equivalent to 5.90% year on year which is consistent with the BoI projections.

The escalation of inflationary pressures was anticipated because of the recent lowering of fuel subsidies. The BoI expects the impact of higher fuel prices to be temporary lasting approximately three months followed by a subsequent easing.

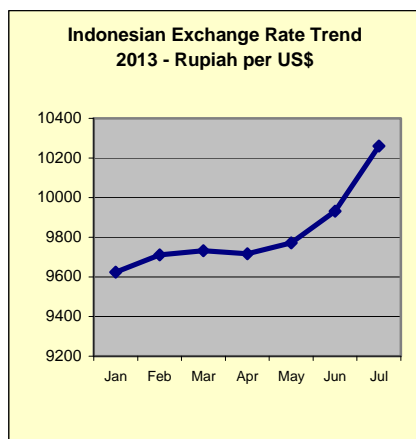
The BoI press release also notes that increased exports reduced the trade deficit in May. According to a Press Release issued today by BPS-Statistics Indonesia, the trade deficit in May was amounted to US\$ 0.6 billion, which is smaller than that posted in April at US\$ 1.7 billion. This was made possible by an increase in exports.

Encouragingly, the pace of export growth is most pronounced for manufactured goods, followed by primary goods.

#### Rupiah weakens sharply

On July 23 the rupiah was traded in the range of Rp10,120 – Rp10,265 to the dollar, a sharp drop from a month ago. The US dollar has strengthened recently.

Adding to the downward pressure on the rupiah has been large foreign exchange transactions by companies as well exchange transactions for repatriation of dividend and investment returns.



For the BoI press release see:

[http://www.bi.go.id/web/en/Ruang+Media/Siaran+Pers/SP\\_151713\\_DKom.htm](http://www.bi.go.id/web/en/Ruang+Media/Siaran+Pers/SP_151713_DKom.htm)

Compared to the exchange rate at the beginning of 2013 the rupiah has depreciated almost 6%. Bank Indonesia Governor, Agus D.W. Martowardojo has said, “In the last few days, the rupiah has been converging to a new equilibrium level which reflects the Indonesian economic fundamentals”.

He urged everyone to remain calm saying the BoI will continue to conduct thorough surveillance and protect the stability of the currency in relation to economic fundamentals.

#### Indonesia to host market dialogue in August

The Indonesian Exporters Association (GPEI), in collaboration with PT Mutu Hijau Indonesia, will host the third High Level Market Dialogue - 2013 on “The New Era of Indonesian Legal Timber Products to meet Global Markets”.

For information contact: Robianto Koestomo at [robiantokoestomo@mutuhijau.com](mailto:robiantokoestomo@mutuhijau.com)

Up for discussion will be the Indonesian SVLK (Timber Legality Assurance System), the Australian Illegal Logging Prohibition Bill, the EUTR (European Union Timber Regulation) and developments in other markets for verified legal timber products from Indonesia as well as how consumers are taking action to eliminate illegal timber from their markets.

With the introduction of Australia’s Illegal Logging Prohibition Act and the coming into effect of the EU Timber Regulation, along with further developments in the United States related to the U.S Lacey Act, as well as developments in China and Japan, GPEI together with PT. Mutu Hijau Indonesia see the value in once again convening a market dialogue, bringing together Indonesian and international trading partners from the forestry and timber sector.

The High Level Market Dialogue will be addressed by HE the Minister of Forestry, HE the Minister of Trade, HE the Minister of Industry and Minister of Cooperatives and Small and Medium Enterprises along with representation from Australia’s Department for Agriculture, Fisheries and Forestry, the UK Permanent Under Secretary of State for International Development and the EC Trade Commissioner.

#### Domestic Log Prices

Indonesia logs, domestic prices	US\$ per m <sup>3</sup>
Plywood logs	
core logs	220-240▲
Sawlogs (Meranti)	235-260▲
Falcata logs	200-230▲
Rubberwood	100-120▲
Pine	140-160▲
Mahoni (plantation mahogany)	150-200

**Domestic Ex-mill Sawnwood Prices**

Indonesia, construction material, domestic		US\$ per m <sup>3</sup>
Kampar (Ex-mill)	AD 3x12-15x400cm	445-500-
	KD	-
	AD 3x20x400cm	655-700▲
	KD	-
Keruing (Ex-mill)	AD 3x12-15x400cm	400-490-
	AD 2x20x400cm	520-580-
	AD 3x30x400cm	440-500▲

**Export Plywood Prices**

Indonesia ply MR BB/CC, export FOB		US\$ per m <sup>3</sup>
2.7mm		620-670▲
3mm		670-700▲
6mm		-

**Domestic Plywood Prices**

MR Plywood (Jakarta), domestic		US\$ per m <sup>3</sup>
9mm		410-450▲
12mm		390-440▲
15mm		300-340▲

**Export and Domestic Other Panel Prices**

Indonesia, Other Panels, FOB				US\$ per m <sup>3</sup>
<i>Particleboard</i>	Export	9-18mm	-	
		Domestic 9mm	-	
	Domestic	12-15mm	-	
		18mm	-	
<i>MDF</i>	Export 12-18mm			660-690▲
	Domestic 12-18mm			550-600▲

**Report from Myanmar****Teak tender prices**

The following prices were recorded for teak log sales during competitive bidding on 26th and 29th July during the Myanma Timber Enterprise tender.

Grade	Quantity (Tons)	US\$ per hoppus ton
4th Quality	11	6820
SG-1	20	4787
SG-2	25	3777
SG-4	345	3186
SG-5	186	2503
SG-6	109	2062
SG-7	105	1858

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

**Vessels waiting for cargo as log deliveries are slow**

Natural teak is still reported to be trading below expectations and demand for non-teak hardwoods remains very weak. Analysts say that delivery of logs to the port has been slow such that vessels have to wait for cargoes.

Durable species like pyinkadoe and thitya, ingyin are currently poor in demand. Some analysts say the weak Indian rupee has had a negative effect on sales as India is the major buyer of Myanmar teak.

**Myanmar timber certification committee replaced**

The Ministry of Environmental Conservation and Forestry (MOECF) has established a Myanmar forest certification committee (MFCC) which replaces the old Myanmar timber certification committee.

The new committee is more broad-based as it includes members from various ministries such as Health, Labour; National Planning, Science and Technology; Attorney General's Office; Myanmar NGO's and the Myanmar Timber Merchants' Association.

Some say this new committee lends more credibility to the process as it includes representatives outside of MOECF.

**Raising awareness on the EU FLEGT Action Plan**

An EU-MOECF workshop on FLEGT was held at the capital city, Naypyitaw in mid July and the MOECF Minister, Win Tun, provided an opening address.

The workshop was attended by the Director-Generals of MOECF and officials from the EU. One of the aims of the workshop was to increase awareness of the EU FLEGT Action Plan and the changes in the international timber markets.

Myanmar has not yet entered into negotiations with the EU on a VPA. Analysts say that it is definitely in the interest of the country to adopt a credible domestic system of legality verification.

Analysts expect Myanmar may follow the steps taken by other ASEAN member countries.

The consensus is that until an internationally acceptable scheme for legality verification is implemented in the country exporters may find it very difficult to expand trade with EU member states.

**Report from India****Exports fall but revival expected in second quarter**

Exports declined in the first quarter of fiscal 2013 dropping by almost 1.5% year on year to US\$72.4 billion.

At the same time imports of gold and silver also were down which helped narrow the trade deficit to a three month low of US\$12.2 billion in June 2013, a healthy figure when compared to the high of \$20.1 billion in May.

Declining exports are a global phenomena for those countries pursuing export led growth. China, for example, recorded a contraction in exports in June.

Indian exporters are asking the government to arrange an export credit facility as they are now severely hit by high interest rates from commercial banks.

The Indian Industrial Production Index also fell in May which, say analysts surprised many. Weak output numbers were anticipated but no-one expected negative growth.

However, despite the gloomy first half data analysts are optimistic that the export performance will have picked up in the second quarter. All eyes will be on the second quarter trade numbers when they are released

#### Industry fears re-introduction of import duties on wood products

India's trade deficit in the April-June period was a hefty US\$50 billion compared with US\$42.2 billion in the corresponding period last year. The numbers show that while exports fell imports rose. It has been reported that the government is considering raising import duties on high cost items and on gold.

Unfortunately wood and wood products are also included in the list of items for which import duties may be raised. The timber industry has been quick to point out that wood products are a basic raw material required for house building and for domestic manufacturing industries.

Import duties on wood products were removed some time ago when the current prime minister was finance minister. The removal of import duties was applauded by the forestry sector for the positive impact it had on reducing illegal logging and over cutting of domestic forests.

The industry and forestry sector feel that the re-imposition of import duties on wood products would be unfortunate as the benefits of duty free wood product imports for the economy and forest security would be lost.

#### Domestic teak prices climb at local auctions

The effects of higher landed costs of imported logs and wood products are now being felt in the domestic trade and on sale prices for domestic timber.

Recent auctions prices paid by millers have increased and average prices per cubic foot ex-depot were as follows:-

#### Teak log prices

Log length	Girth cm	Cu.ft
2 - 3 metres	46 - 60	Rs.1000~1100
"	61 - 75	Rs.1200~1300
"	76 - 90	Rs.1400~1500
"	91and up	Rs.1600 plus
3 - 4 metres	46 - 60	Rs.1300~1400
"	61 - 75	Rs.1500~1600
"	76 - 90	Rs.1700~1800
"	91and up	Rs.1800 plus
4 - 5 metres	45 - 60	Rs.1400~1500
"	61 - 75	Rs.1600~1700
"	76 - 90	Rs.1800~1900
"	91and up	Rs.1900 plus

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

3m to 4m Length	Per cubic foot
46 to 60 cm. girth	Rs -
61 to 75 cm. Girth	Rs 300-350
76 to 90 cm. Girth	Rs 400-450
above 91cm. girth	Rs 550 plus

#### Imported plantation teak prices

The demand for teak in India seems insatiable but the continued depreciation of the rupee is pushing up the cost of teak imports. Current prices, C & F Indian ports per cubic metre are shown below.

	US\$ per m3
Tanzania teak, sawn	350-700
Côte d'Ivoire logs	40-750
PNG logs	400-575
El-Salvador logs	350-650
Guatemala logs	330-500
Nigeria squares	300-450
Ghana logs	300-650
Guyana logs	300-450
Benin logs	350-600
Benin sawn	700-800
Brazil squares	350-600
Colombia logs	350-750
Togo logs	350-500
Ecuador squares	300-500
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	380-550
Uganda logs	550-650

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

#### Ex-mill prices for sawnwood

Domestic ex-sawmill prices for air dried sawnwood cut from imported logs. Price per cubic foot is shown below.

Sawnwood, (Ex-mill) (AD)	Rs. per ft3
Merbau	1600-1650
Balau	1800-1900
Kapur	1200-1250
Red Meranti	900-950
Radiata Pine (AD)	
Whitewood	600-650
	600-650



### Domestic prices for Myanmar teak processed in India

Slowing demand has resulted in relatively stable price structures.

Sawnwood (Ex-mill)	Rs. per ft <sup>3</sup>
Myanmar Teak (AD)	
Export Grade F.E.Q.	5500-12500
Plantation Teak A grade	4000-4250
Plantation Teak B grade	3000-3200
Plantation Teak FAS grade	2450-2800

Price variations depend mainly on length and cross section.

### Prices for imported sawnwood

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

Sawnwood, (Ex-warehouse) (KD)	Rs per ft <sup>3</sup>
Beech	1300-1350
Sycamore	1300-1400
Red oak	1500-1650
White Oak	1600-1800
American Walnut	2300-2400
Hemlock clear grade	1300-1400
Hemlock AB grade	1100-1200
Western Red Cedar	1600-1650
Douglas Fir	1200-1300

Price variations depend mainly on length and cross section.

### Plywood prices advance once more

Strong demand and the rising costs of resins and logs due to exchange rate fluctuations have resulted in plywood manufacturers raising prices once more.

### WBP Marine grade from domestic mills

Plywood, Ex-warehouse, (MR Quality)	Rs. per sq.ft
4 mm	32.00
6 mm	47.00
12 mm	71.35
15 mm	84.25
18 mm	101.25

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

Locally Manufactured Plywood "Commercial Grade"	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	Rs.15.65	Rs.25.00
6mm	Rs.23.50	Rs.34.00
8mm	Rs.29.60	Rs.38.10
12mm	Rs.35.25	Rs.44.50
19mm	RS.49.50	Rs.61.25
5mm Flexible ply	Rs.33.00	

### Imperial tobacco reports on plantation initiatives

Social and Farm Forestry initiatives by Imperial Tobacco Company (ITC) have added more than 17,000 hectares of plantations during 2012-13 and this brought the cumulative area of plantations to around 142,000 hectares.

Planting activities have increased the 'green cover' improved raw-material supplies and have generated over 64 million man-days of employment for rural households including poor farmers.

The combined planting of trees and agricultural crops during the early years of the plantation provides for agricultural increased agricultural production.

### Report from Brazil

#### Unfavourable outlook for inflation

Brazil's balance of payments posted a deficit of US\$1.3 billion in June and the current account turned in a deficit of US\$4 billion, accumulating a deficit of US\$72.5 billion in the 12-month period up to June, equivalent to 3.17% of GDP.

Brazil's Consumer Price Index (IPCA) eased 0.26% in June falling below the 0.37% registered in May 2013 resulting in the lowest IPCA since June 2012. In June the average exchange rate was BRL 2.17 to the US dollar compared to BRL 2.05 a year ago.

For the third consecutive time the Central Bank adjusted the interest rates as it moved to tame increasing inflation. The Monetary Policy Committee (Copom) increased the Selic rate by 0.5 percentage point to 8.5% per year and analysts say it could go to 9% in the next few months after starting 2013 at just 7.25%, a historic low.

A note on the Central Bank website says "The committee considers that this decision will contribute to put inflation on the decline and assure that this trend will persist next year,"

Greater than anticipated inflationary pressures have caused domestic prices to rise sharply prompting street protests. The higher than forecast inflation has undermined the effects of government stimulus measures and affected consumer confidence, industrial output and retail sales. Policy makers have reiterated warnings that the outlook for inflation remains unfavorable.

#### Appreciation of US dollar pushes up domestic furniture prices

The Association of Furniture Industries of the State of Rio Grande do Sul (MOVERGS) has said that the recent appreciation of the US dollar was one of the main reasons for last months' increase in furniture prices.

The stronger dollar raises the cost of imported inputs and raw materials and companies find hard to absorb the higher production costs so must pass the rise onto consumers. High production costs are an obstacle to the furniture industry of Rio Grande do Sul state.

Despite government incentives such as the home development programme "My Better Home" (Minha Casa Melhor) which offers access to competitive credit for low-income families for the purchase of furniture and appliances furniture, manufacturers have not been able to recover their competitiveness in either the domestic or international market.

The extension, until only September this year, of the reduction in the tax on industrialized products (IPI) for furniture also influenced furniture prices say furniture producers.

While the extension of the tax reduction could boost sales in the short-term, manufacturers are looking long term and preparing for the tougher trading conditions to come.

#### **New furniture centre and industrial park in Acre**

Manufacturers in the municipality of Xapuri, state of Acre, are benefiting from a new furniture cluster and restructuring of the old Industrial Park.

This investment by the state government is aimed at stimulating the timber sector economy and at bringing workers in the sector into the formal, registered workforce.

Until now workers in the sector operated informally and could not secure state production and environmental licenses. This made it difficult for them to purchase raw materials in the regular market forcing them to turn to alternative, often illegal, suppliers.

The creation of furniture clusters was made possible through support from the Brazilian Development Bank (BNDES) which allocated some BRL 17 million for this and other activities. The plan is to construct and refurbish 10 industrial parks for the sector.

The Acre state government recognises the value of the wood product manufacturing sector and wants to provide stable and decent working conditions for workers in the sector so they can contribute to the economic development of the State.

#### **June export trends encouraging**

In June 2013, wood products exports (except pulp and paper) increased 7.7% compared to values in June 2012, from US\$190.9 million to US\$205.6 million.

Pine sawnwood exports increased 3.1% in value in June 2013 compared to June 2012, from US\$12.9 million to US\$13.3 million. In terms of volume, exports fell 2.4%, from 59,500 cu.m to 58,100 cu.m over the same period.

Tropical sawnwood exports declined 5.4% in volume, from 31,600 cu.m in June 2012 to 29,900 cu.m in June 2013 (from US\$15.6 million to US\$15.5 million).

Pine plywood exports declined 3.2% in value in June 2013 compared to June 2012, from US\$34.2 million to US\$33.1 million (from 87,600 cu.m to 85,700 cu.m.).

In a reverse of recent trends, tropical plywood exports increased 4.9% in volume, from 4,100 cu.m in June 2012 to 4,300 cu.m in June 2013. But the value of exports fell 7.7%, from US\$2.6 million in June 2012 to US\$2.4 million in June 2013.

A slight decline in furniture exports was recorded in June 2013. Furniture export values fell from US\$38.2 million in June 2012 to US\$ 37.9 million in May 2013.

#### **Potential in Colombian furniture market assessed**

The 'Brazilian Furniture Project' supported by the Brazilian Agency for Export Promotion and Investments (Apex-Brazil) will provide information to furniture manufacturers on opportunities in the Colombian furniture market.

The 'Brazilian Furniture Project' currently brings together 64 companies offering them benefits such as access to business intelligence, information and participation in national and international events.

The main target markets are the United States, Mexico, Peru, Chile, the United Arab Emirates, Colombia, South Africa, Russia and Angola.

Apex-Brazil says Brazil's furniture exports to Colombia can be increased. Colombia imported furniture valued at US\$ 185.3 million last year but Brazil accounts for just 6% of this total. Imports from the United States accounted for 8% while imports from China were a massive 50%.

Brazilian exporters hope to capitalise on their design, aesthetic style furniture, functionality and quality to secure a larger slice of the Colombian market.

#### **Domestic Log Prices**

Brazilian logs, mill yard, domestic	US\$ per m <sup>3</sup>
Ipê	163↓
Jatoba	109↓
Guariuba	87↓
Mescla (white virola)	91↓

#### **Export Sawnwood Prices**

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per m <sup>3</sup>
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 m <sup>3</sup>
Northern Mills (ex-mill)	Ipê 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 m <sup>3</sup>
White Virola Face 2.5mm	341
Pine Veneer (C/D)	240

#### **Domestic Veneer Prices**

Rotary cut Veneer, domestic	US\$ per m <sup>3</sup>
(ex-mill Northern Mill)	Face Core
White Virola	265↓ 217↓

### Export Plywood Prices

Plywood, FOB	US\$ per m <sup>3</sup>
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 m <sup>3</sup>
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 m <sup>3</sup>
Grade MR (B/BB) White Virola 4mm	444↓
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 m <sup>3</sup>
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 m <sup>3</sup>
Decking Boards	
Cambara	1,002▲
Ipê	2,688▲

## Report from Peru

### New 'Atlas' a tool to prevent misuse of the natural forest

The much awaited forest concession Atlas which identifies forest cover loss due to various practices has been launched by the National Forest Supervisory and Wildlife Resources Service (OSINFOR). This Atlas provides a tool to assess and therefore plan prevention of misuse of the natural forest.

OSINFOR is the national body responsible for supervising and monitoring the sustainable use and conservation of forest resources and wildlife.

The Atlas will eventually identify areas prone to erosion and loss of biodiversity and will help identify forest loss from shifting cultivation, the biggest risk to tropical forests in the country.

The Atlas contains recommendations on the design and implementation of a geographic information system for the management and presentation of information gathered. It also illustrates a conceptual model and the application of the proposed Geographic Information System using GIS analysis software ArcGIS 10.0.

### Value the forests to encourage domestic growth says ADEX

Erick Fischer, chairman of Wood and Wood Industry Exporters Association (Adex) said last week that exports of wood products for the first half of this year fell almost 6% because of weak international and domestic demand.

He further indicated that the timber sector has the potential to contribute more to the national economy as there is an area of around 17 million hectares of permanent production forests that can be harvested sustainably.

"The current system of forest management and concession allocation fails to (adequately) value the forests as a means to encourage domestic growth", he said.

In this regard, there is a need to promote policies in which the central government empowers regional governments for implementation of effective management to achieve sustainable timber flows to the domestic industry.

### Programme for recovery and conservation of Amazonian forests

The Inter-American Development Bank has provided funds for a sustainable forest development programme, some of which will be used for development activities in the Peruvian Amazon."

According to the Ministry of Economy and Finance (MEF), this programme is aimed at the recovery and conservation of Amazonian forests by strengthening public forestry institutions and the competitiveness of the forest sector.

Its implementation will be the responsibility of the Ministry of Agriculture, through the National Forest Service and Wildlife (SERFOR).

### Peruvian plantation company executives learn from Chilean counterparts

A group of businessmen whose companies are involved in reforestation recently visited Chile to get first hand experience of the latest technological advances related to site preparation, mechanised planting, tree breeding and modern nursery technology.

The group also examined industrial plantation harvesting and utilisation systems for chip, pulp, paper and solid wood product manufacture.

The visit enabled the privates sector group from Peru to interact directly with their Chilean counterparts. Analysts suggest this visit has motivated the Peruvian group to move forward in their plantation development investments.

### Export Sawnwood Prices

Peru Sawnwood, FOB Callao Port	US\$ per m <sup>3</sup>
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 <sup>3</sup>
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	428-487
Grade 2, Mexican market	358-404
Cumaru 4" thick, 6'-11' length KD	
Central American market	834-849
Asian market	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 <sup>3</sup>
Spanish Cedar AD Select Mexican market	887-909
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	429-467
Grade 2, Mexican market	332-377
Grade 3, Mexican market	161-176
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	314-341

#### Domestic Sawnwood Prices

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

#### Export Veneer Prices

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

#### Export Plywood Prices

Peru plywood, FOB Callao (Mexican Market)	US\$ per m <sup>3</sup>
Copaiba, 2 faces sanded, B/C, 15x4x8mm	318-347
Virola, 2 faces sanded, B/C, 5.2x4x8mm	412-420
Cedar fissilis, 2 faces sanded 4x8x5.5mm	759-770
Lupuna, treated, 2 faces sanded, 5.2x4x8mm	363-385
Lupuna plywood B/C 15x4x8mm	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 (Iquitos mills)	US\$ per m <sup>3</sup>
122 x 244 x 4mm	444
122 x 244 x 6mm	397
122 x 244 x 8mm	415
122 x 244 x 12mm	399
(Pucallpa mills)	
122 x 244 x 4mm	463
122 x 244 x 6mm	439
122 x 244 x 8mm	430
122 x 244 x 12mm	429

#### Domestic Prices for Other Panel Products

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

#### Export Prices for Added Value Products

Peru, FOB strips for parquet	US\$ per m <sup>3</sup>
Cabreuva/estoraque KD12% S4S, Asian market	1287-1388
Cumaru KD, S4S Swedish market	866-981
Asian market	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

### Firm demand in Asia for wide variety of Guyana logs

Greenheart logs are yet to attract overseas buyers and during the period reviewed there were no exports of greenheart logs.

On the other hand, exports of purpleheart logs continue and purpleheart Standard Sawmill Quality logs attracted favourable top end prices of US\$235 per cubic metre FOB, while purpleheart Fair Sawmill Quality logs were traded at top end FOB prices of US\$205 per cubic metre. There were no exports of Mora logs during this period.

Asia continues to be the main market for Guyana's logs. In addition to greenheart, purpleheart and mora several other species such as kabukalli (*Goupia glabra*), shibadan (*Aspidosperma album*) and wamara (*Swartzia leiocalycina*) were in demand in Asian markets.

### Sawn white silverballi attracts buyers in Qatar

Sawnwood exports continue to make a valuable contribution to total export earnings.

Undressed greenheart FOB prices eased in the period reviewed. Select Quality greenheart undressed sawnwood top end FOB prices fell slightly from US\$1,230 to US\$954 per cubic metre.

Sound Quality greenheart undressed sawnwood earned as much as US\$636 per cubic metre FOB, while Merchantable Quality FOB prices held at US\$636 per cubic metre.

Undressed purpleheart was shipped to the US at a significantly higher top end price of US\$1,908 per cubic metre. Other markets for Undressed purpleheart included the Caribbean, Qatar and New Zealand.

During the period reviewed Undressed mora Select Quality FOB prices advanced from US\$500 to US\$594 per cubic metre.

In addition to the trade in species mentioned above there were sales of Undressed Sawn white silverballi (*Ocotea canaliculata*) at a high end price of US\$2,218 per cubic metre FOB in the Middle Eastern market.

### Trade in dressed sawnwood improves

Export prices for sawn Dressed greenheart were good and the top end price increased from US\$1,060 to US\$1,166 per cubic metre FOB in the Caribbean market.

In contrast Dressed purpleheart prices remained unchanged at US\$1,102 per cubic metre FOB.

Sawn Dressed kabukalli (*Goupia glabra*) earned favourable market price earning as high as US\$975 per cubic metre FOB.

### Caribbean markets significant consumers

Guyana export plywood FOB prices dropped marginally from US\$584 to US\$578 per cubic metre. Splitwood



(shingles) were traded at US\$977 per cubic metre FOB with the Caribbean being the leading market for this product.

Roundwood (greenheart piles) secured good prices of US\$ 599 per cubic metre FOB in the North American market while exports of wallaba posts fetched fair prices of US\$510 per cubic metre FOB in the Caribbean.

#### Update EU FLEGT VPA Process

The VPA process has been moving within the timeframe set out in the 'roadmap' agreed between Guyana and the European Union.

The National Technical Working Group (NTWG) held consecutive weekly meetings in preparation for the second round of negotiation focusing on progress on the development of the VPA Objectives and Structure, the Scope of Agreement, the Legality Definition, Compliance Framework, Community Importation Procedures and the FLEGT License Specification.

In addition, preparations were also being made to present the issues and concerns arising from the process.

A second round of negotiations was held in Brussels on July 18 and the National Technical Working Group was comprised of 14 members representing all of the major stakeholder groups.

#### Guyana participates in Chatham House meeting

Guyana was given the opportunity to participate at a Chatham House meeting on the VPA on July 8 and 9 in London.

Representatives from Guyana's private sector, government and civil society attended the meeting and each group was given the opportunity to report on progress made on the FLEGT VPA 'roadmap'.

Presentation topics included: Guyana's engagement with EU FLEGT VPA – progress to date, good Guyanese timber – A participatory approach, Building the competence of indigenous communities in relation to Guyana-EU FLEGT VPA and Forest activities in indigenous communities

#### Consultants identified for VPA communication strategy development

The government of Guyana has completed the recruitment process for consultants to design a communication strategy and the scoping of impacts for the VPA. Work on both the communication strategy and the Scoping of Impacts is scheduled to commence shortly as they are integrally a part of the development of the VPA.

#### Export Log Prices

Logs, FOB Georgetown	SQ - \$ Avg unit value per m <sup>3</sup>		
	Std	Fair	Small
Greenheart*	-	-	-
Purpleheart	205-235	200-205	-
Mora	-	-	-

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

#### Export Sawnwood Prices

Sawnwood, FOB Georgetown		\$ Avg unit val. per m <sup>3</sup>	
EU and US markets		-Undressed	Dressed
Greenheart	Prime	-	-
	Standard	-	650-1,166
	Select	594-954	
	Sound	630-636	
	Merchantable	594-636	
Purpleheart	Prime	-	-
	Standard	-	1,102
	Select	640-1,908	
	Sound	-	
	Merchantable	-	
Mora	Prime	-	
	Select	500-594	
	Sound	-	
	Merchantable	-	

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

#### Export Plywood Prices

Plywood, FOB Georgetown Port			\$ Avg unit val. per m <sup>3</sup>
Baromalli	BB/CC	5.5mm	-
		12mm	450-578
	Utility	5.5mm	-
		12mm	-

### Report from Japan

#### Timing of consumption tax increase critical if another recession to be avoided

The Liberal Democratic Party (LDP) now has a majority in both the lower and upper houses of Japan's parliament, having secured the biggest parliamentary majority in six years in the July 21 election.

But the prime minister is facing political dissent within the party over plans to increase the consumption tax. Many in the LDP are saying such a move will undermine the fledgling recovery in the Japanese economy, possibly tipping it back into recession.

But if the government does not act to reduce the massive debt burden and continues with its stimulus package focused on civil works the market could begin to doubt whether the government is serious about realigning the Japanese economy.

Furthermore, the talk of structural reforms including participation in the Trans Pacific Partnership trade negotiations which if concluded would mean farmers in Japan have to face severe competition from imports is another area undermining unity in the LDP.

The prime minister has supported monetary and fiscal stimulus along with deregulation as two of his 'three-arrow' economic strategy to end deflation but must move cautiously in developing policies for the third arrow.

Mis-timing the introduction of the consumption tax increase could seriously affect consumer spending and pull down economic growth prospects.



### Japan joins TTP talks

Talks on the Trans Pacific Partnership (TPP), took a step further when negotiators met in Kota Kinabalu, Malaysia in July.

For the first time government and private sector representatives from Japan were at the talks. The TTP now involves 12 Pacific countries, Brunei, Chile, New Zealand, Singapore, United States, Australia, Peru, Vietnam, Malaysia, Mexico, Canada and Japan.

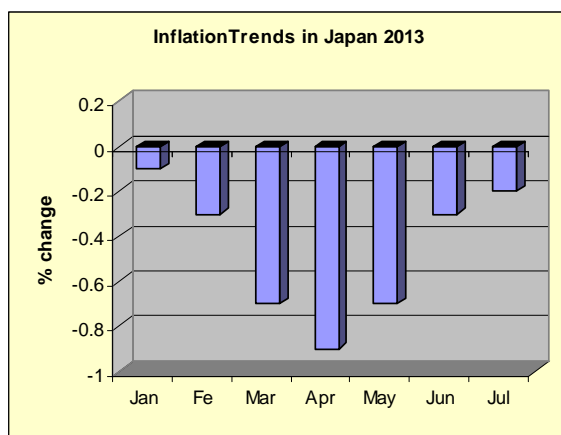
The TPP aims to eventually remove tariffs and other trade barriers in areas such as government procurement and set standards for workers' rights, environmental protection and intellectual property rights. Forestry and wood products will feature in the negotiations.

### Is Japanese economy shedding deflation?

Japan's consumer price index (CPI) rose by 0.2 percent in June the biggest gain since 2008. If fresh food is excluded from the index then it rose by 0.4 percent from a year ago.

Many analysts are hailing this movement in the CPI as evidence that the aggressive monetary policies of the Japanese government have created a measure of inflation, seen as crucial to reverse the downward trend in growth in Japan.

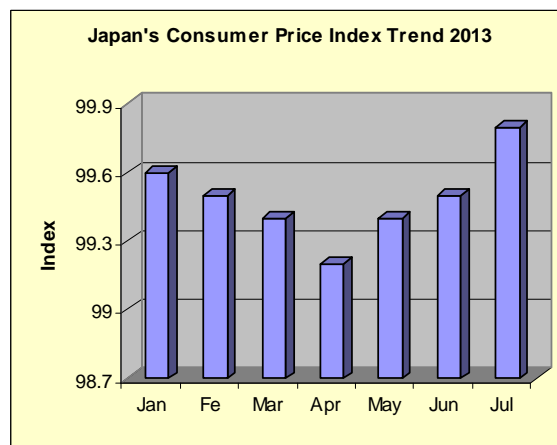
However, if energy prices are discounted from the index then the picture is not so encouraging since the CPI excluding food and energy actually fell. Japan's energy imports have skyrocketed since the closure of almost all of the nuclear power plants in the country.



Source: Statistical Office, Japan

In Japan, the most important categories in the consumer price index are food (25% loading); housing (20%); transportation and communications (14%); fuel, electricity and water charges (7%) and medical costs (4%)

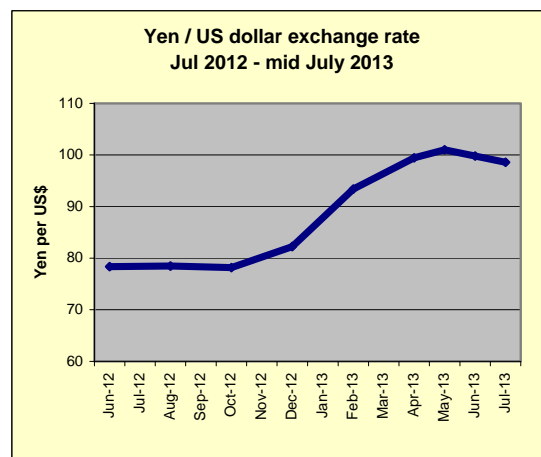
The energy import bill will continue to climb and, as the government works to weaken the yen, the cost of all imports will rise which will drive the CPI higher. See: <http://www.stat.go.jp/english/data/cpi/1581.htm>



Source: Statistical Office, Japan

### LDP victory spurs rise in yen

The yen rose against the dollar for the first time in four sessions in July after the Liberal Democratic Party won a widely expected majority in elections for the upper house of parliament.



The election victory will strengthen the government's mandate for reflationary policies however some analysts said that there is not much more the government can do to stimulate the economy.

Despite the brief rally of the yen the US dollar is now up around 16% against the Japanese currency for the year.

### 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:

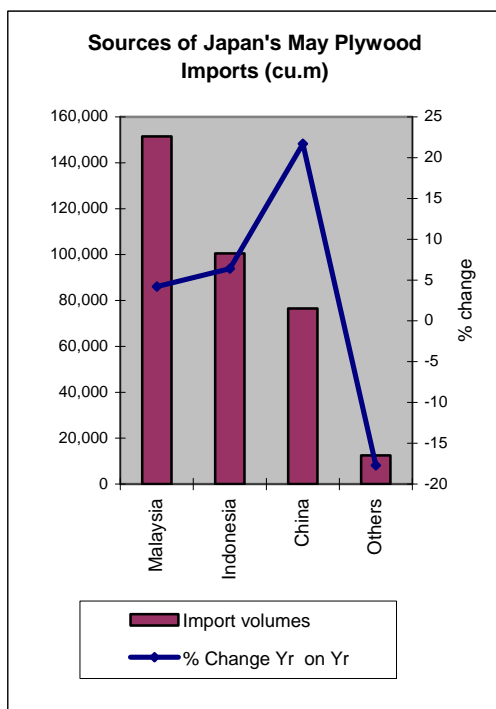
<http://www.n-mokuzai.com/modules/general/index.php?id=7>

### May plywood supply

Total supply of plywood in May was 571,000 cbms, 7.7% more than May last year and 2.1% less than April.

This is high level supply followed April. Imported plywood exceeded 340,000 cbms for two straight months and domestic production was also over 210,000 cbms.

Imported volume in May was 341,200 cbms, 7.3% more and 1.9% less. Average monthly arrival for last five months was 323,100 cbms. Malaysian volume dropped by 13,000 cbms from April while Indonesian volume increased by 8,300 cbms, which is the first time that Indonesian volume surpassed 100,000 cbms since August 2011.



Data source: Japan Lumber Reports

Purchases of floor base increased with expanding housing starts so June arrivals are expected higher again. Average monthly arrival of imported plywood for last 12 months is 305,000 cbms.

Import from Malaysia will decline as June shipment by the largest supplier was 40% less than May and July would be the same.

Domestic plywood production in May was 229,700 cbms, 8.4% more than May last year and 2.3% less than April, out of which softwood was 213,800 cbms, 9.3% more and 2.8% less.

Shipment of softwood plywood was 210,800 cbms, 15.0% more and 4.7% less. The shipment exceeded 200,000 cbms for eight consecutive months. The inventory increased by 3,000 cbms with 127,100 cbms, only about a half month volume for the monthly shipment.

### South sea (tropical) logs

The rain season in log producing regions is over and log production is recovering. Main reason of log supply tightness and high log prices was brought on by aggressive purchases by India but since late June and July, India's purchases slowed down so that log prices have been calming down.

The highest price of Sarawak low grade meranti logs for India in May was \$290 per cbm FOB, which dropped down to \$240 by early July. Then India started buying actively in mid July again after log prices dropped so the supply situation is getting tight again.

Meranti log prices for Japan are about \$290 per cbm FOB but the importers think this is time to reduce FOB prices more considering cornered Japanese plywood mills. Small meranti prices are about \$250 and super small are about \$220.

In PNG and Solomon Islands, FOB prices shot up in April and May. There are variety of log prices, depending on quality and available volume. FOB prices of calophyllum logs for plywood are about \$300 per cbm, \$5 higher than last month.

Log prices in Japan are 9,800-9,900 yen per koku CIF on meranti regular, 300-400 yen higher than in June.

With high FOB prices and weak yen, current log prices in Japan are the highest so the importers worry that unless log prices are reduced, Japanese plywood mills would die out despite effort of price hike of plywood.

### Mitsubishi estate home copes with wood use point system

Mitsubishi Estate Home Co., Ltd. is preparing to deal with the Woos Use Point System by using domestic materials for structural members and interior materials.

Also, the second floor timbers are switched to domestic product of softwood 24 mm panel so that all the models are now object of the Wood Use Point System. It also prepares to offer trading items like furniture.

In their 2x4 houses, it replaced south sea (tropical) hardwood plywood to domestic softwood plywood more than ten years ago then sill and girder are replaced to domestic cypress.

Also I joist and LVL made out of domestic larch are used for second floor joist. Except for main structural item of SPF lumber, it has been replacing domestic materials gradually thus percentage of domestic wood is high thus it can deal with the Wood Use Point System. Now after second floor is switched to 24 mm domestic softwood plywood, whole unit is qualified to the system.

### Pan Pacific developed thermal modified timber

Pan Pacific Forest Product (Napier, New Zealand), a subsidiary of Oji Paper group, newly developed 'Thermal Modified Timber' (TMT).

TMT is highly dried lumber recovered from pruned butt logs of radiata pine. Pan Pac installed high temperature processing kiln as experimental facility in February 2012 and has made test development. Then by March next year, it will install German made high temperature kiln with capacity of 80 cbms and will start commercial production.

Radiata pine lumber, which is dried by normal kiln to bring moisture content down to about 10%, is retreated by high temperature kiln, which brings temperature to 220-230 Celsius gradually in 36 hours then leave it for three hours. Then the temperature is gradually reduced in 30 hours. Final moisture content will be 6-7%.

TMT is said to be durable with high dimensional stability and preservative treatment is not necessary so it is ideal for exterior use like decking, window frame and siding board. It will be on the market next year with annual production of 9,000 cbms.

### Report from China

#### Prices for newly constructed homes continue to rise

The National Bureau of Statistics of China in a press release has updated the trends in house prices, see [http://www.stats.gov.cn/english/pressrelease/t20130718\\_402912311.htm](http://www.stats.gov.cn/english/pressrelease/t20130718_402912311.htm)

The report says compared to the previous month prices for newly constructed residential buildings in the cities surveyed fell in 5 locations, remained at the same in 2 but increased in 63. The highest month-on-month increase was 2.4 percent.

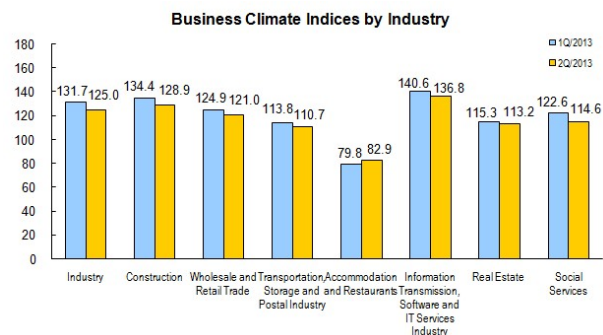
Compared to levels in May, prices of second-hand residential buildings fell in 8 cities, remained at the same in 7 and increased in 55 where the highest month on month increase was 1.3 percent.

#### Business climate index drops in second quarter

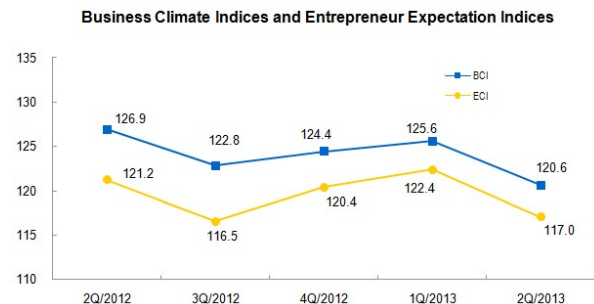
The recent National Business Climate Survey shows that the business climate index (BCI) was 120.6 in the second quarter, down 5.0 points quarter-on-quarter, but still significantly higher than the critical value 100. See: [www.stats.gov.cn/english/pressrelease/t20130716\\_402911467.htm](http://www.stats.gov.cn/english/pressrelease/t20130716_402911467.htm)

In the second quarter, the entrepreneur expectation index (ECI) also fell to 117.0, or 5.4 points down on the previous quarter.

However, the Bureau reports that, in terms of enterprises profit level, 74% of enterprises indicated that their second quarter 'profit status' was "normal" or "better than normal" slightly better than in the first quarter.



Source: National Bureau of Statistics of China



Source National Bureau of Statistics of China

#### Income growth spurs domestic consumption

The average disposable income of urban Chinese residents was yuan 13,650 (approx. US\$2,200) in the first half of the year, up 9 percent from a year earlier. The disposable income of rural residents rose to yuan 4,170, up 13 percent year-on-year, according to the National Bureau of Statistics.

Retail sales of consumer goods rose by 12.7 percent in the first six months to yuan 11.08 trillion compared to the 12.4 percent growth in the first quarter. Beijing, Shanghai and Guangzhou, with around 10 percent of China's population, account for almost a quarter of all consumer spending.

#### Eight years on from currency reforms

Currency traders in China recently celebrated the eighth anniversary of the China exchange rate reform. In the period after the exchange rate regime was loosened the Chinese currency has strengthened about 35 percent against the US dollar and some 20 percent against the euro.

The People's Bank of China (Central Bank) has said that the current exchange rate is close to what it terms "the equilibrium level" or the level where currency demand and supply are balanced.

China loosened the peg of the yuan to the US dollar in mid 2005 allowing a managed floating exchange rate mechanism within prescribed limits with reference to a basket of currencies.

This change from a fixed exchange rate is helping the yuan become an international currency.

### **Changes to transport license regulations to eliminate miss-use**

On June 18, the State Forestry Administration (SFA) issued regulations for supervision and management of timber transport which goes further in standardising the management of timber transportation.

In the new regulations the transport of plywood, fibreboard, particle and flake boards, furniture and bamboo furniture as well as wooden handcrafts should not be included in certificated transport regulations.

Further, imported wood products transported to the final destination needs no timber transport certificate but if it is to be off-loaded and re-loaded a transport certificate is required and this will be issued on presentation of the import permit.

The purpose of the change in regulation is to stop the uncontrolled expansion in the scope of timber transport certificate issuance as well as to eliminate unauthorized collection of fees for transportation.

### **Kunshan wood product exports recover in first half 2013**

Statistics from the Inspection and Quarantine Bureau of Kunshan City indicate that value of first half year wood product and furniture exports from manufacturers was US\$330 million increased.

In the first quarter exports expanded by 15% and by 22% in the second quarter compared with the same quarters last year, a performance, much better than in most other parts of China.

Analysts say this accomplishment is impressive given the tough foreign trade environment in the first half of 2013. In March this year the EU, the second largest market for wood products from Kunshan, introduced the EUTR and issued new environmental design requirements for timber and wood products.

All companies exporting to the EU must now submit evidence of the legality of the timber used in manufacturing..

The new EU regulation has increased the cost of exporting wood products and has reduced the competitive price advantage previously enjoyed by Chinese manufacturers.

Despite the improvement in exports there are risks for the Kunshan manufacturers as they have been relying on the business of producing products to importers designs. Such a business model places these manufacturers at the low end of the production chain and delivers very slim profit margins.

As global demand for furniture remains stagnant and production costs rise companies are realising they are at risk.

The authorities in Kunshan have recommended that manufacturers should make more efforts to diversify their

international markets by developing a trade with African and South American countries.

In addition the Chinese manufacturers are being encouraged to make good use of local policies to increase competitiveness and reduce reliance on American and European markets.

Companies are being encouraged to establish their own brands and improve their quality, develop higher added value products and increase the core competitiveness of wood product and abandon reliance on low prices.

### **Imports through Zhangjiagang Port fall in first half 2013**

From January to June 2013 timber imports through Zhangjiagang Port totaled 1,471,200 cubic metres (logs and sawnwood) with a value of US\$346 million. This represents a decline of 9% in volumes handled and a drop of 12% in the value of imports compared to the same period in 2012.

Log imports were 1,441,200 cubic metres or 98% of the total but down 9%. Sawnwood imports were 288,000 cubic metres import of which fell 24% from the same period in 2012. Of the imported timber, 98% was by bulk carriers and only 2% containerised.

In the first half the number of supply countries was 27, down by 11. In terms of volumes import volumes fell for all suppliers except for Equatorial Guinea and Malaysia.

Imports from Oceania amounted to 952,600 cubic meters, from Southeast Asia 111,000 cubic metres and from Africa 401,300 cubic metres.

Zhangjiagang Port is currently the largest port for imported timber but it is losing competitiveness while other ports such as Taizhou, Taicang and Changshu business are developing rapidly.

### **Linden market is weak while Korean pine is in short supply**

Analysts report that demand for linden or basswood is weak saying that demand in the home decoration market and by shoe manufacturers has fallen. Traders are reporting that monthly sales have fallen sharply and prices have eased considerably.

On the other hand the news in the market is that red pine is in short supply where in Guangdong prices for 2-4m length, 2.5-5cm thickness red pine are at yuan 2800-3200 per cubic metre.

### **Timber markets in NE China face a further tough six months**

The timber markets in northeast China have reported very slow business over past months and sales of most products were much lower than last year. Traders are saying that even when they lowered prices there no interest from manufacturers, particularly those supplying export markets.

It is generally agreed that timber demand in Northeast China will not recover in the second half of the year.

#### Guangzhou Yuzhu International Timber Market

Logs		Yuan/cu.m
Lauan	Diameter 60 cm <sup>+</sup>	2000-2200
Kapur	Diameter 80 cm <sup>+</sup>	3100-3200
Merbau	Diameter 100 cm <sup>+</sup>	5200-5400
Teak	Diameter 30-60 cm	6500-13000
Wenge		4300-4800
Red Oak (France)	Diameter 30 cm <sup>+</sup>	2500-2600
Purpleheart	Diameter 60 cm <sup>+</sup>	3500-3600
Rosewood		3700-4200
Sawnwood		Yuan/cu.m
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 (Africa)	grade A	4300-4700
Sapelli (Africa)	grade A	5800-6300
Beech (Europe)	grade A	4500-4800
Red Oak (North America)	2 inches FAS	7000-7300
Cherry (North America)	2 inches	9800-10500
Maple (North America)	2 inches	8700-8900
Merbau (Indonesia)	All grade	8500-13500

#### Hangzhou Timber Trading Market

Logs		Yuan/cu.m
Ash	4 m 30 cm	3200-4800
Larch	4 m 8 cm 10 cm	1800-2900
Linden	4 m 26 cm	2400-3500
Sawnwood		Yuan/cu.m
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
Korean Pime	6m	30 cm	1400
	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' x8' x3 mm	40-80
Black walnut	4' x8' x3 mm	40-85
Teak	4' x8' x3 mm	45-110

### Report from Europe \*

#### European economies hit bottom but unlikely to bounce back any time soon

The European economy may finally be exiting its longest post-war recession but entering a period of stagnation or very weak growth at best, latest data suggest.

The purchasing managers index (PMI) for the euro zone rose to a 15-month high of 48.9 in June. Germany's PMI rose 0.7 point to 50.9, signalling modest growth. France's score also rose but remained below 50.

PMI scores of below 50 signal falling business activity, so even June's improved reading points to a slight drop in euro-zone activity in the second quarter.

The PMI suggests that any recovery in coming months will be too weak to halt the rise in unemployment in Europe or to alleviate the region's public and private debt burdens.

However, the PMI also suggests that, following a 0.9% (annualised) fall in euro-zone GDP in the first quarter of 2013, the pace of economic contraction probably slowed in the second quarter. Unemployment across the euro-zone is still at 12.2% and is expected to rise for the rest of this year.



The pace of job-cutting accelerated in June, according to the PMI survey, despite the overall improvement in business sentiment.

Other surveys of business sentiment and industrial production have been more upbeat. According to the European Commission, euro-zone consumer confidence rose close to a two-year high in June, though it remained well below its long-term average.

Overall, the signs are that recovery in Germany is trickling down to other large economies in the region including France, Italy and Spain.

The hope among many Europeans is that stronger global demand will spur growth in export-sensitive Germany, which accounts for around 30% of euro-zone GDP. That, in turn, may boost exports from its European neighbours and provide an overall boost to business confidence.

But no-one is expecting a rapid turnaround. There are very significant downside risks. Still-worsening joblessness will continue to push up spending on unemployment and other benefits in Spain, France and Italy.

Small businesses continue to struggle against high borrowing costs. The lack of spending by businesses and consumers will hamper tax receipts. Without expanding economies, debt burdens will keep on rising as a share of GDP, even if annual budget deficits decline.

The region remains very vulnerable to potential shocks, such as an economic slowdown in China which would seriously dent a vital source of export demand for European products.

Meanwhile the euro recently hit six-month highs against a broad basket of currencies. This has been a boon to wood importers, encouraging a slight uptick in purchases to boost depleted stocks. However, the strong euro, if it persists, spells trouble for the region's exporters. A major concern when European domestic consumption is so weak.

#### **European construction forecasts revised once again**

The downturn in European construction has been deeper and continued for much longer than expected, but it should finally hit bottom during 2013. This was the conclusion of the Euroconstruct network of European construction forecasters at their June 2013 conference.

Euroconstruct revised its expectations for the construction market in the 19 member countries (Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Hungary, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Slovakia, Spain, Sweden, Switzerland, UK) in 2013 to a decline of 3% – deeper than the 2.5% decrease it forecast at the end of last year.

The outlook for Europe's construction output in 2014 has also changed, from expected growth of 1% to an increase of just 0.5%. Growth for 2015 of 1.7% is currently forecast.

The strongest forecast declines in construction output in 2014 are expected in Spain (-7.7%) and Portugal (-3.5%), while the largest increases are predicted for Norway (4.6%) and Sweden (3.5%). In terms of sectors, residential construction shows the most promise for a recovery between now and 2015.

Output is expected to decline 2.2% this year before returning to 1.1% growth in 2014, increasing to 2.3% in 2015.

But the outlook for non-residential construction and civil engineering is weaker. Non-residential construction is expected to fall 3.3% this year and a further 0.3% in 2014, before recovering to 1% growth in 2015.

Civil engineering output is expected to drop 3.5% this year before returning to 0.4% growth in 2014 and 1.4% growth in 2015.

#### **Tropical hardwood imports declining even further in 2013**

European imports of tropical hardwood products have maintained their downward trajectory this year. This trend is almost universal, affecting all product groups and all major supply countries.

A large part of the explanation lies in broader economic trends which continue to dampen down European consumption. However, lack of supply has also been a factor during 2013.

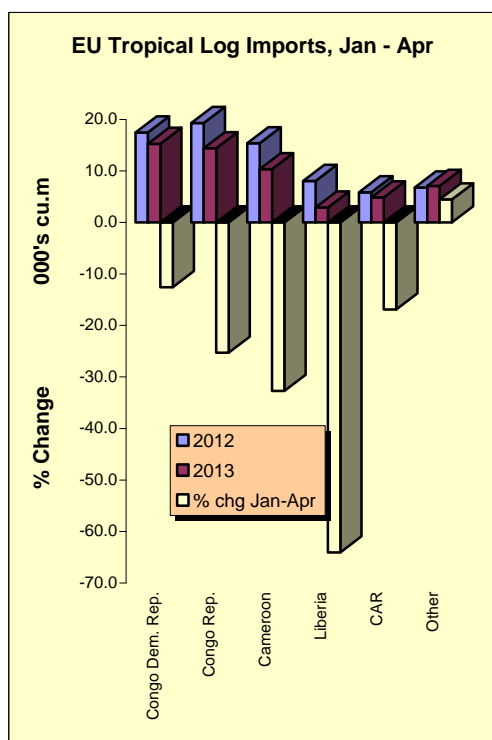
This is due to political and infra-structure problems in parts of central Africa, numerous mill closures, reductions in log harvests, and diversion of logs and lumber to other more buoyant markets elsewhere, notably China.

Another contributing factor may have been enforcement of the EUTR from 3<sup>rd</sup> March 2012 which has placed new demands on EU importers to seek evidence from all suppliers that there is negligible risk of any wood being derived from an illegal source.

This is increasing procurement focus on the relatively limited number of exporters offering certified and independently verified tropical wood.

It is too early to assess the full impact of this measure, but it may be significant that total EU import of tropical logs, sawn, veneer and plywood was around 12% higher in the January-February 2013 period (281000cu.m), immediately before EUTR enforcement, than in the March-April 2013 period (243000cu.m).

In previous years, EU imports of tropical wood in the first four months of the year tend to be distributed more evenly.



During the first four months of 2013, EU27 imports of tropical hardwood logs were only 55,000 cu.m, 25% less than the same period in 2012.

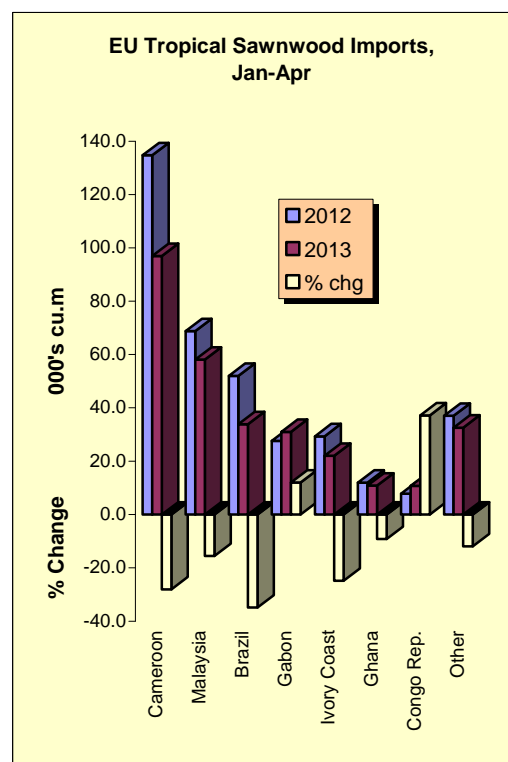
Imports fell without exception from all the main supply countries, including Congo DR, Congo Republic, Cameroon and Liberia.

Due to strong Asian demand for logs and tightening controls on log exports by African countries, prices have been high relative to sawn lumber offering little incentive to European buyers to import logs. Europe's formerly large plywood manufacturing sector based on tropical logs appears to be fading fast.

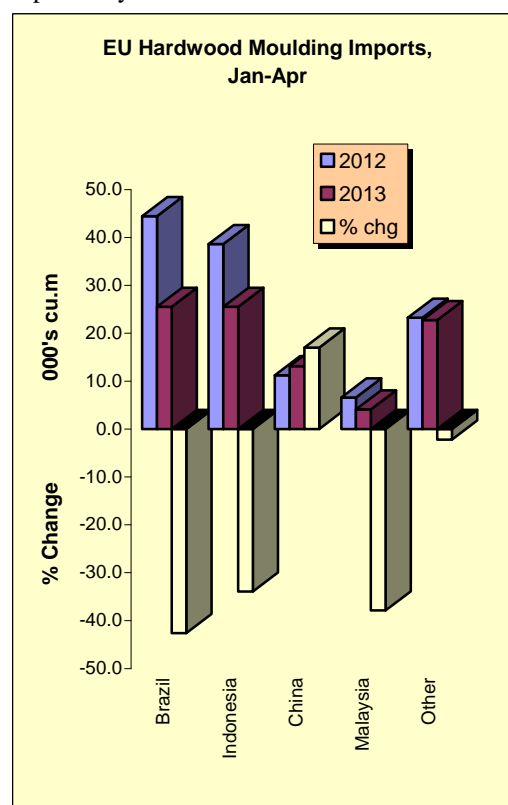
EU imports of sawn tropical hardwood were 296,000 cu.m in the first 4 months of 2013, 20% less than in 2012. After falling below 1 million cu.m for the first time in 2012, EU imports of sawn tropical hardwood are unlikely to exceed 900,000cu.m in 2013.

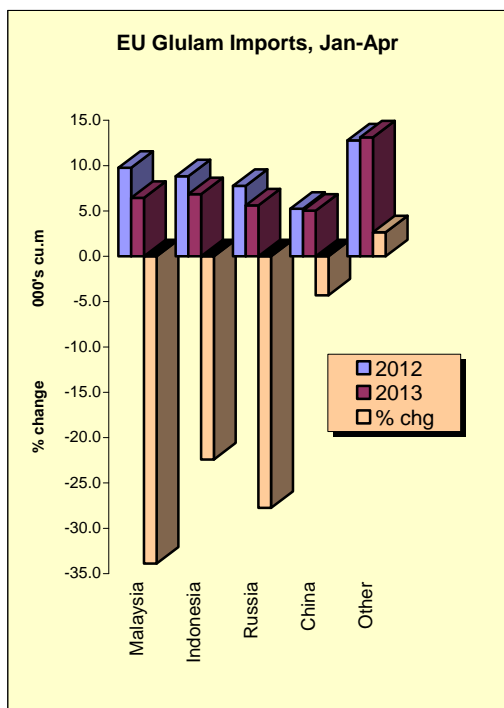
Imports slowed considerably from Cameroon, Malaysia, Brazil and Ivory Coast during the four month period, but increased from Gabon.

In recent years, declining EU imports of sawn tropical lumber have been partially offset by rising imports of hardwood mouldings and glulam from developing countries. However sales of those commodities into the EU have also been hard hit by the continuing recession.



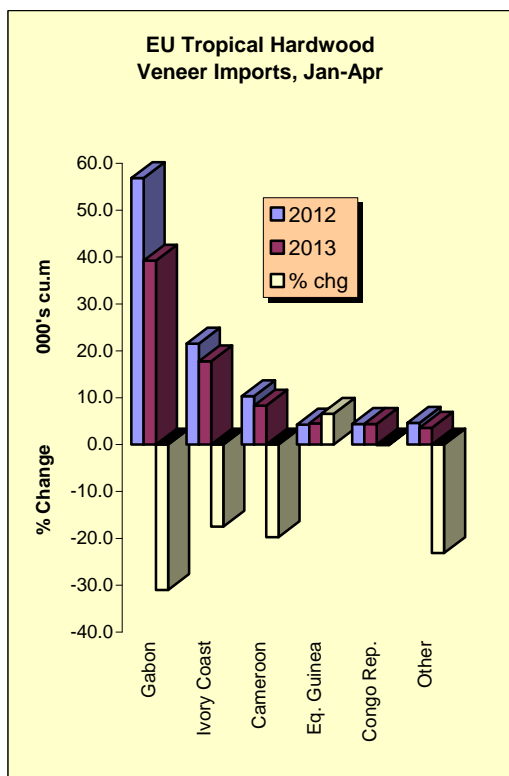
During the January to April period, total imports of hardwood mouldings and glulam fell 27% and 17% respectively.





There were large falls in imports of these commodities from Malaysia, Indonesia and Brazil. However, there was a 17% rise in EU imports of hardwood mouldings from China to 13000cu.m.

EU imports of tropical hardwood veneer were down 24% at 78,000 cu.m in the first 4 months of 2013, with imports well down from Gabon, Ivory Coast, and Cameroon.



During the same period, EU imports of plywood faced with tropical hardwood declined 7%. However, in this instance, the decline was mainly attributable to China and Gabon, while Indonesia and Malaysia regained some market share in the first 4 months of 2013.



#### Losing share to European and other temperate hardwoods

In addition to loss of volume, the data indicates that tropical hardwood is losing share of the EU's declining market. The downturn in EU imports of hardwood sawn, plywood and veneer during 2012 and the first four months of 2013 was more pronounced for tropical wood than it was for non-tropical wood.

Data just released by the European Organization of Sawmillers (EOS) also shows that production of sawn hardwood in EOS member countries (Austria, Belgium, Denmark, Finland, France, Germany, Italy, Latvia, Norway, Romania, Sweden, Switzerland, UK) was rising in 2012 at a time when European imports of this commodity were falling.

According to EOS, European sawn hardwood production increased 8.2% to 6.22 million cu.m in 2012. Production increased strongly in Romania, with other lesser gains in Austria, Belgium, France and Italy. EOS forecast a further increase in production in 2013, but at a slower rate of 1.2%.

This suggests that imported hardwood has been losing market share relative to domestically harvested wood.

Despite production growth in 2012, Europe's hardwood sawmilling sector still faces major challenges. Exports of

hardwood logs to countries outside Europe are impacting on the sector, especially in France, Belgium and Germany.

Production in 2012 was 20% less than peak levels of 7.7 million cu.m in 2006 and 2007. Seven hardwood processing businesses with a combined cutting capacity of 300,000 cu.m per year were forced to close or file for insolvency in Germany and France between 2011 and June 2013.

Nearly 200,000 cu.m of this capacity was a single Germany-based beech sawmill. In a highly competitive market, these sawmills were unable to cover rising log costs by increasing the price of lumber.

However these closures in central Europe are being partially offset by rising production capacity in Eastern Europe, notably in Romania.

#### **Oak further consolidates flooring sector dominance**

According to the Federation of European Parquet Industry (FEP), wood flooring production in the 17 FEP countries: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Hungary, Italy, Netherlands, Norway, Poland, Romania, Slovakia, Spain, Sweden, and Switzerland declined 4.7% to 68.3 million m2 in 2012.

This compares to peak levels of over 100 million m2 in 2007. Production increased in Austria, Belgium, Germany and Poland during 2012. However these gains were offset by big losses in several areas including Hungary, Italy, Spain, Scandinavia, and Switzerland.

In 2012 oak accounted for close to 70% of all flooring produced by FEP Members, up from 67% in 2011. During the same period, production of tropical wood flooring fell from 7.4% to 6.2%.

Since 2008, oak's share has risen from 58% and tropical wood's share has fallen from 14.7%. Ash and beech accounted for 6.5% and 6.1% respectively of flooring production in 2012 and share of these species has remained stable over the last 5 years. Maple and cherry are still out of fashion in Europe and accounted for only 2% and 1% of flooring production in 2012 respectively.

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

### **Report from North America**

#### **Tropical sawn hardwood imports recovered in April**

US tropical sawn hardwood imports declined by 5% in May compared to levels in April. Imports of temperate sawn hardwood increased 22% in the same time period.

Temperate sawn hardwood imports were 49,444 cu.m. in May, compared to 19,889 cu.m. of tropical sawnwood imports.

Tropical sawn hardwood imports from the US' three largest suppliers (Brazil, Ecuador and Cameroon)

increased in May, while shipments from all other major sources were lower than in April.

#### **US imports of sawn tropical hardwood**

	Mar-13	Apr-13	May-13	% change
<b>World Total</b>	14,656	20,937	19,889	-5%
of which:				
Ecuador	2,673	2,808	3,853	37%
Brazil	3,485	2,007	3,958	97%
Cameroon	973	2,040	3,121	53%
Malaysia	1,453	2,420	1,923	-21%
Congo (Braz)	566	1,186	1,065	-10%
Peru	259	1,780	722	-59%
Indonesia	604	823	662	-20%
Ghana	773	1,084	722	-33%
Cote d'Ivoire	728	754	655	-13%
Other	3,142	6,035	3,208	-47%

Imports from Brazil almost doubled from April to 3,958 cu.m. (+19% year-to-date). Ipe imports increased to 2,410 cu.m. No Virola imports were reported in April, but 610 cu.m. were shipped in May.

Ecuador shipped 3,800 cu.m. of balsa in May, up from 2,808 cu.m. in April, but US balsa imports remain below 2012 level.

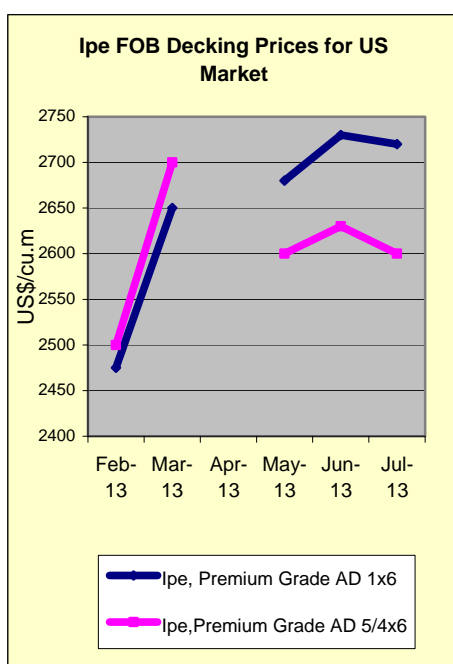
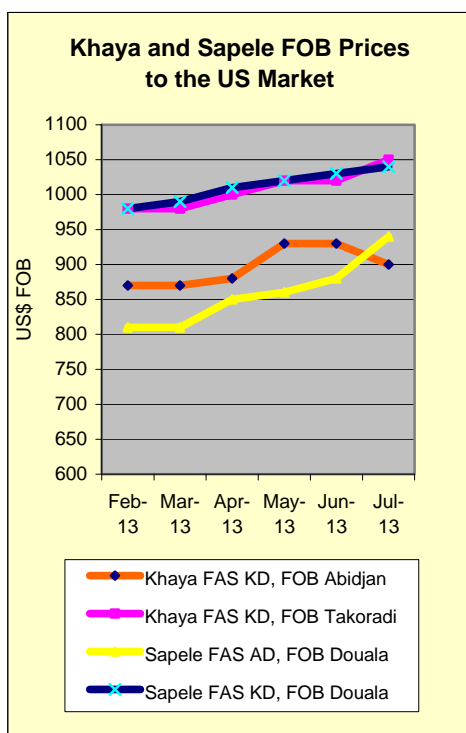
Imports from Cameroon were 3,121 cu.m. in May (+2% year-to-date). Sapeli shipments increased to 1,567 cu.m., while shipments of acajou d'Afrique almost tripled to 1,387 cu.m.

Malaysian shipments to the US were 1,923 cu.m. in May, down 21% from the previous month (+1% year-to-date). The decline was mainly in keruing shipments (1,593 cu.m.).

#### **US imports of sawn tropical hardwood**

	Mar-13	Apr-13	May-13	% change
Balsa	2,679	2,925	3,800	30%
Sapelli	1,233	2,165	2,410	11%
Acajou	1,907	2,254	3,140	39%
Keruing	1,224	2,304	1,710	-26%
Ipe	1,926	1,478	2,542	72%
Mahogany	1,680	1,616	1,374	-15%
Virola	911	1,496	914	-39%
Meranti	261	269	431	60%
Cedro	525	907	766	-16%
Jatoba	366	401	366	-9%
Teak	491	3,110	553	-82%
Iroko	35	8	3	-63%
Padauk	0	49	54	10%
Anigre	4	6	0	-100%
Other tropical	1,414	1,949	1,826	-6%

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



### Turnaround in Canadian wood product manufacturing

Wood product manufacturing has exceeded growth in most other manufacturing sectors, according to Statistics Canada.

In the last 12 months (June 2012 to May 2013) sales in the wood products sector grew by 19.7% from the same period a year earlier.

Over the same period total manufacturing sales (excluding wood products) declined by 1.1%.

The industry's recovery is mostly linked to growth in the US housing market. Canadian sawmills and wood

preservation companies increased sales the most, driven by higher exports to the US.

Statistics Canada reports a 10.5% increase in wood prices over the past year as a result of higher demand in the sawmill and wood preservation industries.

The province of British Columbia has the largest wood product manufacturing industry in Canada, accounting for one third of the industry's national sales. While British Columbia was particularly hard hit by the downturn in the US housing market, its industry is now the fastest-growing in Canada.

Quebec is Canada's second largest wood product manufacturing province with a more diverse industry, which includes processed products such as millwork, windows and doors. However, the sectors benefiting most from the US housing market recovery are also sawmills and wood preservation.

### Mexico enforcing new phytosanitary regulations

Mexico's Secretariat of Environment and Natural Resources finalized phytosanitary regulations for wood imports in March 2013, and the revised regulations came into effect on July 2, 2013. The goal of the new regulations is to better protect Mexico's forests from invasive insects and other pests.

The US and several other countries (Argentina, Belize, Bolivia, Brazil, Cameroon, Canada, Chile, China, Colombia, Congo, Costa Rica, Ecuador, Germany, Spain, Fiji, the Philippines, France, Ghana, Guatemala, Honduras, India, Indonesia, Italy, Malaysia, Nicaragua, Nigeria, Panama, Peru, Russia, Taiwan, Uruguay and Venezuela) are allowed to export green and air dried sawnwood to Mexico without having to prepare a pest risk analysis.

All sawnwood needs to be bark free and have a phytosanitary certificate which documents the treatment: heat treated or kiln-dried to 19% or less, or fumigated with methyl-bromide.

The stricter regulations are expected to affect furniture manufacturers and other importers in Mexico who rely on hardwood imports from the US and other countries.

Updates on the regulations are available on the US Phytosanitary Export Database: <https://pcit.aphis.usda.gov/PExD/faces/ViewPExD.jsp>

**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.

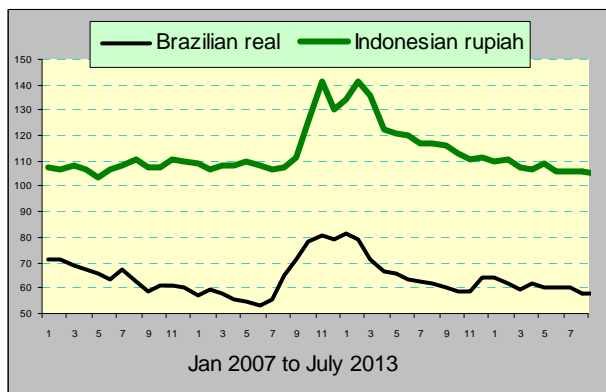
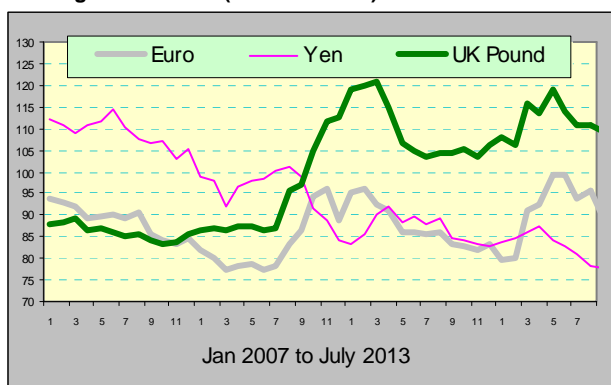


## Main US Dollar Exchange Rates

As of 24th July 2013

Brazil	Real	2.2490
CFA countries	CFA Franc	495.21
China	Yuan	6.1357
EU	Euro	0.7576
India	Rupee	59.7605
Indonesia	Rupiah	10260
Japan	Yen	100.26
Malaysia	Ringgit	3.1876
Peru	New Sol	2.7820
UK	Pound	0.6530
South Korea	Won	1114.60

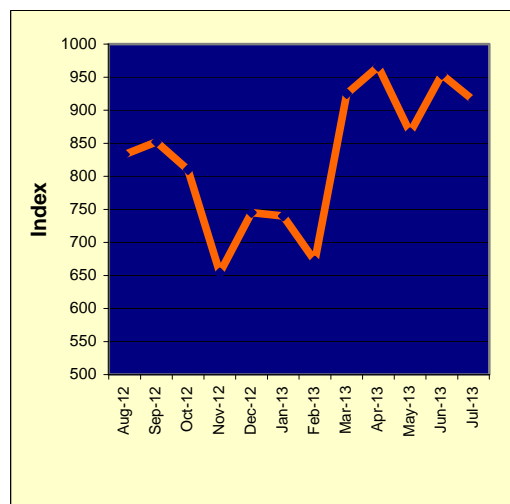
Exchange rates index (Dec 2003=100)



## Abbreviations and Equivalences

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

## Ocean Freight Index



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

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