

# 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

### **Proposal for new ISO chain of custody standard causes uproar**

The German representative to the International Organization for Standardization (ISO), and Associação Brasileira de Normas Técnicas (ABNT), the Brazilian member of ISO have submitted a proposal for a new international standard on chain-of-custody requirements for forest products.

This proposal has already caused controversy. FSC and PEFC released a joint statement urging ISO members to vote against the proposal claiming that offering a chain of custody certificate disconnected from PEFC and FSC forest management certification would lead to uncertainty and “sub-optimal results”.

(more on page19)

**EU importers expected to begin restocking**

Producers are saying there has been a five to six month's lull in purchases by importers in the EU as many had bought heavily before the EUTR came into force. Now that importer's stock levels have fallen and the northern hemisphere summer vacation period is over, producers expect more enquiries from importers, especially those in the EU, as they seek to restock.

However, analysts report that current purchases are still focused on a very small range of species. Despite the renewed interest from buyers, exporters say there are no opportunities to raise prices.

Demand for Asian markets continues to be very active and prices are stable and largely unchanged.

**Opportunity to raise prices recedes**

Over the past weeks only one price change has been noted and that is for padouk sawn wood. Padouk prices have become more volatile because of the fluctuating demand especially in India and to a lesser extent in the EU. Logs remain unchanged and stable.

Producers are not confident that they can secure any substantial price increases during the second half of the year and do not anticipate any improvement in log availability. The overall outlook for demand appears to be firm but stable.

**Reduced output and declining availability hollowing out manufacturing**

On the supply side there are continuing reports of poor log availability both for domestic milling and for export. The shortage of logs has resulted in lower output from those mills that can secure some logs and, in the worst case particularly in Gabon, mill closures.

Forestry authorities throughout W. Africa are now more rigorous in their monitoring of forest operations and exports. Gabon, in particular, has very stringent inspections both at the mills when containers are being loaded and again at the port where containers are rechecked thoroughly.

Although any positive or negative effects of the EUTR have yet to be quantified most importers and traders believe that tropical timber imports will decline. That said, there is currently some improvement in buying for France and other continental EU member states.

**German importer responds to questions on legality of wenge logs**

A delivery of wenge logs is being investigated by German authorities as they have been alerted that some of the timber may have been illegally sourced. Two European timber journals, EUWID and the Timber Trades Journal (TTJ) provide some information on this developing story.

See: [www.euwid-wood-products.com/news/miscellaneous/single/Artikel/ble-seizes-wenge-deliveries.html](http://www.euwid-wood-products.com/news/miscellaneous/single/Artikel/ble-seizes-wenge-deliveries.html) and [www.ttjonline.com/news/german-competent-authority-probes-suspected-eutr-breach/](http://www.ttjonline.com/news/german-competent-authority-probes-suspected-eutr-breach/)

The trade journals report that an export shipment of wenge logs was tracked from the Democratic Republic of Congo (DRC) by Greenpeace after another NGO claimed in a report that wenge was being illegally harvested and exported.

It appears that Greenpeace alerted the Belgian EUTR competent authority which passed information to the German Federal Office for Agriculture and Food (BLE), the German competent authority. The importers have submitted documents as required under the EUTR and the exporter is cooperating to demonstrate these logs are legal.

The BLE is seeking clarification from Congolese authorities on the authenticity of the documentation submitted by the importer and exporter. The BLE considers the DRC a high risk country in terms illegal logging.

**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)<br>(China only) | 265                  | 265 | 225  |
| 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                  |
| Merchantable               | 275                  |
| Std/Btr GMS                | 345                  |
| Sipo FAS GMS               | 550                  |
| FAS fixed sizes            | -                    |
| FAS scantlings             | 550                  |
| Padouk FAS GMS             | 950                  |
| FAS scantlings             | 900↓                 |
| Strips                     | 400                  |
| Sapele FAS Spanish sizes   | 490                  |
| FAS scantlings             | 515                  |
| Iroko FAS GMS              | 570                  |
| Scantlings                 | 600                  |
| Strips                     | 435                  |
| Khaya FAS GMS              | 445                  |
| FAS fixed                  | 470                  |
| Moabi FAS GMS              | 550                  |
| Scantlings                 | 550                  |
| Movingui FAS GMS           | 400                  |

## Report from Ghana

### Journalists briefed on merits of VPA

A workshop organised by the Working Group on Forest Certification, established to support the Voluntary Partnership Agreement (VPA) process, has been held in Accra. The workshop was to educate journalist on the VPA as it is expected to advance the interest of the timber industry in the country.

The first workshop was one of a series planned to create awareness of the requirements of the EUTR for the implementation of the VPA which Ghana plans to finalise in 2014

The Director of the Timber Validation Division of the Forestry Commission, Mr. Chris Beeko, talked journalist through the nuances of the VPA emphasising that illegal logging had caused considerable damage to the forest cover.

Mr. Beeko said the primary objective of Ghana's involvement in the VPA is the strengthening of in-country regulatory systems and to move the country closer to achieving its national forest policy.

### Delayed decision on removing subsidy costing millions

Proposals for an increase in power and water tariffs have been frozen for almost two years as the regulator has yet to make a decision on the request from the utility companies, despite the intention of the government to remove subsidies. The delay in adjusting the tariffs is costing the government a great deal of money.

In 2012 GH¢809million was spent on utility and fuel subsidies - and payment of an additional GH¢955.8million was deferred to 2013. The combined obligation is GH¢1.76billion, or 2.4 percent of GDP.

While petroleum subsidies have been removed outstanding subsidies on electricity and water remain a threat to plans to lower the current account deficit to 9 percent of GDP this year. The International Monetary Fund (IMF) has cast doubts that a reduction of the deficit to 9 percent of GDP can be achieved.

Because of the impact of fiscal rebalancing on inflation the Bank of Ghana has had to raise interest rates this year to 16 percent.

### Forest Management Course Held in Kumasi

A course on bio-economy and sustainable forest management to promote efficiency in the control and utilisation of the country's forest resources has been held bringing together forest managers, researchers, academics and students.

The workshop was arranged by the University of Eastern Finland (UEF) and the Forestry Research Institute of Ghana (FORIG) graduate school.

Topics discussed included ecosystems management, forest landscape restoration, watershed management, multiple use of forest resources, strategy-based sustainable management and forest pathology.

The Director of FORIG, Dr Victor Agyeman, said the course provided forest managers with skills and to protect the forest and other natural resources.

Professor Ari Pappinen of the UEF, said bio-economy offered an opportunity for a paradigm shift in forest resources management and sustainability. He added that Ghana was the first African country to offer such course at the graduate level.

### 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<br>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                  | 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<br>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

### Expansion of wood processing should be based on plantation resources

The Chief Minister of Sarawak, Abdul Taib Mahmud, wants companies in Sarawak to utilise the available planted forests in the State. He made this call during the Sarawak Forestry Corporation (SFC) tenth anniversary dinner, as reported by domestic newspaper, The Star.

The Chief Minister pointed out that for the timber industry to expand there must be an alternative log supply other than the natural forest because sustainable harvests are limited and there is no opportunity for expansion.

He has asked SFC to support research and management of tree plantations in the state, saying the next challenge for the industry in Sarawak is to shift sourcing raw materials from natural forest to plantations.

Last year, Sarawak harvested 9.45 million cubic metres of logs and in 2011 production was 9.61 million cubic metres.

An ITTO Mission to Sarawak in 1989/1990, made several recommendations for sustainable management in Sarawak, one of which was to target annual log production at 9.2 million cubic metres.

SFC Chairman, Dr Yusoff Hanifah, announced the creation of a 'planted forest research and development division' in the restructured SFC. He further said, "Seeing that there may be gaps in expertise and techniques, there is a need to collaborate with institutions of higher learning to build capacity in our own experts".

### Higher log prices reverse declines in profitability for Sarawak companies

Research by the RHB Research Institute suggests that profitability in the timber sector in Sarawak is improving due to the recent strong recovery in log prices. Improvement in the Japanese economic outlook is also encouraging plywood exporters.

Hoe Lee Leng, a RHB analyst, pointed out that Malaysian log prices have been rising steadily since April due to a global tropical hardwood log shortage. Currently, some log prices are up 20 – 30% year-on-year.

Traders in Sarawak reported recent FOB log prices as follows:

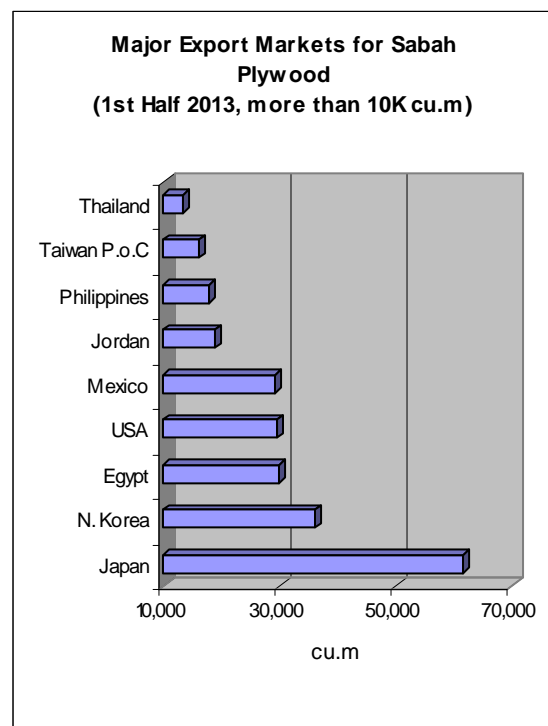
|                        |                         |
|------------------------|-------------------------|
| Meranti SQ             | US\$ 260 – 275 per cu.m |
| Kapur SQ               | US\$ 335 – 345 per cu.m |
| Keruing SQ             | US\$ 275 – 295 per cu.m |
| Selangan Batu, Regular | US\$ 515 – 535 per cu.m |

Analysts are of the opinion that the current price levels will remain firm for the second half of the year and into early 2014.

### Sabah plywood trade in first half 2013

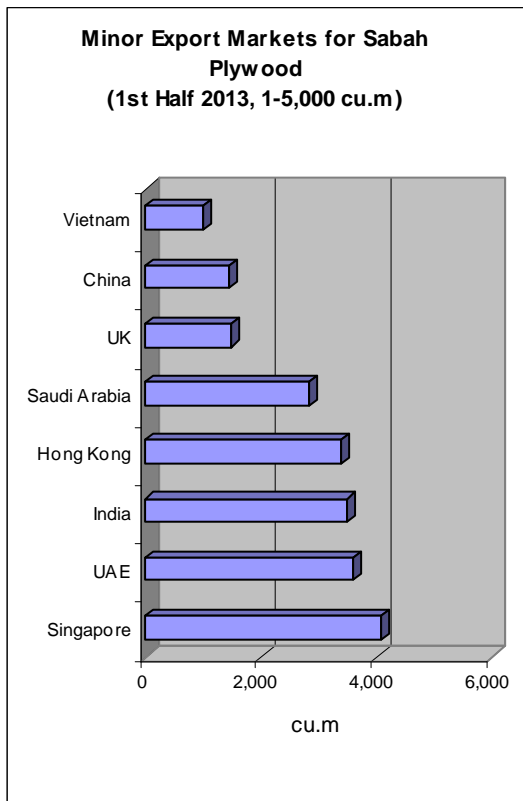
Sabah plywood exports totaled 274,981 cu.m worth around RM 430 mil. in the first half of this year. In addition to exports around 53,000 cu.m was sold to buyers in Peninsular Malaysia and just over 2,000 cu.m was sold to Sarawak.

Export markets taking more than 10,000 cu.m in the first half of the year are shown in the figure below. Japan is the main export market for plywood from Sabah followed by N. Korea.



Data source: Statistics Department, Sabah.

Markets taking up to 5,000 cu.m in the first half of this year are shown in the following graphic. Other minor markets include Syria, Australia and Mauritius.



Data source: Statistics Department, Sabah.

### Report from Indonesia

#### Cash pours in for conservation projects

External funds for conservation projects continue to pour into Indonesia with Germany being latest country to offer money and expertise to help rehabilitate national parks.

Forestry Minister Zulkifli Hasan said that Germany had granted Indonesia euro 8 million to restore parks in Jambi and natural forests in Gorontalo as these are in a poor condition due to encroachment.

The German funds along with Indonesian investment will restore the national parks and efforts will be made to empower local communities for the long term protection of the areas.

#### Government prepared for second high fire risk season

The government has put in place emergency measures to tackle further forest fires as second peak in the dry season was forecast for August because the weather pattern is very irregular this year.

Experts say that because of changes in the dry season weather fires may occur and smoke may be blown towards Singapore and Malaysia.

The government has introduced new response measures for fire risk areas in Sumatra and Kalimantan. The measures include preparations for water bombing and creating artificial rain.

The Environment Minister has said Indonesia will quickly ratify the ASEAN agreement on Trans-boundary Haze

Pollution (AATHP) allowing it to take action against companies deliberately using fire to clear land.

#### Indonesia seeks deals with countries need verified legal timber

Indonesia and the European Union (EU) will soon finalise the VPA and Forestry Minister Zulkifli Hasan said the country is in a position to penetrate global markets that require verified legal wood products

Indonesia adopted a timber legality certification scheme (SVLK) in 2003 and this is now mandatory for forest concession holders and industries.

The SVLK was made mandatory to facilitate uninterrupted trade in wood products with the EU and Indonesia was one of the first countries to conclude negotiations on a VPA.

Indonesia now aims to conclude bilateral agreements with other countries so that its trade in wood products can be expanded.

#### SVLK better than FSC certification in meeting demands for proof of legality

The Forestry Ministry has said that local wood products companies have seen little benefit from FSC certification. The ministry's secretary general Hadi Daryanto said "Rather than struggling to get certification from voluntary organisation, firms are better off obtaining the SVLK because they are unable to export without it,"

Hadi made this comment in response to a recent decision by FSC to end all association with the Asia Pacific Resources International Limited (APRIL) Group.

Environmental NGOs have criticised APRIL for what they see as the group's avoidance of enquiries into alleged deforestation.

#### Korean company to develop bio-energy resource production in Indonesia

A S. Korean firm, Depian Co. Ltd, is reportedly ready to invest in a wood pellet production plant in South Kalimantan in cooperation with a local investor PT Inhutani III, a state firm.

The proposed plant will produce up to 30,000 tons of wood pellets annually all of which will be imported by S. Korea. At present renewable energy sources provide less than 1% of Korea's energy requirements with most being generated from oil, coal and natural gas.

#### 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                              |  |                         |
| KD   |  | 655-700                 |
|  |  | -                       |
| 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     | -                       |
|                              | 12-15mm          | -                       |
|                              | 18mm             | -                       |
| <i>MDF</i>                   | Export 12-18mm   | 660-690                 |
|                              | Domestic 12-18mm | 550-600                 |

## Report from Myanmar

### Corporate future for Myanmar Timber Enterprise

At a gathering on 20th August, MOECA Minister U Win Tun and Presidential Adviser Professor Dr. Aung Tun Thet presented their vision for corporatisation of the Myanmar Timber Enterprise (MTE). Officials from MTE, Forest Department, and related organisations were present.

Minister Win Tun explained that the planned corporatisation of MTE is not just a change in name but will require a complete restructuring to keep pace with the political, economic and social reforms taking place in the country.

Analysts say this is the biggest overhaul ever in the sixty-five year old history of MTE, which started as the State Timber Board in 1948.

Adviser Aung Tun Thet spoke in detail on what corporatisation was and how it must be implemented by the MTE, how it would be a challenge for the MTE staff to adjust and what support various stakeholders could provide during the difficult transition period.

The emphasis in the presentation was on 'why' and 'how' this change could be achieved.

The main message was that MTE would remain a state enterprise but be restructured to run efficiently, generating its own income by introducing good corporate governance and a sound business management approach.

The concept of corporatisation that was presented is ideally suited to the changing times in the country. Analysts are of the opinion that the proponents should plan the transition careful so the concept laid out by the government adviser is not lost.

Even though no timeframe or strategies through which the change can be effected have been announced, the MTE will face an upheaval as it may be asked to effect the change just at the time when the log export ban is due to come into effect. Managing the log export ban will be a great enough challenge for the MTE.

Analysts say that while change is welcome it seems ironic that, MTE, a State Owned Enterprise which has the sole authority for log harvesting in the country since 1948 could come to a grinding halt not long after the introduction of the log export ban.

Analysts feel that a big challenge lies ahead for MTE. It is anticipated that MTE revenue from log sales will drop sharply when the log export ban is implemented.

### Trade deficit climbs sharply

The state run newspaper the New Light of Myanmar quoting the Central Statistical Organisation reported that Myanmar's trade deficit reached US\$572 million over the four months April to July in fiscal 2013-14.

Imports were valued at US\$3536 million and exports US\$2965 million.

However Myanmar posted a trade surplus of 8.65 million U.S. dollars in July. Total export for July were US\$ 798 million while import were US\$789 million. These figures include border trade transactions.

The main export items include natural gas, jade, beans and pulses, rice, fish, rubber and teak while the main imports were of oil and gas, auto spare parts, iron and steel, palm oil, pharmaceutical products, plastics, fertilizer, cement and electronic equipment.

### Teak tender prices

The following prices were recorded for teak log sales during competitive bidding on 23rd and 26th August during the MTE tender. The next sale will be held in late August.

| Grade       | Quantity (Tons) | US\$ per hoppus ton |
|-------------|-----------------|---------------------|
| 4th Quality | 10              | 6529                |
| SG-1        | 21              | 4709                |
| SG-2        | 84              | 3617                |
| SG-4        | 290             | 2656                |
| SG-5        | 140             | 2371                |
| SG-6        | 122             | 2133                |
| SG-7        | 145             | 1744                |

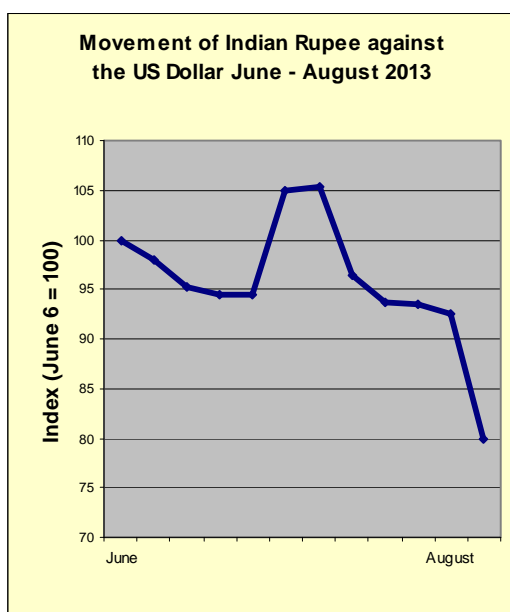
### Pace of rupee depreciation catches everyone by surprise

The rupee has fallen around 13% against the US dollar since mid June and analysts say, while the depreciation of the rupee is no surprise, the rate of the current decline was unexpected.

Importers and traders have been actively buying US dollars in anticipation of further declines in the exchange rate despite the efforts of the central bank to prop up the rupee.

Since the middle of July, the Reserve Bank of India (RBI) has acted to support the rupee but these have so far failed instead sending bond yields surging which adds another risk to the economy.

The rupee fell below Rs67 to the US dollar on 29 August.



### Inflation worries as price index soars

The Wholesale Price Index in India rose 5.8% during July 2013 compared to the 4.9% rise in June 2013 this reflects higher food and fuel prices and the impact of the rapidly depreciating rupee.

In an attempt to control price inflation import duties on gold and silver have been raised. Also, the outflow of foreign exchange is being carefully monitored as part of the RBI efforts to reduce the current account deficit.

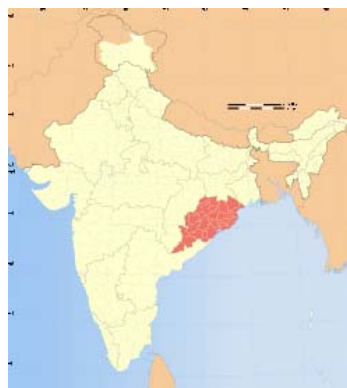
Indian exports rose by 11.6% to US\$25.83 billion in July and imports were down by over 6%. Analysts say the monsoon weather has been favourable for agricultural production which is good news for the economies in rural areas of the country.

For a full analysis of the current views of the RBI please see:

[http://www.rbi.org.in/scripts/BS\\_PressReleaseDisplay.aspx?prid=29356](http://www.rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=29356)

### Ambitious plans for processing zone exclusively for imported timber

Plans for a timber processing zone in Paradip on the east coast are being discussed by the State Government of Odisha, location in red shown below.



Source: Wikipedia

The plan for the Paradip zone is modelled on the Kandla zone. If this project goes ahead it will support expansion of wood based industries using imported timber to manufacture for the domestic and international markets.

The indications are that the state government will provide around 200 ha. of land near Paradip port as well as related infrastructure.

In the first phase it is proposed that the zone will accommodate five large sawmills, twenty small sawmills, ten plywood mills, ten large processing factories for furniture, doors, windows and joinery items and around one hundred small and medium sized enterprises. To facilitate timber supplies five timber trading centres are also planned.

Paradip port is convenient for cargo arrivals from Myanmar, ASEAN countries and New Zealand which will result in a cost advantage.

Many local and overseas entrepreneurs are showing an interest in participating in this wood industry cluster which is expected to provide direct employment to 12,000 people and bring in investments worth about Rs.6 billion.

### Prices for imported plantation teak

Fluctuations in the rupee exchange rate continue to worry importers but plantation teak import volumes are virtually unchanged as India's requirement for teak is remarkably consistent.

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

|                          | 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           | 350-500                 |
| Nigeria squares          | 300-450                 |
| Ghana logs               | 300-650                 |
| Guyana logs              | 300-450                 |
| Benin logs               | 350-650                 |
| Benin sawn               | 700-800                 |
| Brazil squares           | 350-650                 |
| Colombia logs            | 350-750                 |
| Togo logs                | 350-500                 |
| Ecuador squares          | 300-540                 |
| Costa Rica logs          | -                       |
| Panama logs              | 350-550                 |
| Sudan logs               | 400-700                 |
| Congo logs               | -                       |
| Kenya logs               | 450-500                 |
| Thailand logs            | 350-450                 |
| Trinidad and Tobago logs | 400-550                 |
| Uganda logs              | 450-650                 |
| Laos logs                | 300-450                 |

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

#### Ex-mill prices for sawnwood

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

| 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                 |

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

Demand continues to weaken but prices remain unchanged.

| 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

The shortage of raw material for the manufacture of plywood is becoming rather acute say analysts. Imported logs are now more expensive because of the weakened rupee however, despite the higher costs, demand remains firm.

#### WBP Marine grade from domestic mills

| Plywood, Ex-warehouse, (MR Quality) | Rs. per sq.ft |
|-------------------------------------|---------------|
| 4 mm                                | 34.00         |
| 6 mm                                | 50.00         |
| 12 mm                               | 75.55         |
| 15 mm                               | 89.25         |
| 18 mm                               | 107.25        |

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

| Locally Manufactured Plywood "Commercial Grade" | Rs. per sq.ft | Rubberwood | Hardwood |
|---|---------------|------------|----------|
| 4mm   | Rs.16.65      | Rs.26.50   |          |
| 6mm   | Rs.25.00      | Rs.36.00   |          |
| 8mm   | Rs.31.40      | Rs.40.00   |          |
| 12mm  | Rs.37.25      | Rs.47.00   |          |
| 19mm  | RS.52.50      | Rs.65.00   |          |
| 5mm Flexible ply                                | Rs.35.00      |            |          |

### Report from Brazil

#### Real hit by exchange market volatility

Unsettled global financial markets are impacting many economies including Brazil's and Finance Minister Guido Mantega said recently that volatility is likely to continue until the US Federal reserve makes clear when stimulus measures will be withdrawn.

The minister said this during a meeting of business leaders after which the ministry released a statement, see: [http://www.fazenda.gov.br/portugues/documentos/2013/apresentacao\\_ministro\\_lide\\_26082013.pdf](http://www.fazenda.gov.br/portugues/documentos/2013/apresentacao_ministro_lide_26082013.pdf)

The most immediate impact of the market turbulence has been felt in foreign exchange markets where the real dropped to a four-year low against the dollar in August prompting the central bank to intervene to stem the pace of real depreciation.



Many analysts are expecting the Brazilian economy to remain weak despite the efforts of the government to boost investment and bring infrastructure projects on-stream.

#### **Inflation at the high end of government target**

Brazil's Consumer Price Index (IPCA) fell 0.26% in June to 0.03% in July, the lowest since July 2010 when it was 0.01%. With the July figure the accumulated IPCA for the year to-date is 3.18%. Over the past 12 months the corresponding figure is 6.27%, at the high end of the federal government's target of allowing the IPCA to move in a range of between 2.5% and 6.5%.

#### **Decline in furniture production and consumption**

An Institute of Industrial Marketing (IEMI) report on the furniture sector in Brazil presented consolidated data on the furniture sectors in Rio Grande do Sul state, one of major furniture manufacturing states.

The report notes that furniture production and consumption throughout Brazil fell in May, production fell 8.5% to 41.4 million pieces. In the state of Rio Grande do Sul production also dropped but by 9% in the same month to 7.2 million pieces. Production in Rio Grande do Sul accounts for around 17% of all furniture production in Brazil.

Furniture consumption also fell in May and in Rio Grande do Sul consumption was 6.9 million pieces, down almost 11% according to the IEMI report.

However, the IEMI reported that the number of workers in the timber and furniture sector increased by around 1% in May from a month earlier but was down almost 5% compared to May 2012.

Productivity in the sector also declined says IEMI falling 4.3% in May, but for the year it has improved some 11%, considerably better than the 3.3% for the overall manufacturing sector.

Despite the falling output furniture retail sales increased 10.6% in number of pieces and by 11% terms of value which is considered well above the average for general retail sales.

#### **Forest concession bids open in Pará State**

The Brazilian Forest Service has called for bids for forest concessions in the Crepori National Forest (FLONA) located in Jacareacanga, state of Pará.

According to the Ministry of Environment (MMA), granting the harvesting concession will stimulate the local economy through creating jobs. The delimitation of the concession areas was made according to management plans prepared by the Chico Mendes Institute for Biodiversity Conservation (ICMbio).

The concession area is divided into four forest management units (FMUs), ranging from 29,157 ha to 219,219 ha.

The successful bidders will have the right to manage the areas for sustainable production of timber and non-timber forest products for 40 years. Public forests are part of the national heritage and are administered to maintain environmental services that provide and generate socio-economic benefits.

The call for bids will be open until November, 2013 and interested parties are required to submit documentation related to capacity and technologies to be applied as well as pricing proposals.

A minimum US\$16.38 is to be offered per cubic metre, a value determined on the basis of market studies and forecast production costs taking into account the minimum should be attractive enough to mobilise investment.

#### **Pine plywood big loser in league of export products**

In July 2013, timber products exports (excluding pulp and paper) increased 3.1% compared to values in July 2012, from US\$ 197.9 million to US\$ 204.0 million.

Pine sawnwood exports increased 16.0% in value in July 2013 compared to July 2012, from US\$12.5 million to US\$14.5 million. In terms of volume exports increased 16.7%, from 55,200 cu.m to 64,400 cu.m over the same period.

Tropical sawnwood exports fell 12.0% in volume, from 28,400 cu.m in July 2012 to 25,000 cu.m in June 2013 but the value of exports increased 5.9% from US\$13.6 million to US\$14.4 million in the same period.

Pine plywood exports declined a massive 21.0% in terms of value in July 2013 compared to July 2012, from US\$31.0 million to US\$24.5 million. Export volume dropped 16% from 79,100 cu.m to 66,400 cu.m. during the same period.

Tropical plywood exports remained unchanged at an insignificant 3,900 cu.m in July.

#### **Mexico one of the fastest growing markets for Brazilian furniture**

Companies participating in the 'Brazilian Furniture Project', a project supported by Apex-Brazil, achieved positive results in the first half of 2013.

Exports to target countries reached US\$ 40.2 million, a 3% increase over the same period in 2012. The fastest growing markets this year were Mexico (up 66%) and Peru (up 32%).

A market report published in July this year said the main export markets in the first half year were Peru (US\$11.4 million), the United States (US\$9.7 million), Angola (US\$6.9 million), Chile (US\$5.3 million) and Colombia (US\$5.0 million). In the first half of 2013 furniture exports to target markets grew 1.3% to US\$98.3 million.

## Improvement in US housing starts a boost to Brazilian plywood exporters

The timber industry of Paraná is showing signs of recovery due mainly to increased US imports because of the increased pace of residential construction in the United States. Wood product exports from Paraná grew 11% to US\$391.8 million in the first half of 2013. Sales of pine plywood, the main product exported to the US, increased 19% in the half of 2013 to 581,200 cubic metres.

Brazilian exports have picked up and the US market absorbs a sizeable amount of Brazilian pine plywood exports. However it is the markets in the EU which are most dominate taking more than 70% of Brazil's pine plywood exports.

The housing market in the US is recovering and last year around 900,000 houses were built. This year it is forecast that more than 1 million houses may be completed. However, analysts say it will be difficult for the American market to get back to 2005's levels, overall the signs are positive.

### Prices

Average prices for wood products remain unchanged.

#### Domestic Log Prices

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

#### Export Sawnwood Prices

|                                      | US\$ per m <sup>3</sup> |
|--------------------------------------|-------------------------|
| Sawnwood, Belem/Paranagua Ports, FOB |                         |
| Jatoba Green (dressed)               | 1275                    |
| Cambara KD                           | 740                     |
| Asian Market (green)                 |                         |
| Guariuba                             | 372                     |
| Angelim pedra                        | 874                     |
| Mandioqueira                         | 302                     |
| Pine (AD)                            | 220                     |

#### Domestic Sawnwood Prices

|                                   | US\$ per m <sup>3</sup> |
|-----------------------------------|-------------------------|
| Brazil sawnwood, domestic (Green) |                         |
| Northern Mills (ex-mill)          |                         |
| Ipê                               | 888                     |
| Jatoba                            | 614                     |
| Southern Mills (ex-mill)          |                         |
| Eucalyptus (AD)                   | 244                     |
| Pine (KD) 1st grade               | 224                     |

#### Export Veneer Prices

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

#### Domestic Veneer Prices

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

#### Export Plywood Prices

|                                 | US\$ per m <sup>3</sup> |
|---------------------------------|-------------------------|
| Plywood, FOB                    |                         |
| 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                     |

|                             | US\$ per m <sup>3</sup> |
|-----------------------------|-------------------------|
| Pine Plywood EU market, FOB |                         |
| 9mm C/CC (WBP)              | 374                     |
| 15mm C/CC (WBP)             | 347                     |
| 18mm C/CC (WBP)             | 343                     |

#### Domestic Plywood Prices

|   | US\$ per m <sup>3</sup> |
|---|-------------------------|
| Plywood, domestic (ex-mill Southern mill) |                         |
| 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

|  | US\$ per m <sup>3</sup> |
|--|-------------------------|
| Belem/Paranagua Ports, FOB               |                         |
| 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

|                           | US\$ per m <sup>3</sup> |
|---------------------------|-------------------------|
| FOB Belem/Paranagua Ports |                         |
| Decking Boards            |                         |
| Cambara                   | 1,002                   |
| Ipê                       | 2,688                   |

## Report from Peru

### First eco-industrial park established

The country's first eco-industrial park will be established in the city of Pucallpa in the Ucayali region. Already some 166 companies are committed to participate providing for the development of an industry cluster for wood product manufacturers. The main objective is to produce added value wood products.

The Deputy Industry Minister, Francisco Grippa, said this park is a model for joint initiatives between the business sector and regional governments.

### Functions of Forestry and Wildlife to be absorbed by the SERFOR

The National Forestry and Wildlife (SERFOR), created in July 2012, will absorb the functions of the Forestry and Wildlife (DGGFFS) of the Ministry of Agriculture and Irrigation (MINAGRI).

The Ministry of Agriculture (Minagr) will set up a committee to finalise the transfer of resources, obligations and rights of DGGFFS to the management board of SERFOR.

SERFOR will be guided by a board of directors consisting of members representing the government ministries and public agencies and institutions involved in forest management and wildlife at the central, regional and local levels.

### Agreement to conserve more than 36 million hectares of forests

On August 16, the Ministry of Environment (MINAM), through the National Forest Conservation and the Regional Government of Loreto (GOREL) signed a cooperation agreement that will protect and conserve more than 36 million hectares of forests.

The agreement includes a commitment to develop the area and prepare annual work plans for the conservation of tropical forests of Loreto.

Capacity building activities in forest conservation management and assistance in formulation and implementation of conservation projects within the framework of the National System of Public Investment (PIP) will be supported. The Agreement also provides for training for sustainable production systems.

#### Maynas Province is the biggest producer of lumber in the Loreto region

According to information provided by the Regional Forest Management and Wildlife in Loreto, production of processed wood products during the second quarter of this year was 84.812 cubic metres.

Harvesting of twelve species accounted over 90 percent of total production of which the Cumala species (*Virola* sp) contributed around 24% (20,300 cubic metres).

The 12 most harvested species were: Cumala (24%), Bolt (23%), Capinuri (11%), Bolaina (10%), Lupuna (9%), Cedar (8%), Capirona (4%), Marupa (20%) as well as Anis Moena, Huayuro, Moena, Copaiba, and other species (5%).

#### Export Sawnwood Prices

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

|   | US\$ per m <sup>3</sup> |
|---|-------------------------|
| Peru Sawnwood, FOB Callao Port (cont.)          |                         |
| Virola 1-2" thick, length 6'-12' KD             |                         |
| Grade 1, Mexican market                         | 428-487                 |
| Grade 2, Mexican market                         | 358-404                 |
| Cumaru 4" thick, 6'-11' length KD               |                         |
| Central American market                         | 834-849                 |
| Asian market                                    | 811-893                 |
| Ishpingo (oak) 2" thick, 6'-8' length           |                         |
| Spanish market                                  | 509-549                 |
| Dominican Republic                              | 572-589                 |
| Marupa (simarouba) 1", 6-11 length Asian market | 421-482p                |

|  | US\$ per m <sup>3</sup> |
|--|-------------------------|
| Peru Sawnwood, FOB Iquitos             |                         |
| Spanish Cedar AD Select Mexican market | 887-909                 |
| Virola 1-2" thick, length 6'-13' KD    |                         |
| Grade 1, Mexican market                | 429-467                 |
| Grade 2, Mexican market                | 332-377                 |
| Grade 3, Mexican market                | 161-176                 |
| Marupa (simarouba) 1", 6-13 length KD  |                         |
| Grade 1, Mexican market                | 349-398                 |

#### Domestic Sawnwood Prices

|                         | US\$ per m <sup>3</sup> |
|-------------------------|-------------------------|
| Peru sawnwood, domestic |                         |
| Mahogany                | 867-911                 |
| Virola                  | 92-134                  |
| Spanish Cedar           | 277-321↑                |
| Marupa (simarouba)      | 99-110↑                 |

#### Export Veneer Prices

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

#### Export Plywood Prices

|  | US\$ per m <sup>3</sup> |
|--|-------------------------|
| Peru plywood, FOB Callao (Mexican Market)  |                         |
| Copaiba, 2 faces sanded, B/C, 15x4x8mm     | 318-347                 |
| Virola, 2 faces sanded, B/C, 5.2x4x8mm     | 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

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

#### Domestic Prices for Other Panel Products

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

#### Export Prices for Added Value Products

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

#### Increased mora export prices celebrated

In the two weeks reviewed there were no exports of greenheart and purpleheart logs. However, mora logs were traded and secured better prices in the international markets for all categories.

The top end prices for Standard quality was US\$160 per cu.m FOB, Fair quality mora logs earned US\$140 per cu.m FOB and Small quality prices were US\$130 per cu.m FOB. Guyana's log export market continues to be supported by the Asian market.

#### UAE re-enters the market for sawn greenheart

Exports of both dressed and undressed sawnwood made a notable contribution to overall export earnings during the period reviewed. After a long absence in the trade Undressed greenheart (Prime category) attracted buyers in the United Arab Emirates and earned a price of US\$1,231 per cu.m FOB.

Undressed greenheart (select) was also traded at prices as high as US\$997 per cu.m FOB with the main destinations being the Caribbean, Europe and North America.

Undressed purpleheart (select) export prices improved and the top end price increased from US\$1,230 to US\$1,993 per cu.m FOB in some major market such as the Caribbean, Europe and North America.

However the price for Undressed purpleheart (merchantable) remained at US\$650 per cu.m FOB. There was no export of Undressed mora during the period reviewed.

**Jump in price for dressed hardwoods in Caribbean markets**

Dressed greenheart FOB prices moved from US\$1,166 to US\$1,455 per cu.m. In contrast Dressed purpleheart export prices recorded decline in its top end price from US\$1,272 to US\$1,124 per cu.m FOB. The main market for dressed greenheart and purpleheart was the Caribbean.

Prices for BB/CC quality plywood increased from US\$584 to US\$615 per cu.m FOB in Caribbean and South America markets.

Splitwood prices remained stable of US\$1,023 per cu.m FOB while roundwood (wallaba posts) earned prices as much as US\$658 per cu.m FOB in the Caribbean.

Similarly, greenheart piles also attracted a favourable export market price of US\$472 per cu.m FOB with Europe being the main market.

**Assistance for value added manufacturers**

The Guyana Forestry Commission (GFC) is seeking funds from the ‘Compete Caribbean, Support for Cluster Initiatives’ (SCI) a collaborative effort among a number of partners including IDB, UK Aid and Canada.

The GFC’s request is for support for a project Building Capacity for Exporting Value Added Products in Forestry. This project seeks to assist the value added wood sector of Guyana to address constraints to production and exports.

**Export Log Prices**

| Logs, FOB Georgetown | SQ - \$ Avg unit value per m <sup>3</sup> |         |         |
|----------------------|---|---------|---------|
|                      | Std                                       | Fair    | Small   |
| Greenheart*          | No export                                 | -       | -       |
| Purpleheart          | No export                                 | -       | -       |
| Mora                 | 120-160                                   | 115-140 | 110-130 |

\*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<br>Greenheart | Prime        | -Undressed<br>1217-1231             | Dressed<br>- |
|                                 | Standard     | -                                   | 675-1,455    |
|                                 | Select       | 600-997                             |              |
|                                 | Sound        | No export                           |              |
|                                 | Merchantable | No export                           |              |
| Purpleheart                     | Prime        | -                                   | -            |
|                                 | Standard     | -                                   | 721-1,124    |
|                                 | Select       | 1,018-1,993                         |              |
|                                 | Sound        | -                                   |              |
|                                 | Merchantable | 650                                 |              |
| Mora                            | Prime        | -                                   |              |
|                                 | Select       | -                                   |              |
|                                 | 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                                | 450-615 |
| Utility                      |       | 5.5mm                               | -       |
|                              |       | 12mm                                | -       |

**Report from Japan**

**Decision on raising sales tax vital for government credibility**

The Japanese government has convened a working group of economists, business leaders and representatives of consumer bodies to prepare recommendations on plans to raise the consumption tax to 8 percent in April 2014 from the current 5 percent.

It has been proposed that a further increase taking the tax to 10 percent will be introduced in 2015.

The prime minister has said he would make a decision in the autumn when revised GDP figures for the first half of the year become available and would take into account the views of the working group just established.

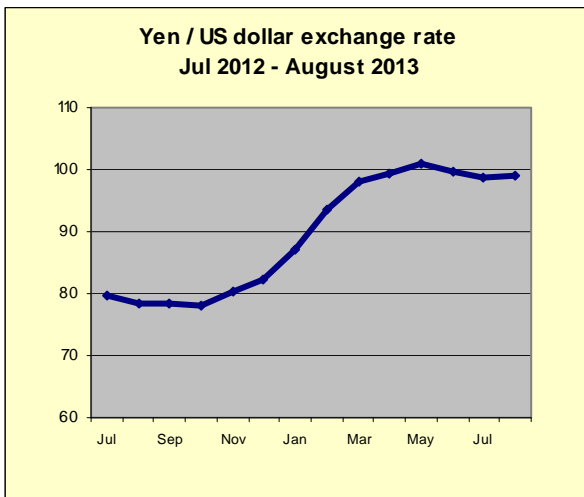
The latest economic data is providing support for the consumption tax rise but analysts worry that this move would add to household costs at a time when income growth is stagnant.

Consumer confidence declined in July for the second consecutive month signalling that most consumers expect prices to increase. Recent data shows that consumer prices (excluding fresh food) are indeed rising.

**Revision of US GDP figures weakens yen**

The yen weakened marginally against the dollar in late August after the US announced revised GDP figures for the second quarter indicating growth was almost double the initial figure for the quarter.





### Cabinet Office sees improvement in Japanese economy

In its August assessment of the Japanese economy the Cabinet Office concludes that the Japanese economy shows signs of recovery such as:

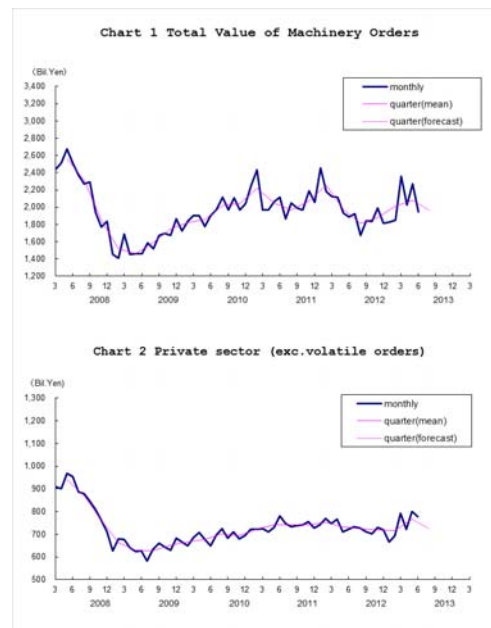
- exports and industrial production are increasing at a moderate pace.
- corporate profits are improving, mainly among manufacturers and business investment is leveling off and shows some movements of increasing.
- Private firms are judging that current business conditions are improving.
- the employment situation is improving.
- private consumption continues to grow.
- recent price surveys indicate that the deflation is ending.

Stronger recovery is expected if increased corporate profits lead to higher household income and greater corporate investment.

According to the June Short-Term Economic Survey of Enterprises in Japan (Tankan) by the Bank of Japan, planned business investment in fiscal 2013 is expected to increase for the third consecutive year for manufacturers, but investment by non-manufacturers is expected to decline for the first time in two years. Overall the assessment is that investment is expected to increase for the second consecutive year.

According to the Business Outlook Survey by the Ministry of Finance and the Cabinet Office, planned business investment in fiscal year 2013 is expected to increase both for large manufacturers and large non-manufacturers.

The figures for Orders Received for Machinery, a leading indicator, have been improving recently.

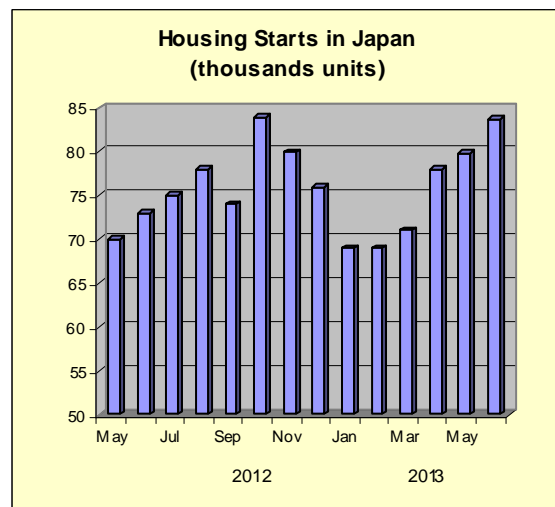


Source Cabinet Office, Government of Japan

See <http://www.esri.cao.go.jp/en/stat/juchu/1306juchu-e.html>

### Housing market supports growth prospects

Housing construction is increasing especially privately owned homes and houses for rent, overall, construction activity is picking up.



The Cabinet Office says the short-term prospects for house building is firm with an upward trend supported by work on reconstruction and by an improvement of the employment and income situations.

However, the construction sector is already reporting a shortage of skilled workers and the Cabinet Office identifies this as a risk to sustained growth in the housing sector.

### Employment situation improving

The rate of unemployment fell 0.2 percent in June from the previous month to 3.9%. In June the unemployment rate of those aged 15 to 24 was 6.4%, (down 0.7%)



however, the labor force and the number of employed persons increased.

The ratio of job offers to applicants has been rising because of an increase in the number of new jobs being created and the data show that overtime hours worked in the manufacturing industry are rising. These trends need to translate into rising incomes if the fledgling growth in the economy is to be supported.

**To boost economy, get more women working**

Japan's working-age population is projected to fall to about 60 million in 2030 from a peak of almost 80 million in 2000 but it has been estimated that Japan could add millions to the workforce if the proportion of working women was lifted to the same level as the average in the OECD countries.

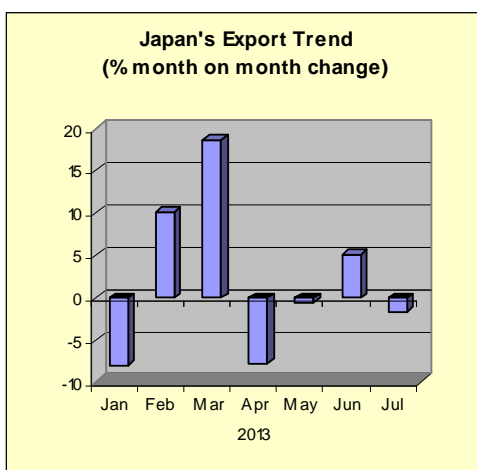
The impact of the added work force would be a boost to the economy, to household incomes and consumer spending.

The current government in Japan is the first to lay out concrete proposals for expanding the female workforce as a means to address the declining workforce without having to expand immigration as this has very little support across the country.

**Exports to major trading partners improve**

Japan's Ministry of Finance released export data on the 19 August showing July exports fell around 1.6 per cent from June, to yen 5.78 trillion, see: <http://www.mof.go.jp/english/>

However, exports rose more than 7% when compared to the performance in July last year. Exports to the EU improved for the first time in almost two years growing over 8% as did exports to the US (+15% year on year) and China (+ almost 10% year on year).



While the weaker yen has given a boost to exports it has led to a nearly 20% jump in the import bill. This increase was largely because of the impact of oil prices but also, encouragingly, Japanese companies have been importing manufacturing equipment.

**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>

**South Sea (tropical) logs**

Log supply season has arrived in the South East Asian countries but actual log supply in Sarawak, Malaysia continues tight. The reason is depleting resources.

Log production in the first six months in Sarawak this year was about 20% less than the same period of last year but the log demand for export and domestic plywood mills remain firm so that a balance of supply and demand is way off.

More than 60% of export logs from Sarawak go to India, which reduced the purchase for a month or so then it restarted buying since late July. To fill up large size log ships, Indian buyers need to pay high log prices when the suppliers' log inventory is low, which influence export log prices for other markets.

Export log prices at hand on Sarawak meranti regular are holding at \$280-290 per cbm FOB. Meranti small are softening at \$250. Sabah's mixed serayah regular prices are also holding flat at about \$270.

Log prices in Japan are firming with high FOB and weak yen. Sarawak meranti regular prices are 10,100-10,200 yen per koku CIF. Sabah kapur are 13,700 yen.

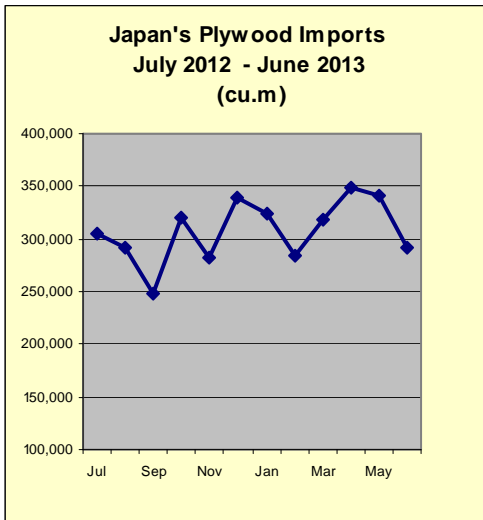
Facing continuous high log prices, only solution to cover the higher cost is to keep increasing higher sales prices of plywood.

**Plywood**

Domestic softwood plywood market continues firm with brisk demand. Shipments for house builders and precutting plants are active.

June production was 223,200 cbms, the highest in six years and three months then the shipment was 220,400 cbms. This is nine consecutive months with monthly shipment over 200 M cbms. The inventory remains low with 129,900 cbms. Thus, undertone is solid.

Only negative factor is delay of construction works because of shortage of workers, which puts brake on delivery of processed materials.



Data source: JLR

Plywood mills had to give up price increase on 12 mm 3x6 panel for July and August after gradual price hike in every month.

In Tokyo metropolitan market, prices of 12 mm 3x6 (special type/F 4star) are up by 10 yen from July at 940-950 yen per sheet delivered.

Long 9 mm 3x10 prices are flat at 1,370 yen. Thick 24 mm 3x6 prices are 1,910-1,920 yen, 40 yen up from July. Market prices of imported plywood are weakly holding with high port inventories.

Shipment from warehouses is increasing since last May but heavy arrivals in April and May over 340 M cbms still remain as negative factor. With this issue, purchase for futures declined so that the arrivals seem to drop since August.

**Port inventories should decline to balance supply and demand**

Market prices of JAS concrete forming 3x6 panels are 1,120-1,130 yen per sheet delivered, 10-20 yen down from July. JAS 3x6 concrete forming for coating is 1,220-1,230 yen, 10-20 yen down. 12 mm structural panel prices are 1,120-1,130 yen, 10-20 yen down and weakening.

**Report from China**

**Retail sales deliver good performance**

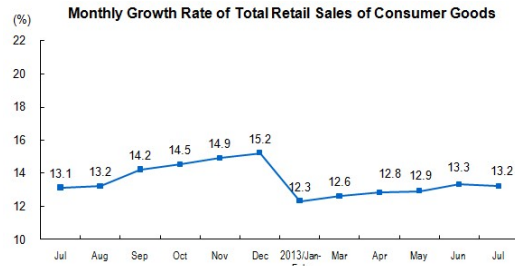
In July total consumer goods retail sales reached yuan 1,851 billion up 13 percent year-on-year according to a press release from the National Bureau of Statistics of China.

See:

[http://www.stats.gov.cn/english/pressrelease/t20130809\\_402918316.htm](http://www.stats.gov.cn/english/pressrelease/t20130809_402918316.htm)

Of the total, retail sales of consumer goods by industrial enterprises surveyed was yuan 916 billion, an increase of 11 percent. From January to July, retail sales of consumer goods were up by 12.8 percent year-on-year.

Retail sales of furniture in July totalled yuan 15 billion up 17 percent year on year and between January and July this year furniture sales increased 20.7 percent.



Source National Bureau of Statistics

**Real estate investment increases but land purchases slip**

The National Bureau of Statistics of China recently released details of real estate investment between January and July 2013.

See:

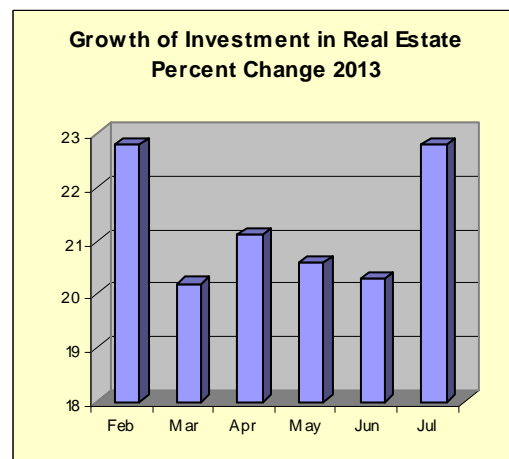
[http://www.stats.gov.cn/english/pressrelease/t20130809\\_402918312.htm](http://www.stats.gov.cn/english/pressrelease/t20130809_402918312.htm)

Investment in real estate in the first seven months of this year grew by 20.5 percent year-on-year but the pace of growth eased slightly in July.

Investment in residential buildings was yuan 3,031.8 billion, up by 20.2 percent, 0.6 percent lower than that in the first six months and accounted for 68.4 percent of real estate development investment.

Real estate investment from January to July in the eastern region was up 18.6 percent year-on-year, growth in the central region was up by 21.0 percent and growth in the western region improved by 25.0 percent.

In the same period the floor space under construction by the real estate developers rose 16.2 percent year-on-year while the land area purchased by real estate developers fell 1.4 percent year on year.



Source National Bureau of Statistics, China

### **Plywood anti dumping investigations by Colombia, Argentina and S. Korea**

In mid July this year the Colombian Ministry of Trade and Industry decided to investigate the pricing of Chinese plywood entering the country. This anti-dumping investigation focused on imports of plywood defined under the HS codes 4412 3100.00 and No. 4412 3200.00.

This followed a similar decision made by the Argentine Foreign Trade National Affairs Secretariat, in the Ministry of Economy and Public Finance.

In related news, South Korea's trade commission in the Ministry of Trade, Industry and Energy, has proposed anti-dumping duties on imports of Chinese made plywood for the next three years.

The duties proposed will range from 2.4 percent to 27 percent but the South Korean Ministry of Strategy and Finance is yet to make a decision on this.

The plywood market in South Korea is estimated to be worth around US\$800 million and Chinese made plywood accounted for roughly 40 percent market share in 2012.

### **No more Customs inspection for many forest products**

Measures to simplify export clearance procedures and thereby reduce operational costs and hopefully encourage competitive exports have been introduced.

As of 15 August the State General Administration of China Quality Supervision, Inspection and Quarantine, and the State General Administration of China Customs will no longer be inspecting a wide range of wood product exports.

However, 26 wood-based panel products such as bamboo-based plywood where each layer is less than 6mm thick and multi-layer plywood panels with at least one surface made from non-coniferous wood will still require inspection.

Many analysts are questioning why exporters of non-coniferous surfaced panels will still have to submit to costly inspections. But the authorities in China appear to be trying to effect a change in the structure of the wood product manufacturing sector.

Further support for manufacturers, especially small companies, in the form of suspension of the value-added tax and turnover tax for small businesses with monthly sales of less than yuan 20,000 has been welcomed.

The government has said this would benefit around six million small companies in all sectors and will boost employment.

### **Wooden handicraft subject to tighter inspections**

The State General Administration for Quality Supervision, Inspection and Quarantine has issued a new regulation on inspection of wooden handicraft products destined for the US market. Beginning 24 July only wooden handicraft satisfying the new regulation can be exported to the US.

The new regulations identifies the products involved as primarily processed wooden handicrafts made from natural materials such as bamboo, wood, rattan and willows and also includes carvings, baskets, boxes, outdoor items, dried flowers, artificial trees, lattice towers, garden fences and other primary processed wood products.

The regulation requires that wooden handicraft producers must register at local entry-exit inspection and quarantine agencies providing information on production facilities, quarantine processes, quality control and raw material tracking controls.

The entry-exit inspection and quarantine agencies have the power to suspend exports by businesses not complying with the regulations.

To ensure the effective implementation of tracking and operational procedures the State Administration for Quality Supervision, Inspection and Quarantine regularly reviews implementation of the regulations.

### **Wooden frame buildings have bright future in China**

Experts are urging development of standards for wooden structures claiming the technologies being applied at present need to be updated.

It has been noted that traditional wooden frame Chinese buildings offer advantages over other forms of buildings in terms of the time taken to complete a structure, better heat insulation and better quake resistance. Wooden buildings are said to have a bright future in China.

Currently, China has 21 national wood-frame building related standards and 17 sector standards as well as technical standards for lumber and laminated providing a good foundation for the further development of standards. It is recognized that the wood frame building sector would benefit from expanded standards.

### **Weak flooring market dampens demand for imported timber**

In the first half this year the volume of raw materials used in the solid wood flooring sector in China fell sharply. The main reasons for the decline were weak domestic and international market demand and increased costs for raw materials used in the industry.

Analysts report that it is likely that imports of raw materials for solid wood floors will fall further.

### 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   |
| <b>Sawnwood</b>   |                              |             |
| Maple             | Grade A                      | 7500-9500   |
| Walnut (USA)      | FAS 2 inches                 | 14000-16000 |
| Cherry (USA)      | FAS 2 inches                 | 10000-12800 |
| Sapelli           | Grade A                      | 6600-7000   |
| Okoume            | Grade A                      | 4200-4500   |
| 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  |
| <b>Sawnwood</b>            |              |            |
| Okoume (Africa)            | grade A      | 4300-4700  |
| Sapelli (Africa)           | grade A      | 5800-6300  |
| Beech (Europe)             | grade A      | 4500-4800  |
| Red Oak (North America)    | 2 inches FAS | 7000-7300  |
| Cherry (North America)     | 2 inches     | 9800-10500 |
| Maple (North America)      | 2 inches     | 8700-8900  |
| Merbau (Indonesia)         | All grade    | 8500-13500 |

### Hangzhou Timber Trading Market

| Logs                      |                | Yuan/cu.m  |
|---------------------------|----------------|------------|
| Ash                       | 4 m 20 cm      | 3200-4800  |
| Larch                     | 4 m 8 cm 10 cm | 1800-2900  |
| Linden                    | 4 m 26 cm      | 2400-3500  |
| <b>Sawnwood</b>           |                |            |
| Beech (Europe)            | All grades     | 2800-5000  |
| Black walnut (N. America) | All grades     | 7000-13000 |
| Teak (Myanmar)            | All grades     | 9000-18000 |
| Red oak (N. America)      | All grades     | 3500-5000  |
| Alder (Myanmar)           | All grades     | 4500-5300  |
| Merbau                    | All grades     | 7200-12000 |
| <b>Plywood</b>            |                |            |
| Red beech                 | 3mm            | 50-75      |
| Black walnut              | 3mm            | 60-102     |
| Teak                      | 3mm            | 70-148     |

### Wenzhou Timber Trading Market

| Logs              |                | Yuan/cu.m |
|-------------------|----------------|-----------|
| Ash               | 2 m 20-30 (cm) | 1300      |
| Chinese fir       | 4 m 6-18 (cm)  | 1500      |
| Wenge             | all grades     | 4500-5100 |
| Teak (Plantation) | all grades     | 2100-2500 |
| Merbau            | all grades     | 3500-5000 |
| Spelle            | all grades     | 3200-3700 |
| <b>Plywood</b>    |                |           |
| Red beech         | 4' x 8' x 3 mm | 40-80     |
| Black walnut      | 4' x 8' x 3 mm | 40-85     |
| Teak              | 4' x 8' x 3 mm | 45-110    |

### 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       |

## Report from Europe

### Poor availability drives sapele prices higher

Overall demand for African sawn hardwood across Europe is slow. However the strong focus of the EU market on sapele, and local shortfalls in supply after a long period of limited buying, is now translating into rising prices for this species.

UK inventories of kiln dried sapele are particularly low relative to demand and distributors have been restocking. FOB prices for sapele sawn timber have risen 15-20% since the start of the year.

Air-dried 52mm sapele sawn timber is currently being sold for around €650/m<sup>3</sup> FOB.

So far, European importers have only been able to pass on part of the price increase to their customers. However higher prices are now filtering throughout the supply chain as European landed stocks have gradually declined.

European importers report availability of sapele lumber in Africa is now very restricted and lead times between orders and delivery are getting longer and more uncertain. Many mills are now unwilling to commit to delivery of new orders before the end of the year.

This is generating more interest in sipo sawn timber, prices of which are now comparable to sapele. However, stocks of this species are also quite limited and would soon disappear if there is a significant rise in demand.

Low availability of African sawn timber is due to several factors. Larger volumes are now being diverted to the Chinese market. The US market has also improved this year.

Overall production capacity declined in African countries during the financial crises and has yet to recover. Short term political and transport problems have also restricted the harvesting and movement of logs and sawnwood in central Africa during the first half of 2013.



### **Variable prices for framire**

Prices for framire have been quite variable owing to uncertainty both on the supply and demand side. Although stocks are available, some European buyers have been wary of purchasing framire from Ivory Coast following introduction of EUTR due to concerns over the reliability of legality documentation. Buying has focused on a limited number of exporters seen as better able to provide the assurances required.

Ivory Coast's recent decision to work towards development of a VPA with the EU offers potential to resolve this situation in the long term. However exports of framire and other hardwoods from Ivory Coast to the EU are likely to suffer in the short term.

Prices for most other African hardwoods have been stable in recent months and availability is less of a problem. European importers report that new orders for most African species other than sapele are being offered for shipment in October/November.

### **Weak Dutch demand for sawn meranti**

European consumption and imports of Asian sawn hardwood have remained very slow this year. The Dutch market, traditionally a major consumer of meranti sawn timber, is very slow against the background of a serious downturn in construction.

Demand for meranti sawn timber in France, Belgium and the UK has also been weak this year. However demand for meranti sawn timber and window scantlings has been more robust in Germany during 2013.

Overall meranti supplies in Europe are generally well balanced with demand. This fact, together with reduced production of European specifications of meranti sawn and scantlings in Malaysia and Indonesia, has meant that FOB prices have remained stable.

However trends in CIF North Europe prices have been variable due to big swings in container rates over recent months.

Freight rates on the Asia Europe route fell consistently and steeply to a low of only around \$1000 per 40ft container during the first 6 months of 2013, but then rebounded strongly to over \$2500 by early August.

The latest freight increases have added around \$30-35 to the CIF North Sea price of meranti sawn timber which currently stands at around \$870/m<sup>3</sup> for 3x6".

### **No improvement in demand for decking timbers**

European demand for tropical decking hardwoods has been subdued during 2013. The decking season started late this year due to poor weather and then failed to pick up pace even as conditions improved. Demand is very weak in Belgium, Netherlands and France.

Demand is a little better in Germany and the UK. In all European countries, tropical hardwood is suffering from competition from wood-plastic composites, demand for which is continuing to rise this year.

At present, new orders of Indonesian bangkirai decking can be shipped fairly promptly and FOB prices are tending to weaken. However this trend has been offset in Europe by the recent freight rate increases. CIF North Sea prices currently stand at around \$1425/m<sup>3</sup> to \$1475/m<sup>3</sup> for "standard and better" products.

CIF prices actually exceed some offers now being made on sales from existing European landed stocks as importers are seeking to encourage greater consumption. As a result, European interest in new orders in Asia is very limited.

Lack of European demand this season has raised concerns about longer term supply prospects as there is a risk that many manufacturers previously cutting for the European market will either cease production or switch to alternative more consistent markets elsewhere.

### **German sawmills switch from tropical to temperate hardwoods**

The Germany-based journal EUWID reports that the numbers of companies in Germany sawing tropical hardwood logs has diminished rapidly in recent years. Many have shifted their focus to processing of domestic and other temperate hardwoods.

Mills located in central Europe at some distance from major ports have been most inclined to switch to alternative locally-sourced logs due to the high costs of overland transport in Europe. Those that still process tropical wood are focusing on very high quality products, mainly for the boat building and landscaping sectors. Sapele, sipo and iroko are the main species of tropical hardwood log now being imported into Germany.

Drawing on comments from German sawmillers, EUWID report that declining use of tropical hardwood is due to several factors. Sawmilling capacity has gradually increased in some tropical supplying countries, so that adequate supplies of tropical sawnwood of sufficient quality and appropriate specification may now be imported.

Meanwhile, demand for tropical timber has declined in a number of business sectors in Germany and the wider European market, particularly in the furniture and veneer sectors, in the wake of the financial crises. A number of African countries have also imposed bans on log exports, restricting raw material supplies.

### **Côte d'Ivoire and EU announce start of VPA negotiations**

Côte d'Ivoire and the European Union have announced the start of negotiations towards a Voluntary Partnership Agreement (VPA) on Forest Law Enforcement, Governance and Trade (FLEGT).

The Côte d'Ivoire Minister of Water and Forests, Mr. Mathieu Babaud Darret and the EU Ambassador in Côte d'Ivoire, Mr. Thierry de Saint Maurice, signed a joint statement to initiate the process at an official ceremony on 13 June 2013 in Abidjan.



Côte d'Ivoire aims to join the five African countries that have already signed a VPA (Liberia, Ghana, Cameroon, CAR and Congo Republic). Côte d'Ivoire has established a seventeen-strong Technical Negotiating Committee (TNC) including representatives of the Presidency of the Republic, the Prime Minister, the National Assembly, responsible government authorities, Private Sector, Civil Society and Traditional chiefs.

#### **Proposal for new ISO chain of custody standard causes uproar**

DIN, the German member body to the International Organization for Standardization (ISO), and ABNT, the Brazilian member body to ISO, have submitted a proposal for a new International Standard focusing on chain-of-custody requirements for forest-based products.

According to the proponents, the new standard – which would be overseen by a new ISO Project Committee (PC) – would seek to establish methods to allow forestry companies and related businesses to demonstrate to consumers that their forestry products originated in a sustainable managed forest and were created in an ethical manner.

The scope of the proposed standard covers social, economic, and environmental topics and concerns related to chain-of-custody and sustainable forestry issues.

The proposal has already caused controversy. The FSC and PEFC immediately released a joint statement urging ISO members to vote against the proposal. They noted that together FSC and PEFC account for some 98% of the world's certified forests and chain of custody certificates, that there are synergies between FSC and PEFC and that they already have long experience of multi-stakeholder standard development.

They claim that offering a chain of custody certificate disconnected from PEFC and FSC forest management certification would lead to uncertainty and “sub-optimal results”.

This in turn led to accusations that FSC and PEFC are wilfully overlooking existing weaknesses in their own chain of custody systems – weaknesses which partly stem from a failure on the part of the two systems to talk to one another.

Trading companies can be frustrated when they make a product from a mix of FSC and PEFC material but can't make any claim because the product falls below the percentage threshold requirements of both systems and there is no mutual recognition.

So there may be merit in a process to develop a single chain of custody standard that facilitates recognition of timber derived from both FSC and PEFC certified forests, or indeed other credible forest certification mechanisms. The ISO proposal for a chain of custody standard is at:

[http://publicaa.ansi.org/sites/apdl/Documents/News%20and%20Publications/Links%20Within%20Stories/ISO%20NWP%20\(Chain%20of%20custody%20of%20forest%20based%20products%20-%20Requirements\).pdf](http://publicaa.ansi.org/sites/apdl/Documents/News%20and%20Publications/Links%20Within%20Stories/ISO%20NWP%20(Chain%20of%20custody%20of%20forest%20based%20products%20-%20Requirements).pdf)

The FSC and PEFC joint statement urging ISO members to vote against the proposal is at:

[http://pefc.org/images/documents/external/Joint\\_Statement\\_FSC\\_PEFC\\_July\\_8\\_2013.pdf](http://pefc.org/images/documents/external/Joint_Statement_FSC_PEFC_July_8_2013.pdf).

#### **Forest Trust questions the value of chain of custody certification**

The publication of the ISO proposal, and the FSC and PEFC response, also encouraged one commentator to raise even more fundamental questions about the real value of certification as a mechanism to promote sustainable forest management.

In an article for the Monga Bay website, Scott Poynton, Executive Director of The Forest Trust criticised FSC and PEFC for issuing what he claims amounts to a “call for no new competition”.

Poynton goes on to criticise FSC and PEFC for allowing chain of custody certificates to be issued to companies that have little or no intention of sourcing certified timber, but only want to associate themselves with the certification brands.

Poynton alleges that *"an inherently unsuitable financing model corrupts the whole system. The FSC and PEFC, the auditors, the consultants must all issue certificates to safeguard their income streams. NGOs who carry out COC training to transform the wood industry must point to the growing numbers of certificates to safeguard their budgets too"*.

While generating income for the certification bodies and providing companies with a veneer of respectability, Poynton argues that this process does nothing to transform the industry and instead promotes business as usual while diverting attention and resources from the real issues.

Poynton asks whether the small trading companies investing in chain of custody certification might spend that money in a more productive way.

*"They might consider investing it back into their businesses, perhaps in better equipment and safer working conditions for their employees. They might invest it – if they were wise – upstream to improve stewardship of the forests that supply their raw materials"*, says Poynton.

Poynton's article is available at:

<http://news.mongabay.com/2013/0710-poynton-fsc-pefc-coc-commentary.html>.

A response to this article by FSC is available at:

<http://news.mongabay.com/2013/0723-fsc-coc-response-tft.html>

## Report from North America

### Short-term trends in sawn hardwood imports

US sawn hardwood imports declined to 51,978 cu.m. in June, down 25% from the previous month, despite positive signs in the housing market, the furniture industry and the wood product manufacturing sector. Imports of both temperate and tropical species fell.

Temperate sawn hardwood imports were 35,156 cu.m. in June, compared to the imports of 16,822 cu.m. of tropical sawnwood.

|                        | % Change<br>May to June |
|------------------------|-------------------------|
| Ecuador                | -2%                     |
| Brazil                 | -52%                    |
| Cameroon               | -48%                    |
| Malaysia               | 22%                     |
| Congo<br>(Brazzaville) | -76%                    |
| Peru                   | 149%                    |
| Indonesia              | 41%                     |
| Ghana                  | -21%                    |
| Cote d'Ivoire          | -33%                    |

Of the main suppliers of tropical sawn hardwood only Malaysia, Peru and Indonesia increased shipments to the US in June. The changes between May and June shipments of sawn hardwood from tropical suppliers is shown in the table above.

Malaysian shipped 2,354 cu.m. in June, up 22% from the previous month (+8% year-to-date). The increase was for the main species shipped to the US namely keruing (1,755 cu.m.) and meranti (440 cu.m.).

US sawn hardwood imports from Peru fell in May, but they recovered to 1,795 cu.m. in June. Year-to-date imports from Peru are 40% higher than in 2012. The growth was mainly in virola shipments, which were 1,280 cu.m. in June.

Imports from Indonesia were reported at 932 cu.m. in June, up 41% from May and up 26% from 2012 on a year-to-date basis. The largest increase was in shipments of meranti (369 cu.m.) and other unspecified tropical species (416 cu.m.).

The changes in US imports in the first half of 2013 compared to the first half of 2012 can be seen in the table below. There has been a significant decline in imports from Ecuador (-27%) and to a lesser extent Congo (-10%).

However Peru, Indonesia, Malaysia and Brazil have all seen exports to the US rise in the first half of 2013 First half imports.

### First half Changes by supply country

|                        | 1st half<br>2,012 | 1st half<br>2,013 | %<br>change<br>2,013 |
|------------------------|-------------------|-------------------|----------------------|
| Ecuador                | 24,742            | 18,036            | -27%                 |
| Brazil                 | 15,783            | 17,688            | 12%                  |
| Cameroon               | 12,071            | 11,636            | -4%                  |
| Malaysia               | 10,463            | 11,293            | 8%                   |
| Congo<br>(Brazzaville) | 4,803             | 4,299             | -10%                 |
| Peru                   | 5,319             | 7,458             | 40%                  |
| Indonesia              | 3,543             | 4,473             | 26%                  |
| Ghana                  | 4,430             | 4,323             | -2%                  |
| Cote d'Ivoire          | 4,181             | 4,268             | 2%                   |

In terms of species Balsa dominates US sawn hardwood imports but amongst the species used in the furniture and joinery sectors sapelli, acajou Ipe and Keruing account for around 43% of all tropical sawnwood imports.

It can be noted that teak imports have jumped for 3,031 cubic metres in the first six months of 2012 to 5,639 cubic metres in the first half of 2013.

### First half imports by species

|          | 1st<br>half<br>2012 | 1st<br>half<br>2013 | Change |
|----------|---------------------|---------------------|--------|
| Balsa    | 29,668              | 18,351              | -38%   |
| Sapelli  | 10,992              | 10,814              | -2%    |
| Acajou   | 12,427              | 12,217              | -2%    |
| Keruing  | 8,228               | 10,086              | 23%    |
| Ipe      | 11,032              | 11,200              | 2%     |
| Mahogany | 4,837               | 6,773               | 40%    |
| Virola   | 6,828               | 7,328               | 7%     |
| Meranti  | 1,983               | 2,478               | 25%    |
| Cedro    | 2,734               | 4,313               | 58%    |
| Jatoba   | 3,158               | 2,460               | -22%   |
| Teak     | 3,031               | 5,639               | 86%    |
| Iroko    | 187                 | 93                  | -50%   |
| Padauk   | 548                 | 229                 | -58%   |
| Aningre  | 160                 | 50                  | -69%   |
| Other    | 10,617              | 11,835              | 11%    |

Ipe imports from Brazil fell to 1,245 cu.m. in June, down 48% from May. Balsa imports from Ecuador were stable at 3,767 cu.m. Sapelli and acajou d'Afrique imports from Cameroon fell by half from the previous month. Sapelli shipments were 721 cu.m. (-54%) and acajou d'Afrique shipments just 714 cu.m. (-49%).

### Furniture and bedding retailers increased sales in 2012

The 25 largest furniture and bedding retailers in the US grew their combined sales by 10.8% in 2012. The industry survey by Furniture Today found that the top 25 retailers were the same as in 2011.

The largest retail chain is Ashley Furniture HomeStores with 462 stores and US\$2.82 billion in sales (+9.4% from 2011).

The second largest furniture and bedding retailer is Walmart. Walmart increased furniture and bedding sales by 21.4% to an estimated US\$2.5 billion in 2012.

The following retailers are largest in the US, excluding bedding specialty stores and rental stores: Macy's, Walmart, Target, Big Lots, Ikea, Williams-Sonoma, Restoration Hardware, Ashley Furniture HomeStores, La-Z-Boy Furniture Galleries, Ethan Allen, Staples, Office Depot, Rooms To Go, Berkshire Hathaway furniture division, Raymour & Flanigan, American Signature, Bob's Discount Furniture, Haverty's, Costco, and Sam's Club.

**Period for comments on new formaldehyde emission rules extended**

The US Environmental Protection Agency (EPA) has extended for the second time the deadline for comments on the proposed rules for formaldehyde emissions from composite wood products.

The comment period was extended to October 9, 2013 for implementation provisions and to September 25, 2013 for the proposed third-party certification framework.

The new emission rules apply to hardwood plywood, particleboard, MDF and finished products containing these materials. Both imported and domestically produced products must meet the standards.

The rules are based on existing regulation in California, but the proposed national regulation will extend the certification requirement to laminators of composite panels. This would require furniture manufacturers who laminate in-house to test and re-certify panels purchased for lamination.

The North American Home Furnishings Association and the American Home Furnishings Alliance oppose this change from the California rules because it will increase cost for furniture manufacturers, retailers and importers.

For more information about the rules and how to comment:  
<http://www.epa.gov/oppt/chemtest/formaldehyde/index.html>

**Duties on Chinese multi-layered wood flooring to be reviewed**

Three Chinese manufacturers of multi-layer (engineered) wood flooring will have their import duties reviewed, according to a July ruling by the US International Trade Commission.

The Woodworking Network reported that Dalian Huade Wood Product Co., Linyi Bonn Flooring Manufacturing Co. and Zhejiang Fuerjia Wooden Co. requested a review of their antidumping duties, which had been assessed at close to 4%.

The majority of imports from other Chinese manufacturers have a 3.3% antidumping duty. All other Chinese companies are assessed a 58.8% antidumping duty.

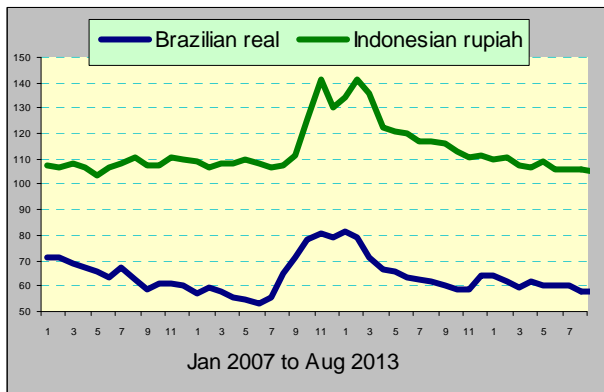
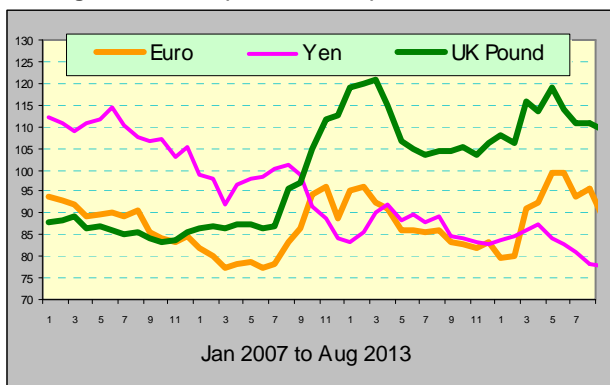
*Disclaimer: Though efforts have been made to keep prices near to accurate, these are published as a guide only. ITTO does not take responsibility for the accuracy of this information.*

## Main US Dollar Exchange Rates

As of 27th August 2013

|               |           |         |
|---------------|-----------|---------|
| Brazil        | Real      | 2.3610  |
| CFA countries | CFA Franc | 495.21  |
| China         | Yuan      | 6.1206  |
| EU            | Euro      | 0.7552  |
| India         | Rupee     | 67.3550 |
| Indonesia     | Rupiah    | 11137   |
| Japan         | Yen       | 98.35   |
| Malaysia      | Ringgit   | 3.3120  |
| Peru          | New Sol   | 2.8041  |
| UK            | Pound     | 0.645   |
| South Korea   | Won       | 1112.36 |

Exchange rates index (Dec 2003=100)

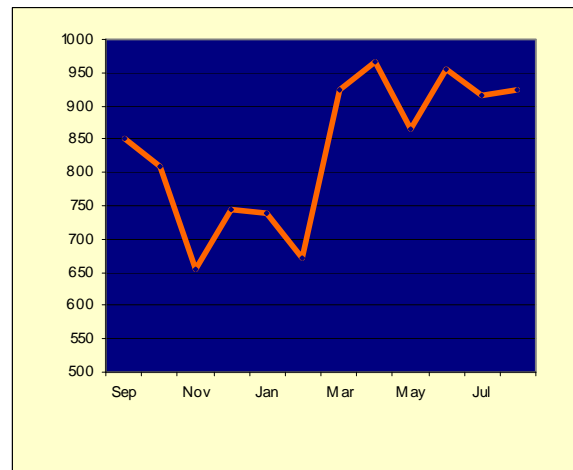


## Abbreviations and Equivalences

|            |   |
|------------|---|
| 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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