

# Tropical Timber Market Report

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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).

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## Top Story

### Too many furniture stores

Last year twelve mega home furnishing stores in China closed and during the past six months and a further eight large stores have also closed.

The trimming down of furniture retail outlets is put down to the 'cooling off' in the property market boom which began in 2010.

The China Furniture Association has calculated that the ideal floor space in the retail sector should be around 20 mil. sq.m. but the total floor area of the main domestic home furnishing stores exceeds 40 million sq.m., twice the area now needed to service demand.

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## Headlines

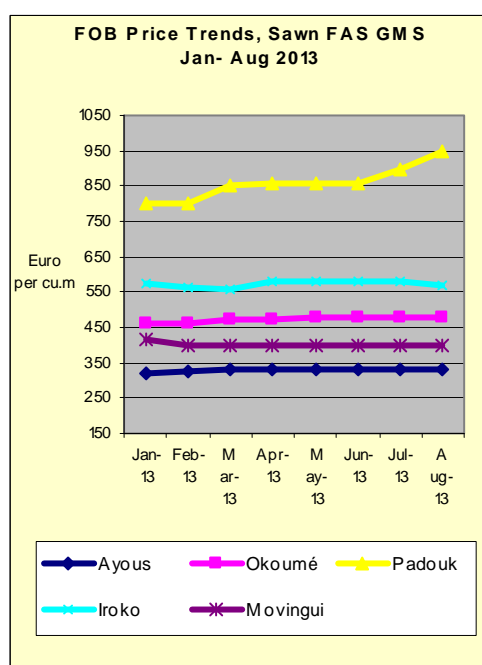
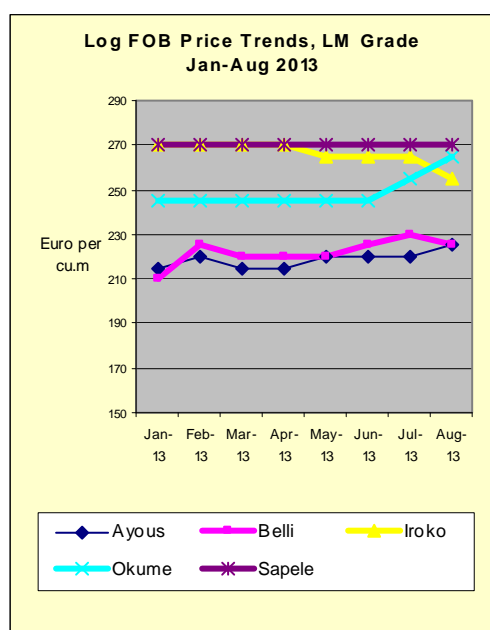
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## Report from Central/West Africa

### Price increases reflect tightening supplies

Producers are reporting that some slight price increases were secured in early August despite this being a very quiet trading month especially in the EU market.

These price increases, say analysts, are more of a reflection of tightening supplies than any underlying improvement in demand. Most of the new business is coming from buyers for the Chinese and Indian markets.



Reports from producers in West Africa all clearly demonstrate weak demand and this is put down to very low levels of investment in housing and construction in the main consumer markets.

### Producers not actively seeking new business

In recent months the governments in several EU member states were suggesting increased public sector spending on construction and infrastructure projects but this has not materialised.

House building in UK has picked up because of government backed financial incentives but few large infrastructure projects are being undertaken.

As mentioned at the end of July exporters are not aggressively pushing for any substantial new business due to constraints in log supply for the most popular species.

Most of the price increases since the beginning of the year have been driven by supply side constraints except for a few species such as padouk, for example, which is actively sought by buyers for the Chinese 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	225↑	210	150	
Azobe & Ekki	225↑	225↑	145	
Belli	225↓	225↓	-	
Bibolo/Dibétou	145	130		
Iroko	255↓	220	220	
Okoume (60% CI, 40% CE, 20% CS)	265↑	265↑	225↑	
(China only)				
Moabi	295	285	-	
Movingui	200↑	190↑	175	
Niove	165	165	-	
Okan	260	260	-	
Padouk	315↓	300↓	225↓	
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
Sipo	Merchantable	275↓
	Std/Btr GMS	345
	FAS GMS	550
Padouk	FAS fixed sizes	-
	FAS scantlings	550↑
	FAS GMS	950↑
Sapele	FAS scantlings	950↑
	Strips	400↑
	FAS Spanish sizes	490
Iroko	FAS scantlings	515
	FAS GMS	570↓
	Scantlings	600
Khaya	Strips	435
	FAS GMS	445
	FAS fixed	470
Moabi	FAS GMS	550
	Scantlings	550
Movingui	FAS GMS	400

## Report from Ghana

### Ghana to import timber from Cameroon

As a short to medium term measure, Ghana will begin importing timber from Cameroon. The process of finalising a bilateral agreement with authorities in Cameroon is currently underway.

The decision to seek external sources of raw materials stems from the rapidly growing consumption of wood products in Ghana and the reduced availability of raw materials from domestic forests.

Manufacturers in Ghana are being encouraged to take advantage of the imports and produce added value products.

### Fire destroys Samartex finished products warehouse

Part of the finished products warehouse of Samartex Timber and Plywood at Samreboi in the Western Region was destroyed by fire and large quantities of wood products were lost in the blaze.

The National Fire Service in the district responded promptly to the emergency and managed to prevent the fire spreading to other warehouses. Samartex Timber and Plywood Company, is one of the largest timber companies in the country.

### Encouraging first six month export performance

According to available data from the Timber Industry Development Division (TIDD) of the Forestry Commission, wood product exports from Ghana in the first six months of 2013 was 137,363 cubic metres earning euro 61.4 million.

The half year figures for 2013 show that export volumes increased by 11.9% while the value of exports increased 36.8% when compared to the same period in 2012.

### 2012 and 2013 first half exports

	2012	2013
	export vol	export vol
	000's cu.m	000's cu.m
Sawn Air dried	22.75	41.6
Sawn KD	27.79	33.16
Sliced veneer	7.83	12.58
Rotary veneer	1.69	3.57
Plywood	50.09	32.82
Mouldings	5.55	7.39
Boules	0.75	0.98
Parquet	0.15	0.08
Others	6.14	5.16
<b>total</b>	<b>122.74</b>	<b>137.34</b>

With the exception of Plywood and Parquet Flooring, all other products registered increases in the volume and value of exports in the first half of 2013.

The distribution of product groups during the period reported was as follows;

	Jan-Jun % of Total	Jan-Jun % of total
Primary	2.49	2.51
Secondary	91.28	90.16
Tertiary	6.23	7.31

The EU was the major destination for Ghana's wood products, accounting for 41% of the total export volume, with Africa, Asia/Far East, America, Oceania and Middle East accounting for 33.07%, 17.54%, 5.98%, 1.86% respectively.

The ECOWAS sub region accounted for 71.5% of the total value of exports of wood products to African countries during the first half of this year.

### Boule Export prices

	Euro per m <sup>3</sup>
Black Ofram	235
Black Ofram Kiln dry	300
Niangon	450↓
NiangonKiln 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.)	125-150↑	155-180↑
Sapele Grade A	146-155	161-185
Makore (Veneer Qual.) Grade A	133-138	141-166
Ofram	112-118	130-135

### Export Sawnwood Prices

Ghana Sawnwood, FOB	€ per m <sup>3</sup>	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afromosia	855	945
Asanfina	480	544
Ceiba	231	267↑
Dahoma	306↓	315↓
Edinam (mixed redwood)	384	521↑
Emeri	353	500
African mahogany (Ivorenensis)	580	677↓
Makore	575	609↓
Niangon	540↓	600↓
Odum	605↓	765↓
Sapele	567	651↓
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	0.88
Avodire	1.12	0.71
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

August 8 marked the end of the Muslim holy month of Ramadan and was celebrated with a four day long weekend. This, along with what is traditionally a slow month for the timber trade, further dampened business activity.

### Weak currency brings joy to exporters

The weakening of the Malaysian ringgit against the US dollar is an advantage for exporters in the timber and plantation sectors as almost all international trade in these commodities are denominated in US dollars.

The ringgit has weakened by as much as 8 – 9% over the last two months, dropping from a high of RM 2.96 to the dollar to as low as RM 3.29. Foreign exchange analysts expect the US\$/ringgit exchange to hover around RM 3.10 to US\$ 1.00 in the coming months.

It has been estimated that for every RM0.10 weakening of the ringgit to the US dollar the annual earnings, in terms of ringgit, of timber companies in Sarawak will improve as by as much as 10%.

### Sarawak log production down

Sarawak log production in the January to May period dropped by more than 700,000 cu.m compared production in the same period last year.

For the first five months, timber companies in the State produced 3.24 million cu.m of logs according to the Sarawak Forestry Corporation.

This level of log harvest works out as an average monthly production of 648,000 cu.m. This is a smaller volume than the average monthly production of 787,500 cu.m/month in 2012. Total log produced in 2012 was 9.45 million cu.m and in 2011 it was 9.61 million cu.m.

The production statistics show a decline in harvests in swamp forests. Hill species harvests amounted to 3.15 million cu.m while the harvest of swamp species was just 530,441 cu.m in the first five months of 2013.

For hill logs, Sibul region is the leading producer with logging conducted along the main rivers such as Rejang, Balleh and Balui in central Sarawak.

Harvests of hill species in Sibul in the first five months of the year totaled 1.32 million cu.m or 40% of the total production in the State. Harvesting in the Bintulu region yielded 1.13 million cu.m while harvesting in the Miri region produced 689,800 cu.m.

From January to May 1.22 million cu.m of meranti logs were produced and the other main species were: kapur 124,970 cu.m, keruing 98,520 cu.m and selangan batu 87,917 cu.m.

### Strengthening of demand in Japan expected to lift export prices for Sarawak plywood

The Borneo Post recently carried a story based on a report from RHB Research Institute. According to the Post, this report says plywood prices are likely to rise in the short term because Japanese importers will be buying more.

The post story quotes Hoe Lee Leng of RHB as saying: "In Japan, the aggressive policy easing to reflate the economy has led to higher government spending, aggressive monetary easing and structural reforms.

This should help to promote asset prices that would stimulate consumption and business investment to sustain a recovery over the longer term. These policies have thus led to stronger growth in Japanese housing starts over the last few months".

Projected housing starts are good indicators of future timber demand and in the first five months of this year housing starts in Japan grew 7.2% year on year, to 367,400 units. If this growth is sustained total starts for 2013 year could be 946,400 units.

Hoe Lee Leng further said "According to the management of timber companies we cover, while (plywood) order volume has improved from Japan, prices have not risen significantly yet".

However, given the general lag of four to six months to pass on higher log costs to plywood customers, most companies expect plywood prices to start moving up from September – October".

### Diverse markets for Sabah plywood

The Department of Statistics in Sabah has released trade statistics for the first five months of the year.

In this period, Sabah exported sawntimber worth RM150.3 mil. (approx. US\$45.71 mil.); plywood RM439.5 mil. (approx. US\$133.64 mil.); veneer RM22.8 mil. (approx. US\$6.93 mil.); laminated boards RM35.5 mil. (approx. US\$ 10.79 mil. and mouldings RM24.5 mil. (approx. US\$7.45 million).

The main destinations for external sales of plywood (i.e. exports plus sales to Peninsula Malaysia) for the period January to May 2013 are shown below. Exports to nine countries plus sales to P. Malaysia account for 94 percent of all sales in the first five months of the year.

	Percent
Japan	18.1
Peninsular Malaysia	15.7
North Korea	11.4
Egypt	10.5
Mexico	9
USA	8.6
Jordan	6.3
Philippines	5.3
Taiwan	5.2
Thailand	3.8

Exports of small volumes were also made to UAE, Singapore, Hong Kong, India, Saudi Arabia, China, Vietnam, UK, Canada and Australia.

### Report from Indonesia

#### Indonesia/EU VPA to be signed in September

The Indonesian government has agreed with the EU proposal that the VPA will be signed on September 30. In a statement the Forestry Ministry' Director of Forest Products Management and Marketing said the government expects the EU to demonstrate its commitment to promoting trade in legal timber by sticking to the timeframe agreed.

The EU had proposed several dates for the agreement signing as the schedule of the Lithuanian environment minister, who holds the EU presidency, and EU Environment Commissioner had to be coordinated

#### Government agencies urged to get serious on timber certification

As wood product importers in the EU now require verified legal products the pressure is on Indonesian manufacturers to secure SVLK certification.

However, SVLK certification by small firms in Bali is moving only slowly and analysts complain there is poor communication between agencies in the central and provincial government.

The chairman of the Association of Indonesian Community Forestry Entrepreneurs has criticised the Ministry of Forestry and the Bali Forestry Agency for not doing enough to assist small companies.

The Association has called on the authorities to coordinate and promote a 'reward' system whereby those securing SVLK certification could have an advantage in for example, allocation of the soft loans provided by the Ministry of Forestry for community forests.

#### Forest management index launched

The Indonesian government, in cooperation with UNDP and UNREDD, has launched an English version of it comprehensive forest management index.

This index provides an analysis of forest management conditions and their implication for the REDD+ programme. Indonesia is one of the countries that has committed itself to reducing green house gas emissions by over 20% by 2020.

#### Most fire alerts on land leased to plantation companies

The Tropical Forest Foundation website is reporting analysis of available concession maps from official national and provincial government offices, superimposed on daily fire alerts from NASA. This work was undertaken by the World Resources Institute (WRI), Eyes on the Forest, and the World Agroforestry Centre.

The analysis shows that the bulk of fire alerts occurred on land leased out to plantation companies for the development of large industrial oil palm and acacia plantations.

For the full story see: <http://www.tff-indonesia.org/index.php/en/forest-news/4096-research-nearly-a-quarter-of-june-fires-in-indonesia-occurred-in-industrial-plantations>

The authors of the report say "There are two caveats to these analyses: NASA's fire alerts do not indicate the shape and size of the area burned, so it is difficult to accurately determine the use of the land from these data.

More importantly, however, is that if the available maps of industrial concession boundaries for oil palm and pulpwood (acacia) plantations are different from the boundary maps held by companies, the analyses can be wrong — and many companies are arguing precisely this.

When the ministers of Indonesia, Malaysia, Singapore, Thailand and Brunei met on 17 July to find solutions to the recent haze problem, they stressed the need for Indonesia to provide detailed maps of land use and fire-affected areas."



Using before-and-after-fire images from NASA's recently launched LANDSAT 8 satellite the data show that about 140,000 ha were burned during the June fire event in one LANDSAT scene (Path/Row:127/059) covering an area of 3.5 million ha (i.e. circa 7.5 percent of Sumatra's landmass).

The tentative conclusions in the analysis are that:

- Industrial oil palm and acacia plantations accounted for 21% of the burned area
- Many industrial plantations exist on LANDSAT imagery where there are no concessions on government maps and vice versa.
- Only 4% of the burned area was covered in natural forest before the fires

#### 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 Sawwood 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>
Particleboard	
Export 9-18mm	-
Domestic 9mm	-
12-15mm	-
18mm	-
MDF	
Export 12-18mm	660-690
Domestic 12-18mm	550-600

## Report from Myanmar

### Prices for non-teak hardwoods far below expectations

Analysts report that, at present, demand in international markets is very poor especially for non-teak hardwoods.

Exports of pyinkado have been severely hit and prices offered at the latest Myanmar Timber Enterprise (MTE) sealed tenders were unexpectedly low.

In the July's sealed tender sale of export quality pyinkado logs prices offered were from US\$368 to US\$421 per hoppus ton against the MTE's target price of US\$678.

One possible explanation is that buyers were not keen on these logs as they were left over from the previous harvesting season. However, pyinkado is a highly durable wood and does not deteriorate so this cannot account for the steep decline in offered prices.

Teak log sales were at normal levels and prices, the only concern of the MTE is that the Indian rupee has depreciated over recent months and this is beginning to affect demand..

Analysts are quick to point out that despite currency constraints, teak logs from the areas known to produce good quality sell much easier than logs from other areas.

Overall the teak market has eased slightly over the past four weeks.

### Exports of teak and non-teak hardwood logs

The figures below illustrate shipment of teak and other hardwood logs during the first four months of the fiscal years 2012-13 and 2013-14.

These comparative figures expressed in cubic metres mirror international market demand for timber from Myanmar.

Teak logs	2012	2013
Apr	30330	29340
May	35910	49500
Jun	62370	23040
Jul	16850	28170
total	145460	130050

Non-teak Hardwood logs	2012	2013
Apr	96840	87120
May	154620	112680
Jun	156600	148680
Jul	114300	103860
total	522360	452340

Analysts point to the overall decline in shipments in the first four months of fiscal 2013 compared to the same period a year earlier.

With a log export ban likely to be introduced in April next year it was anticipated that shipments would increase as buyers sought to increase stock levels but this has not yet been seen.

#### Seizure of illegal logs reported in daily press

The Daily Eleven newspaper has reported that 57 trucks carrying illegally felled timber were seized within a period of three days along the Bamaw- Momauk – Loigye road in the eastern part of Kachin State.



This is the first time government action to tackle transport of illegal logs has been reported by a local newspapers.

#### Teak tender prices

The following prices were recorded for teak log sales during competitive bidding on 26th and 29th July during the MTE tender. The next sale will be held in late August.

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

### Report from India

#### Revised 'Affordable Housing in Partnership' scheme

When addressing REALTY 2013, the Confederation of Indian Industry (CII) conference on real estate on August 2, Dr Girija Vyas, Union Minister of Housing and Urban Poverty Alleviation said the aim of the soon to be revised 'Affordable Housing in Partnership' (AHP) scheme is to provide half a million houses to economically weaker and lower income groups.

A summary of the minister's statement can be seen in a CII press release at:

<http://www.cii.in/PressreleasesDetail.aspx?enc=hVStv2IOaSXkpbtAMD72jY+An+KHQnMZqv+eF7+XuZw=>

Through this scheme, the government intends to encourage partnerships between various agencies such as the central and state government housing boards, development authorities, local urban bodies and industry for creation of affordable housing.

The scheme will provide several supply side as well as demand side incentives such as concessions on development charges, service tax and direct tax exemptions, encouragement to foreign investment in affordable housing and reduced stamp duties.

#### Business confidence slips in June

Indian companies became more pessimistic about the economy in the second quarter as the business confidence index dropped slightly from levels in the first quarter.

The New Delhi based Associated Chambers of Commerce and Industry reported that more than 50% of respondents to their recent survey now feel the economic situation has worsened.

The main factors negatively affecting industry were stated as weak domestic and international demand, the weakening rupee, the high cost of credit, rising prices for raw materials and wage increase pressures.



“The current situation calls for urgent policy initiatives both by the Reserve Bank of India and the central government to rescue Indian industry from further deterioration as it may significantly impact employment and consumer demand,” said a spokesperson from the Associated Chambers of Commerce and Industry.

#### Indian companies eye overseas plantation resources

Ensuring adequate and uninterrupted supplies of raw materials at reasonable cost has become the key focus for all wood based industries in India.

As the number of enterprises increases and as others increase capacity the problem of raw material supply increases. Companies are realising that the best solution is to have their own plantations.

Several Indian companies have sought to invest in Malaysia, Myanmar and Vietnam and have plantations and manufacturing capacity in those countries.

Taking up the challenge is India's JK Paper Mills which, reports suggest, is discussing large scale plantation development with the Government of Myanmar.

The company is also considering establishing a paper mill with a 70,000 tonne annual capacity. The total investment is said to be worth around US\$ 30 million.

At its home base in India, JK Paper Mills has extended its activities and in August its new plant at Raygada in Odisha will start production (pulp mill capacity of 215,000 t/yr and paper capacity about 150,000 t/yr).

This will lift the paper production capacity from the present 290,000 to 450,000 tonnes a year. The company's total wood requirement last year was 474,000 tonnes with 35-40 per cent coming from its own plantations.

Because of the additional production capacity the company will have to source a further 200,000 tonnes of raw material. It is noteworthy that over the past year the cost of domestic pulp wood increased 35%.

#### **Price trends for domestic plantation teak logs in Kerala, South India**

Approximately 50,000 cubic metres of teak logs are sold annually through auctions in the State of Kerala. The state has a wide network of timber depots where auctions are regularly held.

TeakNet and its Coordinator Dr. M.Sivaram have reported the latest teak price trends. When compared with prices in 2005 and 2009 the current upswing in prices is rather severe as illustrated in the table below.

Prices for plantation grown teak logs from Kerala are shown below. Prices are per cubic metre Ex-depot.

	2005	2009	current
Teak I B	45,500	128,940	193,500
Teak I C	39,000	75,244	157,500
Teak II A	46,000	85,800	117,500
Teak II B	40,000	93,046	115,100
Teak II C	31,000	53,667	90,000
Teak III A	34,500	72,905	77,598
Teak III B	29,000	58,644	82,433
Teak III C	21,500	41,819	62,236

#### **Prices for imported plantation teak**

Fluctuations in Indian rupee continue but the level of plantation teak imports continues unchanged a reflection of the firm demand in the country.

Plantation teak prices are shown in the following table.

	US\$ per m <sup>3</sup>
Tanzania teak, sawn	350-700
Côte d'Ivoire logs	450-750
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
Laos logs	300-450

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

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

#### **Ex-mill prices for sawnwood**

Sawnwood,(Ex-mill) (AD)	Rs. per ft <sup>3</sup>
Merbau	1600-1650
Balau	1800-1900
Kapur	1200-1250
Red Meranti	900-950
Radiata Pine (AD)	
Whitewood	600-650
	600-650

Slowing demand continues to hold down price structures.

#### **Domestic prices for Myanmar teak processed in India**

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-warehouse 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

Domestic demand for plywood continues to grow.

### 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

## Report from Brazil

### Better communication key to influencing consumption of sustainable tropical timber

A dialogue on sustainable tropical wood organized by the Friends of the Amazon Network (RAA), in partnership with WWF-Brazil and Traffic has been held in São Paulo.

The purpose of the meeting was to strengthen communication in the sector with the aim of creating a governance model that can influence consumption of sustainable tropical timber in the domestic market.

The participants concluded that restructuring of the sector is required to address issues such as monitoring of sustainable harvesting, surveillance, transport and taxation.

The meeting was attended by representatives of forest producers, certified forest community cooperatives, certified companies, labour unions, civil construction companies and NGOs.

The main issues that need addressing according to the participants are the lack of information and transparency in the timber market and the need to establish public policies that promote the sector.

Working groups were established to prepare proposals for cooperation and public policy development in the sector. Before November this year additional meetings will be held to discuss and strengthen the proposals suggested by the participants.

### Furniture makers in Cuiabá seek support to boost local manufacturing

Entrepreneurs and government representatives from the state of Mato Grosso in the Amazon region gathered to discuss the establishment of a furniture cluster in Cuiabá, in the Várzea Grande area. A working group was set up to speed up the process of establishment of a timber processing centre.

Successful restructuring of the furniture sector in the Várzea Grande area will generate more employment opportunities, strengthen the wood manufacturing sector and improve the competitiveness of the sector.

The idea for establishment of a furniture cluster in the region came from local entrepreneurs who are seeking ways to garner support from the government to boost the local manufacturing industries.

The State Secretary for Industry, Trade, Energy and Mining is reportedly enthusiastic about this idea and it is anticipated that support for the creation of the furniture cluster can be included in the governmental programme 'Development Plan of Local Productive Arrangement'.

### Timber sector performance not keeping pace with other industries

The consensus is that, due to the lack of governmental incentives for the timber industry, the sector is failing to achieve the levels of growth by other industries which is resulting in a declining contribution to exports.

This is demonstrated in the municipality of Guarapuava where timber is one of the most important sectors of the economy.

According to the Ministry of Development, Industry and Foreign Trade, even though overall wood product exports from Guarapuava have increased since 2009 (from US\$14 million to US\$ 39 million last year), the share of wood product exports in total exports has fallen sharply from 86% in 2011 to just 28% in 2013.

This problem was discussed by the Wood Sector Council of Federation of Industries of Paraná State (FIEP) recently and proposals were made on industrial policy and market development that would support the industry.

During a meeting of the Wood Sector Council of the National Confederation of Industry a comparative analysis of the timber sector contribution to the economy between 1996 and 2013 was presented.

It was revealed that in 1996 the wood sector was responsible for 3.4% of total jobs generated but by 2013 this had dropped to 2.6%.

In terms of trade, exports of wood products fell by more than half and this decline was attributed mainly to a reduction in construction activity in Europe and in the United States as well as disadvantageous exchange rates.

#### Furniture imports in São Paulo up almost 60 percent

Brazilian furniture exports were US\$66 million in May 2013, representing a 4.5% increase over the same month in 2012. On the other hand, the country's furniture imports were US\$62.1 million, representing a 6.5% decrease during the same month in 2012.

Furniture exports in May from the state of Rio Grande do Sul, the major furniture producing state, registered a high of US\$19.6 mil. (+21%) whereas state furniture imports totaled US\$4.1 million, a 69% increase year on year.

Of particular significance was the import of furniture making equipment that registered growth of over 20% between January and June 2013 compared to the same period in 2012.

São Paulo state continues to be the main consumer of imported furniture and imports grew almost 60% in value during May 2013 compared to a year ago. The states of Paraná, Santa Catarina and Rio Grande do Sul together accounted for around 25% of Brazil's furniture imports.

#### 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	796
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

#### Potential for US\$ 5 billion forest product exports

Peru's forest product exports have the potential to grow to as much as US\$5 bil. in 10 years because of the positive impact of the new National Forestry Policy and Wildlife (PNFFS) according to the Ministry of Agriculture and Irrigation.

The ministry spokesperson stressed that at present wood product exports contribute just 1% to GDP but this can change as the sector will benefit from the sound legal framework provided by the new forest policy.

#### Draft regulations for forest policy ready for discussion

Forestry Law would take effect in March 2014 and consultation would be September. The Forest Act and Wildlife will apply from the second quarter of 2014 said the Ministry of Agriculture and Irrigation (MINAGRI).

The Minister of Agriculture and Irrigation, Milton von Hesse, explained that the first draft of the regulations in the Act have been drafted and will now be discussed with stakeholders.

The minister reiterated that the new National Forestry Policy and Wildlife Act is just one step towards a comprehensive plan to promote the sustainable use of the country's natural resources.

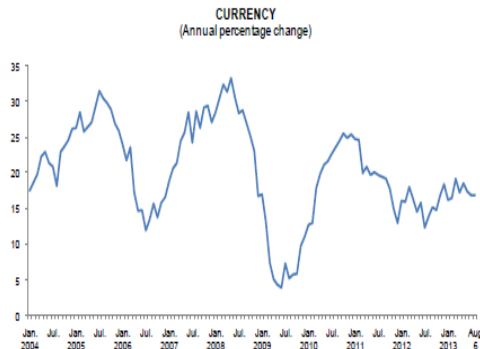
#### Central Reserve Bank of Peru intervenes to support Nuevo Sol

The sol/dollar exchange rate has been very volatile over the past weeks. On August 6 the average selling price of the dollar was Nuevo Sol 2.796 per dollar.

A press release from the Central Reserve Bank of Peru (BCRP) says that the bank intervened in the foreign exchange market selling US\$190 mil. in an effort to support the sol.

See: <http://www.bcrp.gob.pe/home.html>

The movement of the sol against the US dollar is shown below.



Source: BCRP

Strong US economic growth in the second quarter strengthened the dollar and local banks were big buyers as they sought to improve their positions.

After appreciating to historically high levels in 2012, the Nuevo Sol has weakened more than 9.5 percent so far this year.

#### Export Sawntwood Prices

Peru Sawntwood, 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 Sawntwood, 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	421-482p

Peru Sawntwood, 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	349-398↑

#### Domestic Sawntwood Prices

Peru sawntwood, 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	423-439p
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

#### Growth through innovation forum

A National Economic Forum, scheduled from August 14 to August 15 and hosted by the National Competitiveness Strategy Unit (NSCU) will discuss issues relevant to the theme "Promoting economic growth and development through innovation, diversification and partnership".

The Forum will feature presentations by President Donald Ramotar, Finance Minister Dr Ashni Singh, Private Sector Commission Chairman Ronald Webster and other representatives of the government.

The National Competitiveness Strategy (NCS) was launched in 2006 and comprises government representatives, private sector stakeholders and labour unions.

The NCC also promotes the strategies, locally and internationally; finds solutions to address various challenges; and seeks to identify synergies among donors to improve the effectiveness of lenders' initiatives.

## EU support for Guyana REDD plus activities

Guyana is one of four countries to benefit from a euro 2.7 million regional REDD+ project supported by the European Regional Development Fund (FEDER), the French Global Environment Facility (FFEM) and the government of French Guiana.

According to a press release from the Office of Climate Change work will be supported for an estimation of land cover changes and forest carbon stocks; identifying deforestation and degradation drivers; and modelling land use changes and socio-economic development.

At the first meeting of the project, held on August 8 in Paramaribo, Shyam Nokta adviser to the president and head of the Office of Climate Change said this project was initiated when Bharrat Jagdeo was President.

He said further that Guyana is willing to share experiences and lessons learnt while at the same time seeking support as the country continues to build a REDD+ model.

### 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 Sawwood Prices

Sawwood, 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

### IMF sees positive signs in the economy but urges further bold action

An International Monetary Fund (IMF) team recently met with officials from the government, the Bank of Japan (BoJ), and private sector representatives, to discuss recent

economic developments. At the conclusion of the visit, the mission issued a press release: See: <http://www.imf.org/external/np/sec/pr/2013/pr13194.htm>

The IMF press release said the economic recovery in Japan is gaining momentum mainly as a result of the new monetary easing policy.

The long term success of these policies ("the so called three arrows of Abenomics") depends on the determined implementation of fiscal and growth reforms, details of which are yet to be revealed.

The IMF teams said the rewards from an ambitious package of reforms are potentially large and will not only benefit Japan but also strengthen growth and stability of the global economy.

The reaction to the new policies has been positive and growth in the first quarter of 2013 rebounded strongly led by consumption and exports.

The IMF expects growth to reach 1.6 percent for the year as a whole. However, growth in 2014 is likely to slow moderately as a result of the planned consumption tax increase and the unwinding of reconstruction spending.

The policies implemented so far, says the IMF, are providing the foundation for the complementary growth strategies and fiscal reforms that will be essential to raise inflation.

But there are risks, says the IMF:

"Fiscal risks have risen as additional stimulus and social security spending have added to the public debt. A concrete and credible medium-term fiscal plan should be adopted as quickly as possible.

The IMF estimates that over the next decade, structural fiscal consolidation of 11 percent of GDP is needed to put the debt-to-GDP ratio firmly on a declining path.

"Raising the consumption tax rate as scheduled to 10 percent by 2015 is an essential first step and together with waning stimulus and reconstruction spending could contribute to about half of the needed adjustment.

"To raise growth over the medium-term, structural reforms are critical. Further measures required include deregulation in agriculture and domestic services, encouraging the provision of risk capital for start-ups while phasing out costly government support for unviable SMEs.

Reducing Japan's excessive labor market duality will increase flexibility. Also, further relaxing entry requirements for high-skilled foreign workers could strengthen labor supply in areas where there are shortages.



### Bank of Japan reports moderate economic recovery track

At the Monetary Policy Meeting held on the 7 August the Bank of Japan (BoJ) decided to conduct money market operations such that the monetary base will increase at an annual pace of about 60-70 trillion yen.

See press release at:

[http://www.boj.or.jp/en/announcements/release\\_2013/k130808a.pdf](http://www.boj.or.jp/en/announcements/release_2013/k130808a.pdf)

The Bank says it will continue with quantitative and qualitative monetary easing, aiming to achieve the price stability target of 2 percent, as long as it is necessary for maintaining that target in a stable manner.

With regard to asset purchases the Bank will purchase Japanese government bonds so that their amount outstanding will increase at an annual pace of about 50 trillion yen.

The Bank will also purchase exchange-traded funds and Japan real estate investment trusts to increase the annual pace of purchases by about 1 trillion yen and about 30 billion yen respectively.

In this situation, exports from Japan have been picking up and business investment has stopped weakening.

The up-turn in housing investment continues and private consumption in Japan remains resilient assisted by the improvement in consumer sentiment.

Reflecting on these developments in domestic and international demand, industrial production is expected to increase moderately.

The BoJ says “Japan's economy is expected to recover moderately on the back of the resilience in domestic demand and the pick-up in overseas economies”.

### All eyes on GDP revision due in September

Japan's cabinet Office released provisional GDP figures on 12 August. See:

[http://www.esri.cao.go.jp/en/sna/sokuhou/sokuhou\\_top.html](http://www.esri.cao.go.jp/en/sna/sokuhou/sokuhou_top.html)

In the second quarter, GDP is estimated to have grown 0.6 percent, the third quarterly expansion of GDP and analysts are seeing this as an endorsement of the government's monetary policies.

However, the increase in the second quarter was lower than expected but revised figures due out in September will provide a more accurate picture and will guide the government on its decision whether or not to begin raising the consumption tax from April next year.

If converted to an annualised rate then GDP growth for 2013 would be 2.6 percent, somewhat lower than the forecast 3.6 percent increase.

In the second quarter private consumption increased and exports improved but business investment continued to decline. However, the pace of decline in investment is clearly slowing.

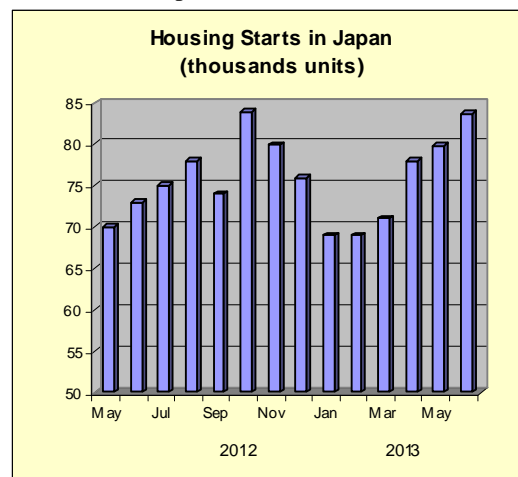
It is worth noting that provisional economic data released by the Cabinet Office is notoriously unreliable and is invariably changed. The final second quarter GDP will be released in September and is expected to show a more robust growth in GDP.

### Housing starts continue to climb

June housing starts in Japan totalled 83,704 up by around 4% on levels in May but were up over 15% compared to June 2012.

Analysts attribute the continued increase in demand for new homes as the response of home buyers to the threat of a consumption tax increase scheduled for 2014.

It is likely that August housing starts will move even higher as the major construction companies are reporting that orders are up over 20%.



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

For the complete housing data see the Construction Research and Statistics Office Policy Bureau, Ministry of Land, Infrastructure, Transport and Tourism website at:

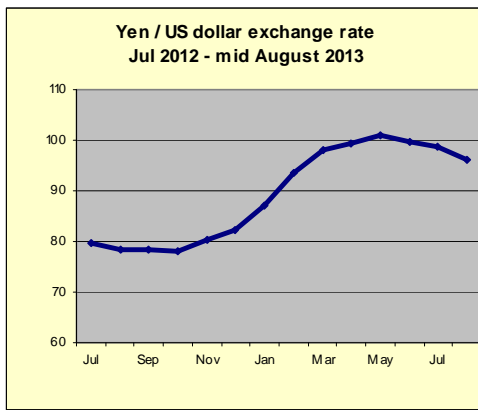
<http://www.mlit.go.jp/toukeijouhou/chojou/stat-e.htm>

### Investors move money into yen

In early August the yen strengthened against the dollar largely because of purchases of the currency as investors moved out of equities and currencies in countries where the risks were perceived higher.

The weaker than expected GDP figures for the second quarter caused a flow of funds from Japanese stocks and back into yen which also further strengthened the yen against major currencies.

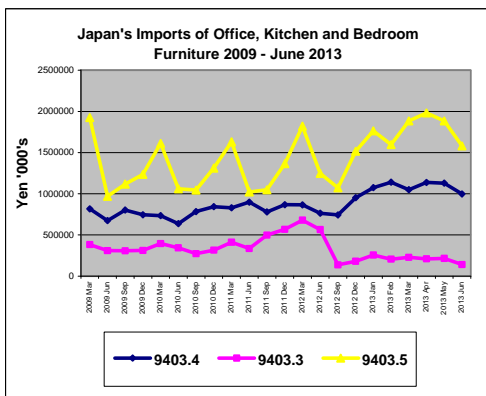




## Japan's furniture imports

### June 2013 furniture imports

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



Source: Ministry of Finance, Japan

### Office furniture imports (HS 9403.30)

June office furniture imports fell sharply dropping to yen 141 mil. a 32% decline on levels in May. However, the second quarter 2013 imports at yen 9,283 mil. were almost the same as in the first quarter of the year (yen 9,249 mil.)

The top ranked suppliers of office furniture remain China (1st), Poland (2nd) and Malaysia and these three countries supplied 60% of Japan's imported office furniture. June imports from China and Malaysia fell around 30% but imports from Poland, while declining were down just 14%.

Imports from EU member states and Switzerland accounted for 37% of Japan's office furniture imports in June almost the same as in May. After Poland, other main suppliers were Portugal and Germany.

### Office furniture imports (HS 9403.30)

Imports	
2013 June	
Unit 1,000 Yen	
S. Korea	5484
China	60216
Taiwan P.o.C	9804
Vietnam	-
Thailand	999
Malaysia	6798
Philippines	-
Indonesia	4311
Sweden	-
Denmark	910
UK	311
Belgium	-
France	-
Germany	9844
Switzerland	-
Portugal	9847
Italy	9235
Poland	18873
Lithuania	2395
Czech rep.	-
Slovakia	943
USA	1445
total	141415

Source: Ministry of Finance, Japan

### Kitchen furniture imports (HS 9403.40)

Kitchen furniture imports slumped in June falling to yen 9,986 mil. from the yen 11,285 mil. in May.

Vietnam continues to be the number one supplier of kitchen furniture to Japan and in June the value of imports from Vietnam, at yen 344 mil were slightly up on the yen 327 mil. level in May.

This is in sharp contrast to the 37% decline in imports from China and the 29% decline in imports from Indonesia.

Three suppliers Vietnam, Indonesia and Philippines, the three top ranked suppliers provided almost 70% of Japan's imports of kitchen furniture in June. For the first time in 2013 China did not make it to the top ranked three suppliers.

Shipments of kitchen furniture from Europe in June were dominated once more by those from Germany and at yen 81mil. were up by about 20% on levels in May.

Imports during June continued the decline seen in May falling to just yen 34 mil. representing only around 10% of imports from the USA.

### Kitchen furniture imports (HS 9403.40)

	Imports
	2013 June
	Unit 1,000 Yen
S. Korea	260
China	125642
Taiwan P.o.C	3638
Vietnam	334016
Thailand	12988
Malaysia	32582
Philippines	178117
Indonesia	185917
France	835
Germany	81059
Italy	3384
Austria	769
Romania	358
Lithuania	3383
Canada	2612
USA	33059
total	998619

Source: Ministry of Finance, Japan

### Bedroom furniture (HS 9403.50)

Japan's imports of bedroom furniture have been close to yen 2 bil. every month but in June imports fell around 16% to yen 1,582.

While this may seem a significant decline analysis of first and second quarter imports show that, overall, import levels are virtually unchanged.

In the first quarter of 2013 Japan imported bedroom furniture worth yen 5,245 and in the second quarter imports totaled yen 5,449 mil.

As in May, the top suppliers in June were China and Vietnam which, together with imports from Malaysia, accounted for around 80% of all wooden bedroom furniture imports to Japan.

Shipments of bedroom furniture to Japan from China in June were however, significantly down (-26%) compared to May but shipments from Vietnam were up 7%.

Malaysia is the third ranked supplier of bedroom furniture to Japan but June shipments from Malaysia were down around 9%.

Imports of bedroom furniture from EU suppliers accounted for just 5% of June imports by Japan. The largest supplier from the EU was Sweden overtaking Poland for the first time.

### Bedroom furniture (HS 9403.50)

	Imports
	2013 June
	Unit 1,000 Yen
China	887754
Taiwan P.o.C	14123
Vietnam	384026
Thailand	69260
Singapore	-
Malaysia	90540
Philippines	1832
Indonesia	32982
Sweden	25769
Denmark	-
Belgium	745
France	1347
Germany	-
Italy	14560
Poland	17045
Austria	578
Romania	-
Turkey	3859
Lithuania	9437
Croatia	1752
Bosnia	2320
Slovakia	7821
USA	16377
total	1582127

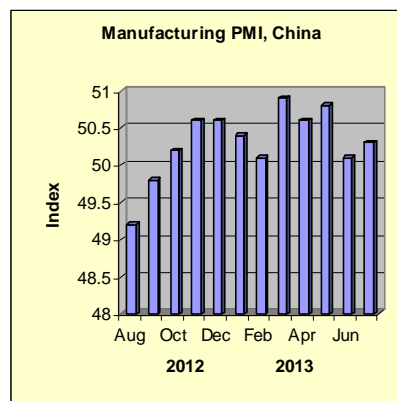
Source: Ministry of Finance, Japan

### Report from China

#### PMI indicates optimism on part of manufacturers

In July, China's manufacturing purchasing managers index (PMI) was 50.3 percent, up by 0.2 percentage point month-on-month.

The PMI for large-sized enterprises was 50.8 percent, up by 0.4 percent month-on-month; that of medium-sized enterprises was 49.6 percent, down by 0.2 percent month-on-month; that of small-sized enterprises was 49.4 percent, up by 0.5 percents month-on-month. In July, of the five sub-indices constituting PMI, four increased while one declined.



The Production Index was 52.4 percent, up 0.4% month-on-month. The New Orders Index was 50.6 percent, up 0.2% month-on-month staying above the negative threshold.

The most recent survey shows that the Export and Import Order Index was 49.0 and 48.4 percent respectively an improvement of 1.3% and 0.5% but still in negative territory.

The Production and Business Activity Expectation Index was 56.4 percent, up 2.3 percent over last month, ending a three-month downward trend. This indicates that the proportion of manufacturing companies that are optimistic on business activities in the next three months has increased.

#### **Raw material prices down for seven consecutive weeks**

According to the Ministry of Commerce as of the end of June prices of raw materials used in manufacturing including timber have fallen for the past seven weeks.

Prices for steel were down 0.4% prices for agricultural materials dropped 0.1% prices for building materials declined 0.9% of which glass, timber and cement fell 1.7%, 1.1% and 0.6% respectively.

#### **Too many furniture stores**

According to recent estimates, since August 2011 twelve mega home furnishing stores have closed in China and over the past six months a further eight large stores have closed.

In addition, another five mega stores are about to relocate. The closures and relocations are in response to the cooling of the property development boom which began in 2010.

The China Furniture Association has calculated that for every 10,000 sq.m of furniture store floor area annual sales are in the region of yuan 100 mil.

Thus, to service domestic furniture demand for yuan 20 bil. (2012 figure) the ideal floor space in the retail sector should be around 20 mil. sq.m. but the total area of current domestic home furnishing stores exceeds 40 million sq.m.

If the furniture retail sector does not change then 50% of the retail floor area is likely to be unprofitable.

#### **Obstacle slow development of wood/plastic composite market**

Wood plastics composite products are now used more often in China in construction, interior decoration, outdoor furniture, the automotive and transportation sectors, logistics and packaging, etc.

However, the biggest problem for further development of the market for wood/plastic products is inadequate standards and highly variable product quality which have undermined consumer confidence.

According to the China Institute for Sustainable Development, Wood Plastic Composite Materials Professional Committee it was not until 2008 that the first national standards were developed.

Following this in early 2009 the national standards "GB/T 24137 wood plastic decorative panels" and "GB/T 24508 wood plastic flooring" were prepared and eventually adopted in 2010.

At present another 6 standards for wood plastic composite materials are either being drafted or awaiting ministerial approval.

#### **First half 2013 good for China's furniture manufacturers**

According to the latest data released by National Bureau of Statistics in the first half of 2013 revenue for furniture manufacturers grew 13% year on year.

The total accumulated profit in the industry reached yuan15.31 billion, a year-on-year increase of 16%.

From January to May 2013 the wooden and metal furniture manufacturing industries contributed most to cumulative profits in the furniture sector.

Cumulative profits for wooden furniture manufacturers accounted for 60 percent of the total, metal furniture manufacturing industry 26 percent, other furniture manufacturing industry 10 percent, bamboo, rattan furniture manufacturing industry 2 percent and plastic furniture manufacturing 1.8 percent.

Amongst the five sub-sectors growth of profits in the bamboo and rattan furniture manufacturing industry exceeded 100 percent, plastic furniture manufacturing 74 percent and wooden furniture 2 percent.

#### **Wood-based panel sales surge**

According to the State Forestry Administration (SFA) sales of wood-based panels have grown by an average of 20% annually since 2007 to reach to 272 million cubic metres in 2012.

However, new policies in the domestic real estate sector and weak international demand have slowed the expansion of wood based panel sales.

The SFA estimated that production and sales of China's wood-based panel in 2012 were 286 million cubic metres and 272 million cubic metres, up 21 percent and 17 percent respectively.

#### **Jiangsu Province timber imports up twelve percent**

The 26 ports in Jiangsu Province handle the highest volume of timber imports in China. In the first half of 2013 timber imports through ports in Jiangsu Province achieved a new record of 8.09 million cubic metres valued at US\$1.6 billion, a year on year increase of 12 percent in volume and value.



Source: Google maps

Timber imports from North America continue to grow and reached 2.45 million cubic metres in the first half of 2013 making up 30 percent of the total. Timber imports from Africa fell again and were only 790,500 cubic metres, down 7 percent.

Hardwood log imports from Oceania were stable but softwood imports increased. Timber imports from New Zealand rose 53 percent to 1.21 million cubic metres. Sawnwood imports through Jiangsu ports declined 17 percent to 853,500 cubic metres in the first half.

#### ASEAN suppliers drive up imports through Nanhai ports

Statistics from the Nanhai Entry-Exit Inspection and Quarantine Bureau for January to April show that log imports through Nanhai ports were worth US\$106 million, a year on year increase of 52 percent. It was reported that as much as 90% of the timber imports were from ASEAN countries.

The Nanhai international container terminals are in the Sanshan economic development zone in Foshan city in the mid-northern area of the Pearl River Delta in the Guangdong Province.

The port is 84 nautical miles from Hong Kong and 70 nautical miles from Shenzhen. Nanhai port operates seven berths capable of handling both container and general cargo.

The main reasons for the increase in imports are; first, Nanhai is home to major furniture and wood product manufacturing enterprises; second, domestic timber supplies in the area are not adequate to satisfy demand and finally, timber imports from ASEAN countries duty free.

#### 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
	6m	30 cm	1400
Korean Pime	4m+		1700
	6m+		1750
Mongolian	4m	30 cm	1380
Scots Pine	4m	36 cm	1500
	6m	30 cm	1420
	6m	36 cm	1600

### Wenzhou Timber Trading Market

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

## Report from Europe \*

### Improvement in economic sentiment in Europe, but conditions very fragile

Economic sentiment in Europe improved a little during the second quarter of 2013. Talk of a possible “depression” and euro-collapse has receded into the background.

Nevertheless overall economic conditions remain fragile and the construction sector, the major driver of wood demand, is still deep in negative territory.

GDP data for the first quarter of 2013 reveals that the EU economy remained static at the depressed level achieved in the last quarter of 2012.

Slow growth in Germany and UK during the quarter was offset by continuing decline in France, Italy and other southern European countries.

Nevertheless, the European Commission was sufficiently encouraged by the figures to revise upwards their forecast for EU GDP change during 2013 from -0.3% to -0.1%. For 2014, economic activity is now projected to expand by 1.4% in the EU.

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

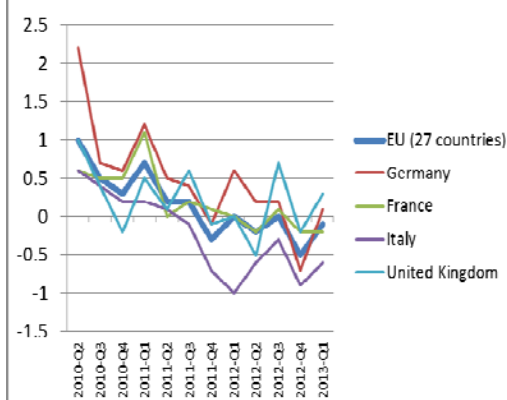
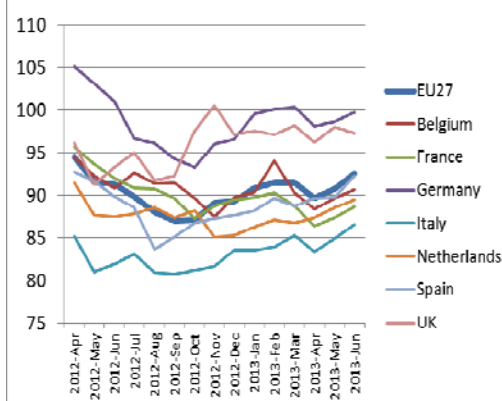


Chart B: Eurostat Economic Sentiment Indicator



The Economic Sentiment Index (ESI) showed some improvement in the second quarter of 2013 both for the EU as a whole and for many individual EU countries (Chart B).

However, the index remains well below 100 in nearly all EU countries. This means that a majority of those surveyed are still not optimistic that market conditions will improve in the short term. Germany and the UK continue to stand out as countries where there is a higher level of confidence about future prospects.

The Citigroup Eurozone Economic Surprise Index fell very sharply between the end of February and end of May.

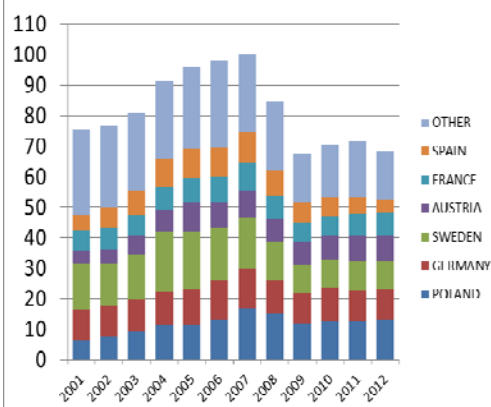
This index tries to capture how well the data is coming in relative to economic expectations. At the end of February 2013, the index stood at +70 as most data was exceeding expectations at that time.

However the index fell like a stone to -53.2 at the end of May 2013. This was due to publication of a relentless series of very poor numbers across the euro-zone on economic growth, employment, manufacturing, industrial production, and retail sales.

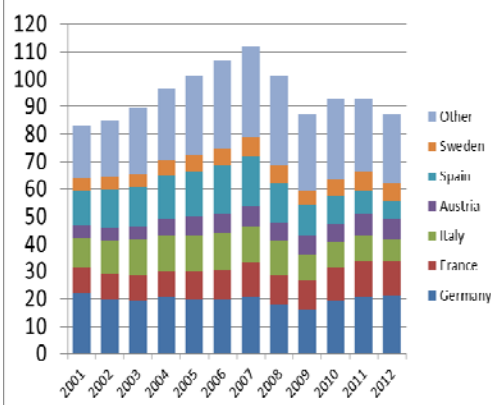




**Chart E: Wood flooring production in FEP countries 2001 to 2012 (million m2)**



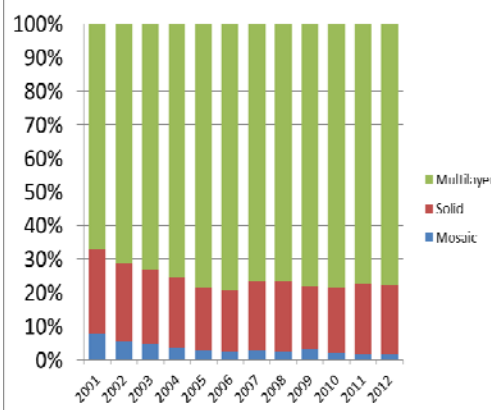
**Chart F: Wood flooring consumption in FEP countries 2001 to 2012 (million m2)**



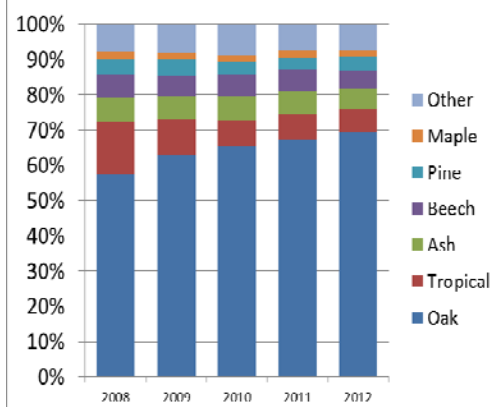
There was little change in the proportion of wood flooring output by product type between 2011 and 2012 (Chart G).

Multi-layer flooring continued to dominate, accounting for 78% of the volume of all wood flooring manufactured in FEP member countries during 2012. Solid wood flooring accounted for 21% of production volume and mosaic flooring for 2% in 2012.

**Chart G: Proportion of wood flooring production in FEP countries by type**



**Chart H: Proportion of wood flooring production in FEP countries by species**



The most obvious trend in species usage during 2012 was a further increase in oak's dominance, mainly at the expense of tropical hardwood. In 2012, oak accounted for 70% of all flooring production in FEP member countries, up from 58% in 2008. In the last five years, share of tropical wood has declined from 15% to 6%.

Over the same period, share of temperate species other than oak has fallen from 28% to 24%. These include ash, beech, pine, and maple in descending order of importance.

The increasing domination of oak is explained by a combination of: consumer preference for a species perceived to be full of character and of "high quality"; the development of a wide range of new staining and other treatment techniques that have hugely increased the range of looks that can be achieved with oak; wide availability from domestic and North America sources; rising prices and declining availability of tropical hardwoods; and environmental campaigns targeting tropical hardwoods.

#### **European laminated flooring sector suffering from over-capacity and competition**

Europe's laminated flooring sector, while still dominant in global terms, has been struggling during the global financial crises.

In addition to declining consumption, the sector has come under intense competitive pressure from manufacturers in other parts of the world, particularly China.

The laminate flooring sector is also suffering from overcapacity which has put considerable pressure on prices. While consumers benefit from very low prices, retailers now need to shift huge volumes in order to profit from sales of laminate flooring.

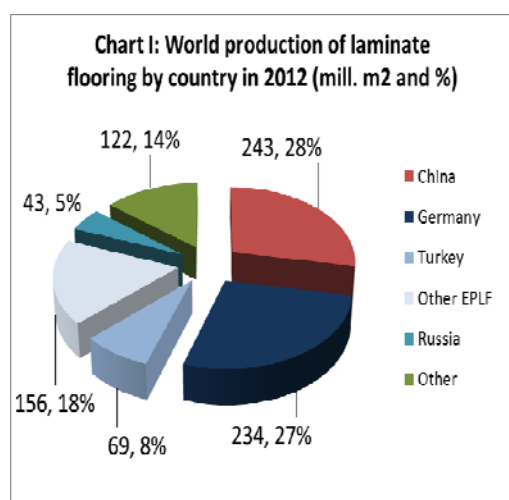
As a result distributors are looking for higher margin products. At present there's growing interest in Luxury Vinyl Tiles (LVT) which are increasingly viewed as offering a better combination of quality, value and margin.

The European laminate flooring industry is responding, partly through down-sizing, partly through development of new higher value product lines, and partly through

marketing efforts emphasising the specific performance and environmental benefits of laminate flooring. The laminate market has become split between the low-end product selling for less than euro 10 per square meter and the upscale product that offers bevelled edges, hand scraping, wire brushing and exotic designs priced in excess of €20 per square meter.

At their annual meeting in June 2013, the Association of European Producers of Laminate Flooring (EPLF) discussed the global laminate market noting that, in their estimation, China recently overtook Germany as the largest single manufacturer of laminate flooring in the world.

EPLF estimate that of total global production of around 870 million m<sup>2</sup> in 2012, China contributed 243 million m<sup>2</sup> (28%) and Germany 234 million m<sup>2</sup> (27%). However taken together, the 22 member companies of the EPLF (all located in Europe including Turkey) accounted for 460 million m<sup>2</sup> in 2012, 53% of global production (Chart I).



EPLF data shows that sales of laminated flooring by EPLF members fell sharply during 2011 and 2012 (Table). During these years, low and declining sales in Europe and North America were only been partially offset by increased sales to Turkey, Latin America, Asia and Russia.

During the first quarter of 2013, overall global sales by EPLF members stabilised at the lower level achieved in 2012.

This year sales have continued to decline in Germany, France, the UK, the Netherlands, Spain, Austria, and the USA. However rising sales in Sweden, Italy, Latin America and Asia have been just sufficient to offset weak markets elsewhere.

#### Global sales of laminate flooring by EPLF Members

	2012	2013	% Change
W. Europe and Turkey	75.2	75.4	0.3
E. Europe	20.3	20.6	1.5
N. America	5.7	5.6	-1.8
S. America	4.2	4.6	9.5
Asia	2.4	2.8	16.7
Other	2.4	2.4	0
<b>total</b>	<b>110.2</b>	<b>111.4</b>	<b>1.1</b>

\* EPLF include data for Turkey with "Western Europe"

In 2012, for the first time, EPLF members also provided sales figures by product thickness. Around 45% of all EPLF laminate flooring sales were products with a thickness of less than 7.5mm, around 45% were 8mm to 9mm thick and the remaining 10% had thickness in excess of 10 mm.

Products 8mm to 9mm thick are the biggest sellers in Eastern Europe and Turkey. In Western Europe, and Germany in particular, customers prefer products which are thinner than 7.5mm.

#### European laminate producers complain about Chinese competitors in Russia

Competition in the laminate flooring market is intense in all regions. However, EPLF expressed particular concern about competition from Chinese manufacturers in Russia in a press statement issued after their June meeting:

*"It is with some concern that the EPLF is seeing the Russian laminate flooring market being flooded with mass produced Chinese goods, which also do not meet high European standards. There is a risk that these products will damage the reputation of laminate flooring amongst Russian customers. The EPLF has therefore decided to initiate a quality campaign to raise awareness of the high-quality products of European manufacturers and to distance itself from inferior cheap products".*

The statement goes on to claim that European laminate flooring products "are environmentally-friendly, high-tech products, manufactured in a sustainable manner. In other words, they are gentle on resources and socially responsible. European quality is synonymous with long-lasting floors, innovative products for enhanced interior comfort, leading design for versatility and individuality, good value for money and, importantly, ecologically-sound products which guarantee safety for customers and their families".

#### Mounting challenge from "Luxury Vinyl Tiles"

Laminate flooring is under intensifying competitive pressure from LVT. Made primarily from polyvinyl chloride resins and plasticizers, LVT is being heavily promoted as a versatile, relatively low cost but nevertheless "luxury" product. LVT manufacturers and retailers claim it offers good cleaning and maintenance,

easy installation, good acoustics and high levels of durability.

It's also claimed that new decorative films for LVT take advantage of higher-resolution 'HD' printing and other technologies to produce increasingly realistic wood, stone and tile looks covering a myriad of designs and textures.

In countering the threat from LVT, the wood laminates industry is placing considerable emphasis on the relative environmental benefits of a wood-based flooring product.

European laminates manufacturers now make far-reaching claims that products are made exclusively from either wood sourced from sustainably managed domestic forests, or recycled material from the timber industry.

Even the decorative finishes are being printed on certified paper with a high proportion of recycled material and natural water-based inks. They are using eco-friendly resins as binder and increasing use of recycled paper to make packaging.

They claim that laminate flooring manufactured in Europe is low-emission and far outperforms legal limits for formaldehyde and VOCs (volatile organic compounds).

To back these claims, European laminate manufacturers are investing in Environmental Product Declarations (EPDs). Most laminate flooring manufactured by EPLF members now comes with an EPD prepared in line with the ISO14025 standard for "Environmental labels and declarations".

#### Laminate design trends

The "wood look" remains very dominant in the laminate flooring sector comprising perhaps 80% of all sales. Amongst wood types, the laminates sector follows the "real wood" sector so far as oak is the preferred look.

According to EPLF "Oak is always popular with designers. No other laminate flooring decor offers as many different possibilities as this expressive domestic timber that has been a dominant mainstream player over the last few years - and will continue to be so.

Natural, light shades, very rustic textures, subtly altered vintage looks - oak offers an impressive range of possible designs".

However, the laminates sector is also trying to differentiate itself from the "real wood" sector by emphasising its ability to offer a huge variety of "experimental timber looks".

Increasingly radical designs are being promoted which combine the grain of different wood species with unusual and bold colours and other decorative features. The laminates sector is exploiting its ability to offer a much wider range of board lengths and widths at competitive prices than for the real wood product.

There's also much emphasis in the sector on improving the texture and feel of laminate flooring to produce a more "authentic" look. This is of increasing concern to modern architects and consumers and one factor that continues to give real wood a genuine competitive edge.

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

#### Report from North America \*

##### Furniture fastest-growing manufacturing industry

Economic activity in the US manufacturing sector expanded again in June, after a brief decline in May, according to the Institute of Supply Management.

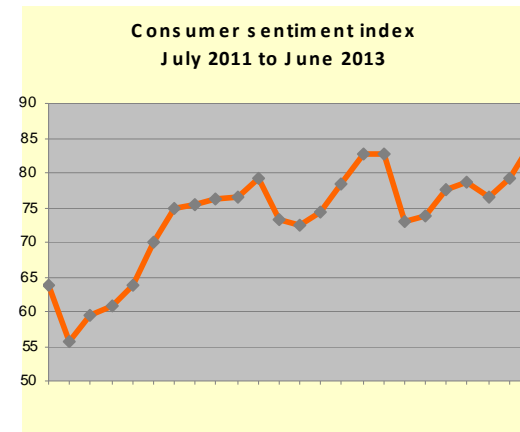
The fastest growing industry sector was furniture and related products. Wood product manufacturers also reported growth.

Unemployment in the US remained unchanged at 7.6% in June, according to the US Bureau of Labor Statistics.

##### Higher home prices support consumer confidence

Consumer confidence in the US economy gained significantly in June, according to the Thomson Reuters/University of Michigan consumer sentiment index.

Growth in wealth (higher home values and stocks) supported the positive economic outlook, even though jobs and wages have not improved.



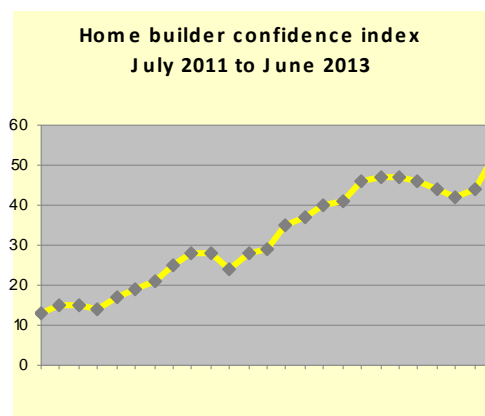
Data source: Thomson Reuters/University of Michigan Surveys of Consumers

Upper income households in particular were more confident in their economic outlook. Lower income households reported declining or stable incomes.

Confidence in the housing market also improved. Consumers thought that conditions are favourable for both buying and selling homes.

##### Home builders confident in single-family market

Builder confidence in newly built single-family homes improved significantly in June. The National Association of Home Builders reports an 8 point increase in the Home Builders/Wells Fargo Housing Market Index. The index is over 50 for the first time since 2006.



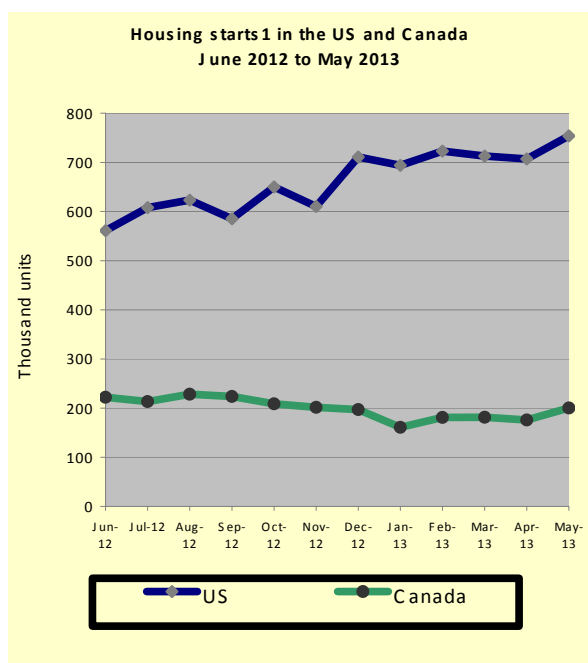
Data source: National Association of Home Builders/Wells Fargo Housing Market Index

Builders' confidence is supported by the prospect of over 1 million housing starts this year, a 29% increase from 2012. The supply of homes on the market remains tight, and demand from buyers is expected to fuel new home construction.

#### Multi-family construction up, single-family unchanged

US housing starts rose by 6.8% in May to reach 914,000 at a seasonally adjusted annual rate. The increase was primarily in multi-family housing. Single-family starts remained almost unchanged from the previous month.

The US South saw the strongest increase in housing starts (+17.8%). Starts in the West grew by 5.7%, while they declined in the Northeast (-9.0%) and in the Midwest (-13.7%).



At seasonally adjusted annual rate

Data source: US Census Bureau, Canada Housing and Mortgage Corporation

The number of building permits issued declined by 3.1% to 974,000 in May (seasonally adjusted annual rate). However, single-family permits increased by 1.2%, while

the number of permits for multi-family construction declined. The number of permits issued is usually an indicator of future building activity.

#### Higher sales of existing homes

Sales of existing homes grew by 4.2% in May from the previous month, according to the National Association of Realtors. The increase in sales was higher than expected and the association cautioned against home prices rising too quickly. The national median price for existing homes sold was US\$208,000 in May, 15.4% higher than in May 2012.

#### Canadian urban multi-family housing starts up

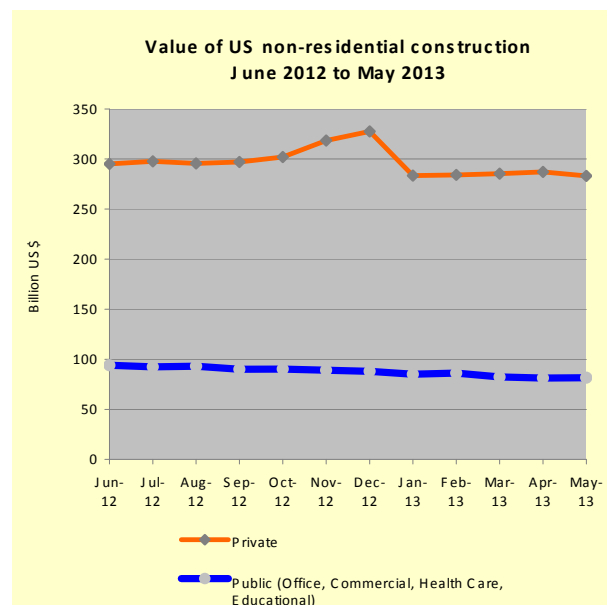
Canada's housing starts increased by 14% in May, according to the Canada Housing and Mortgage Corporation. Construction started on 200,000 units at a seasonally adjusted annual rate. The increase in starts was mainly in multi-family housing in the urban centres.

Sales prices of existing homes changed little between April and May, but the average home price was 3.7% higher in May than at the same time last year.

#### Decline in non-residential construction

Spending on US non-residential building construction declined by 1% in May, after increasing at the same rate during the previous month (seasonally adjusted).

Private construction decreased by 1.4%, while public construction was almost unchanged at +0.4%. Public office construction and building of health care facilities were the best performing sectors.



Data source: US Census Bureau

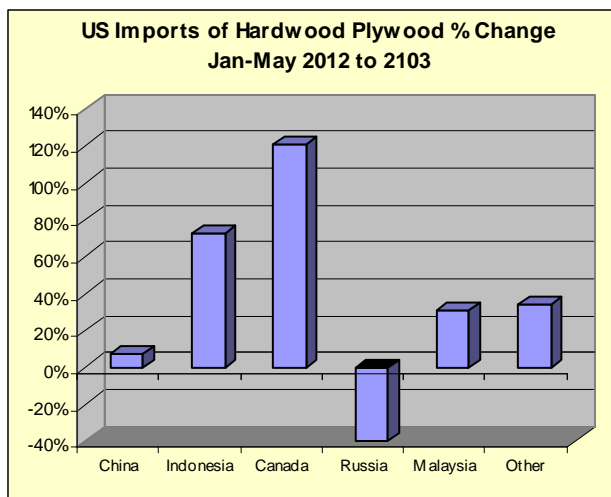
#### Hardwood plywood imports

All major wood product imports grew in May, with the exception of hardwood plywood imports. It is difficult to estimate the full effect of the anti-dumping and countervailing investigation by the US Department of Commerce.



Without doubt the investigation's preliminary findings and duties have caused uncertainty in pricing and supply among hardwood plywood users in the US.

Total hardwood plywood imports were 216,660 m<sup>3</sup> in May, down 18% from April. Year-to-date imports are 25% higher than in 2012.



China and Indonesia, the two largest suppliers to the US market shipped less, while imports from all other main suppliers grew, led by Canada and Ecuador.

China's shipments fell from 170,984 in April to 62,303 m<sup>3</sup> in May (-64%). However, year-to-date imports from China remain 8% higher than at the same time in 2012.

#### US imports of hardwood plywood (cu.m)

	Mar-13	Apr-13	May-13
US total import	198,294	264,715	216,660
of which:			
China	61,058	170,984	62,303
Indonesia	63,891	31,322	25,853
Ecuador	20,563	11,871	28,909
Canada	9,245	12,886	47,174
Russia	19,089	17,649	24,721
Malaysia	13,577	9,046	14,854
Other	10,871	10,957	12,846

Source: US Department of Commerce, US Census Bureau, Foreign Trade Statistics

Imports from Indonesia declined by 17% to 25,853 m<sup>3</sup> in May. Year-to-date imports are 72% higher than in May 2012. Ecuador shipped 28,909 m<sup>3</sup> to the US market in May (+452% year-to-date). Canada exported 47,174 m<sup>3</sup> of hardwood plywood in May (+121% year-to-date).

#### Hardwood moulding imports

US hardwood moulding imports were worth \$17.4 million in May (-10% year-to-date). Imports from China increased to \$5.5 million, but year-to-date imports from China are 12% below 2012. Brazil's shipments were worth \$5.9 million in May (-21% year-to-date).

#### US imports of hardwood moulding (US\$, 000's)

	Mar-13	Apr-13	May-13	% change
total imports	12,085	14,216	17,395	22%
of which:				
Brazil	2,843	2,631	5,928	125%
China	3,811	4,660	5,490	18%
Malaysia	778	1,114	1,124	1%
Canada	1,488	1,527	1,561	2%
Other	3,165	4,284	3,292	-23%

Source: US Department of Commerce, US Census Bureau, Foreign Trade Statistics

#### Wood flooring imports

US imports of assembled flooring panels increased to \$10.4 million in May, but year-to-date imports are still 7% lower than in 2012. Imports from China grew significantly (\$5.8 million) while Canadian shipments increased more moderately to \$2.3 million.

On a year-to-date basis, China's shipments declined by 23%, while imports from all other major suppliers went up.

#### US imports of assembled flooring panels (US\$, 000's)

	Mar-13	Apr-13	May-13	% change
Total imports	7,256	7,232	10,400	44%
of which				
China	3,274	3,307	5,831	76%
Canada	2,303	1,993	2,306	16%
Indonesia	376	402	323	-20%
Brazil	462	446	972	118%
Other	841	1,084	968	-11%

Source: US Department of Commerce, US Census Bureau, Foreign Trade Statistics

Hardwood flooring imports also grew and reached \$3.0 million in May (+9% year-to-date). Indonesia has become the leading supplier to the US so far in 2013. May imports from Indonesia were worth \$1.4 million (+114% year-to-date). Imports from China were \$440,782 in May (+10% year-to-date).

#### US imports of hardwood flooring (US\$, 000's)

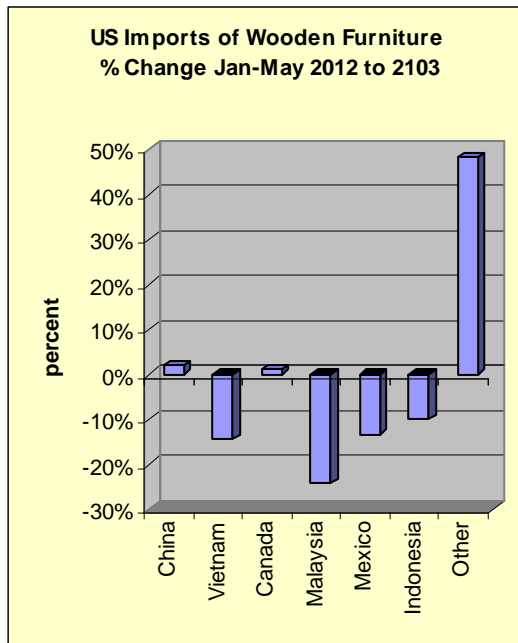
	Mar-13	Apr-13	May-13	% change
Total import	2,076	1,990	2,954	48%
of which				
Malaysia	297	745	410	-45%
Indonesia	1,249	464	1,444	211%
China	118	183	440	140%
Canada	32	175	106	-39%
Other	380	423	554	31%

Source: US Department of Commerce, US Census Bureau, Foreign Trade Statistics

### Wooden furniture imports

US imports of wooden furniture surpassed again the \$1 billion mark in May. Total imports of wooden furniture (excluding furniture parts) were worth \$1.134 billion (+3% year-to-date).

China's market share in the US has grown so far in 2013, based on US import figures. Furniture imports from Canada have also increased, while imports from Vietnam, Malaysia, Indonesia and Mexico are lower than at the same time last year.



Source: US Census Bureau: Foreign Trade Division USA Trade ® Online

China's furniture shipments to the US were \$595.9 million in May (+2% year-to-date), compared to Canada's at \$90.5 million (+1% year-to-date). Imports from Vietnam were reported at only \$17.4 million in May (-15% year-to-date).

### US imports of wooden furniture (US\$, 000's)

	Mar-13	Apr-13	May-13	% change
total imports	813,896	994,825	1,134,026	14%
of which				
China	316,606	456,268	559,860	23%
Vietnam	121,048	147,590	17,388	-88%
Canada	90,999	91,111	90,521	-1%
Malaysia	47,227	46,063	5,064	-89%
Mexico	4,352	45,420	46,769	3%
Indonesia	49,870	49,545	52,328	6%
Other	183,794	158,828	362,096	128%

Source: US Census Bureau: Foreign Trade Division USA Trade ® Online

Products incl: HS 940161, 940169, 940330, 940340, 940350 and 940360

### Higher demand for engineered wood flooring

Demand for engineered wood flooring (wood veneer on a base of plywood or HDF) is set to grow in the US, according to the National Wood Flooring Association.

The association surveyed the industry in January 2013 and it found that engineered wood flooring accounted for a growing share in total sales.

The growth in engineered wood flooring comes at the expense of pre-finished solid wood flooring. Demand for unfinished solid wood flooring appears less affected. Most engineered wood flooring is used in remodeling project and professional contractors increasingly install it instead of solid wood.

A market report published by Freedonia in June (Hard Surface Flooring to 2017) projects that US demand for hard surface flooring will increase by 5% per year to 2017.

However, the strongest growth will be in vinyl and tile floors, while wood flooring will grow only moderately. In terms of end use, the non-residential flooring market is expected to grow faster than the residential market.

### September hearing in hardwood plywood anti-dumping investigation

The US International Trade Commission has scheduled a hearing on September 19, 2013 as part of its antidumping investigation into hardwood plywood imports from China. The Commission will issue its final determination within 45 days of the hearing, according to a report by Furniture Today.

The final determination will decide whether the duties collected on plywood imports since April 30 will continue. If the Commission does not find evidence of injury to the US domestic plywood industry, the duties collected so far will be refunded.

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

**Disclaimer:** Though efforts have been made to keep prices near to accurate, these are published as a guide only.

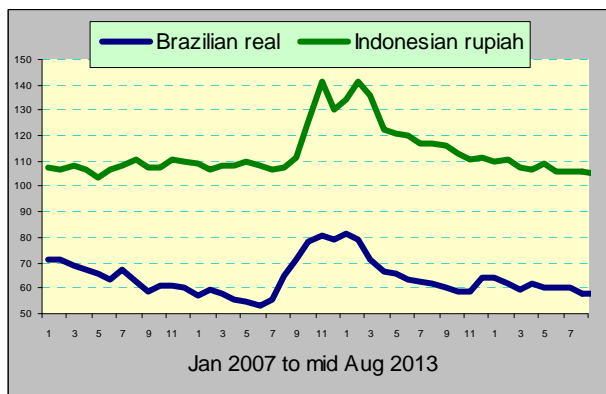
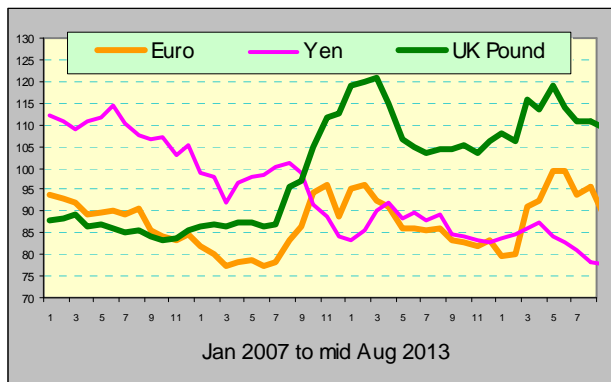
**ITTO does not take responsibility for the accuracy of this information.**

## Main US Dollar Exchange Rates

As of 10th August 2013

Brazil	Real	2.270
CFA countries	CFA Franc	495.21
China	Yuan	6.1225
EU	Euro	0.7495
India	Rupee	60.6795
Indonesia	Rupiah	10285
Japan	Yen	96.23
Malaysia	Ringgit	3.2544
Peru	New Sol	2.790
UK	Pound	0.6449
South Korea	Won	1111.60

Exchange rates index (Dec 2003=100)

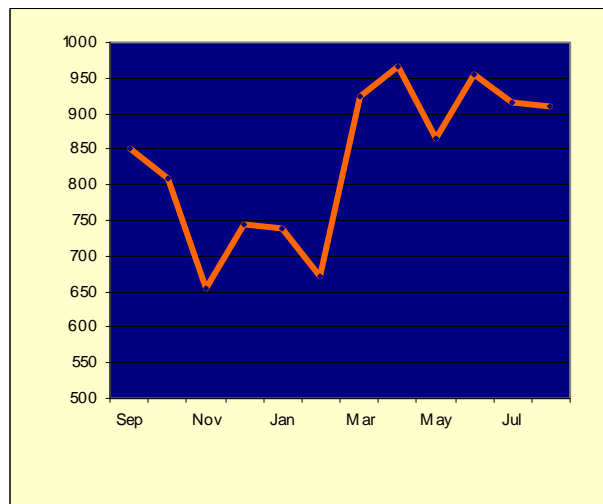


## Abbreviations and Equivalences

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

Baltic Supramax Index 2012 -2013



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

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