

Tropical Timber Market Report

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Top Story

No significant improvement in US furniture retail sales

Year-to-date furniture orders were 4% higher in June than at the same time in 2012, according to a monthly survey of US furniture manufacturers.

But the latest retail sales figures from the US Census Bureau are less encouraging than the data on manufacturing and imports.

Retail sales at furniture stores in the US declined by 4% from May to June.

At US\$4.2 billion, furniture sales were only at the same level as in June 2012.

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Report from Central/West Africa

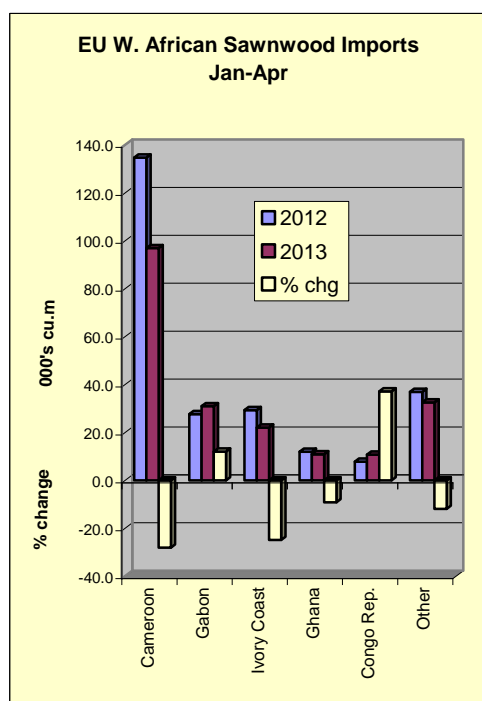
Steady but uninspiring demand until year end

Once again producers are not indicating any success in raising prices as market demand is only stable but uninspiring. Timber is being shipped and payments are being made but there is no direction in the market. West African producers are very susceptible to demand trends in the EU which are currently weak.

The graphic below sums up the situation in the EU market and illustrates that, up to mid year, demand was generally below levels achieved in 2012.

Despite rather intense competition in the Middle East markets, West and Central African exporters have been able to secure a steady flow of orders at stable prices.

West African producers anticipate unchanged market conditions for the final quarter of the year and are resigned to the fact that there will be little opportunity for them to increase prices.



Across the region it is reported that the supply of logs is still tight and producers have to work hard to satisfy even the limited demand for the prime species. Analysts say it is very unlikely there will be any sudden improvement in log production in the fourth quarter of this year.

Log export quota attracts new investment in milling

News is emerging of investment by some companies in new mills in Congo Brazzaville. Other companies are actively negotiating for concession areas in the north of the country.

Analysts report that the Congolese government is very keen to attract new businesses to create much needed

employment. The indications are that, for those with processing capacity, log exports will be permitted on a quota basis of 85% processing and 15% export of logs.

The log export quota will not apply until the processing plant is operational. Apart from this recent development there are few prospects for any other substantial increase in the availability of logs for export.

Many companies in the region are aware of the resources in the Democratic Republic of Congo but the forest areas are said to be far inland requiring transportation of timber over very long distances.

Log Export Prices

West African logs, FOB		€ per m ³	
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	220	215	155
Ayous/Obeche/Wawa	225	210	150
Azobe & Ekki	225	225	150
Belli	230	230	-
Bibolo/Dibétou	145	130	-
Iroko	255	220	220
Okoume (60% CI, 40% CE, 20% CS) (China only)	275	275	230
Moabi	295	285	-
Movingui	220	200	175
Niove	165	165	-
Okan	260	260	-
Padouk	315	300	230
Sapele	270	255	180
Sipo/Utile	310	290	165
Tali	295	295	-

Sawnwood Export Prices

West African sawnwood, FOB		€ per m ³
Ayous	FAS GMS	340
Bilinga	FAS GMS	510
Okoumé	FAS GMS	480
	Merchantable	270
	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	445
Khaya	FAS GMS	440
	FAS fixed	470
Moabi	FAS GMS	550
	Scantlings	550
Movingui	FAS GMS	400

Report from Ghana

Customs briefed on timber trade regulations

As part of their awareness raising efforts to forge strong collaboration amongst regulatory agencies in the timber trade, the Timber Industry Development Division (TIDD) of the Forestry Commission (FC) briefed the staff of the Customs Division of the Ghana Revenue Authority on the new timber regulations.

The Executive Director of the TIDD, Dr. Alhaji Alhassan Attah, who addressed participants, said the passing of the Timber Resources Regulations (2012) provides a licensing scheme to regulate the import and export of timber products to and from Ghana. The regulation is a tool to manage Ghana's international trade and eliminate trade illegally harvested timber products.

He explained the workshop was to strengthen the existing collaboration between the FC, its agencies and other regulatory stakeholders through information sharing and capacity building so as to improve the enforcement of laws on import and export of timber and timber products.

Explaining further on the effect of illegal logging on the livelihood and the environment, Dr. Attah said, estimates showed that developing countries lost between US\$10 – 15 billion annually from illegal activities in the timber sector.

Dr. Attah also used the occasion to inform participants of the planned implementation of the Voluntary Partnership Agreements (VPA) and the country's Legality Assurance Systems (LAS) in support of the VPA between the EU and timber products exporting countries such as Ghana.

Inflation driven up by increases in fuel costs

Inflation for the month of September increased to 11.9 percent, up from the August rate of 11.5 percent. The current rate is the highest since March 2010 when it touched 13.3 percent.

At a press conference in Accra, the Deputy Government statistician, Mr. Baah Wadieh, attributed the increase to the recent hikes in transport fares, saying "the main trigger is transport because transport recorded an inflation rate of 27.7 percent and that actually impacted on the inflation rate".

Transport fares went up by an average of 20 percent, in Aug.2013, due to adjustment in the prices of petroleum products. The prices of petroleum products dropped marginally in October but transport fares remained unchanged.

Boule Export prices

	Euro per m ³
Black Ofram	235
Black Ofram Kiln dry	300
Niangon	450
NiangonKiln dry	580

Domestic Log Prices

Ghana logs	US\$ per m ³	
	Up to 80cm	80cm+
Wawa	150-165	170-185
Odum Grade A	169-174	178-188
Ceiba	115-133	138-150
Chenchen	100-108	111-128
Khaya/Mahogany (Veneer Qual.)	125-150	155-180
Sapele Grade A	146-155	161-185
Makore (Veneer Qual.) Grade A	133-138	141-166
Ofram	112-118	130-135

Export Sawnwood Prices

Ghana Sawnwood, FOB	€ per m ³	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	855	945
Asanfinia	480	544
Ceiba	231	267
Dahoma	303	347
Edinam (mixed redwood)	345	539
Emeri	353	542
African mahogany (Ivorensis)	580	674
Makore	575	642
Niangon	540	606
Odum	592-	761
Sapele	567	649
Wawa 1C & Select	275	323

Export Rotary Veneer Prices

Rotary Veneer 1-2mm , FOB	€ per m ³	
	CORE (1-1.9 mm)	FACE (2mm)
Ceiba	289	320
Chenchen	320	358
Ogea	314	350
Essa	322	355
Ofram	320	357

Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afrormosia	1.32	0.80
Asanfinia	1.20	0.88
Avodire	1.12	0.47
Chenchen	0.85	0.53
Mahogany	1.30	0.80
Makore	1.26	0.54
Odum	1.88	1.08

Export Plywood Prices

Plywood, FOB	€ per m ³		
BB/CC	Ceiba	Ofram	Asanfinia
4mm	424	600	641
6mm	420	592	622
9mm	360	409	475
12mm	366	435	439
15mm	317	357	380
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	15.50	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

Malaysia – China trade and investment cooperation strengthened

President Xi Jinping visited Malaysia in the first week of October while on his way to the Asia Pacific Economic Co-operation (APEC) meeting in Bali where the Trans Pacific Partnership was on the agenda.

Xi Jinping said he welcomed the improving ties between China and Malaysia through their upgraded five-year economic programme and has invited more of his countrymen to invest in Malaysia.

The Malaysian newspaper, *New Straits Times*, quoted him as saying “I encourage Chinese companies to actively participate in Malaysia’s development projects. We will continue to encourage financial institutions in both countries to deepen their cooperation”.

China is a major buyer of Malaysia timber and timber products and the China and Malaysia programme encourages economic and trade cooperation as well as business exchange and investment.

Areas included in the programme are agriculture, infrastructure, information and telecommunications, logistics and retailing. Xi said the five year cooperation programme set out a very clear vision of their common ambitions which was to deepen bilateral and economic relations and forge a strategic partnership.

China is Malaysia’s largest trading partner. Last year the two way trade of these two countries was RM181 billion (approximately US\$57 billion) and is forecast to be RM222 billion (about US\$70 billion) this year. China and Malaysia hopes that, through the “comprehensive strategic partnership”, this two way trade will reach US\$160 billion by 2017.

Malaysia hosts Tri- nation plywood meeting

Twenty six participants attended the Tri Nations Plywood meeting which was held on 4th October in Kuala Lumpur. This is a loose grouping of the plywood associations of Japan, Indonesia and Malaysia and meets regularly to exchange views.

The meeting was informed that Malaysia’s exports of timber products (excluding furniture) for 2012 totalled RM2.96 billion (approximately US\$4.01 billion). Out of the total exports from Sarawak contributed 58%, Peninsular Malaysia 29% and Sabah 13%.

The product breakdown for Peninsular Malaysia’s RM 3.77 billion 2012 exports is: sawntimber 34.7%, MDF 22.7%, moulding 14.6%, plywood 8.2%, chipboard/particleboard 7.4%, veneer 0.25%, logs 0.23%, and others 11.9%.

The product breakdown for Sabah’s RM 1.74 billion 2012 exports is: plywood 53%, sawntimber 21.8%, mouldings 7.2%, logs 7.1%, veneer 3.7%, chipboard/particleboard 0.4% and others 6.4%.

The product breakdown for Sarawak’s RM 7.45 billion 2012 exports is: plywood 53.6%, logs 24.2%, sawntimber 10.5%, MDF 3.9%, veneer 3.6%, chipboard/particleboard 0.84%, mouldings 0.3% and others 3%.

PEFC certified forests re-audited to new standards

Malaysian Timber Certification Council (MTCC) released its Annual Report 2012 in October. MTCC is an independent organization established in October 1998 to develop and operate the voluntary Malaysian Timber Certification Scheme (MTCS). MTCC was incorporated under the Companies Act as a company limited by guarantee and is governed by a Board of Trustees.

The CEO of MTCC, Yong Teng Koon, reported that MTCC started 2012 with the implementation of a plan for the transition from the use of MC&I (2002) to the MC&I (Natural Forest) which was concluded on schedule in May 2013.

This transition required the re-certification and surveillance of all nine PEFC certified forest management units to new audit requirements.

Since February 2011, all the eight FMUs in Peninsular Malaysia (that is, the state of Negeri Sembilan, Johor, Terengganu, Kedah, Pahang, Perak, Selangor and Kelantan FMUs) and the Segaliud Lokan FMU in Sabah have secured PEFC certification such that all certified FMUs under the MTCS are producing PEFC-certified logs.

As of May this year MTCC had re-certified 4,649,911 million hectares of PEFC-certified forests in nine Forest Management Units. MTCC has also issued 249 Chain-of-Custody certificates. For more information, see www.mtcc.com.my.

Sabah and Sarawak 2012 export performance

The latest data released by the Sabah Department of Statistics for the period January to August 2013 shows that Sabah exported 425, 927 cu.m of plywood worth RM672.63 million FOB (about US\$ 208 million). Sawntimber is Sabah’s next biggest timber export at 169, 178 cu.m worth RM247.6 million (about US\$76.6 million).

Total volume of veneer exported in this period was 29,434 cu.m worth RM41.4 million (about US\$12.8 million).

The latest data released by the Sarawak Department of Statistics for the period January to August 2013 shows Sarawak exported 1,852,072 cu.m of logs worth RM1.102 billion (about US\$341.5 million). In these eight months, the logs were exported to:

Destination	Volume (cu.m)
China	176,595
India	1,144,956
Indonesia	33,038
Japan	85,169
South Korea	19,330
Philippines	7,250
Taiwan P.o.C	254,540
Thailand	15,030
Vietnam	116,164

Of the total log production about 1.96 million cubic metres were meranti species.

Report from Indonesia

Lower commodity prices could spur investment in processing

The World Bank has cut its economic forecast for Indonesia for this year and for 2014. But despite a slowdown in commodity exports, the situation could spur development in other business sectors.

The World Bank has lowered the 2013 and 2014 growth forecast for Indonesia to reflect weaker commodity prices, lower foreign investments and weakening domestic demand.

The pace of economic expansion has been slowing and the recent rapid depreciation of the rupiah has undermined consumer confidence. In response the government and Central bank have acted to stabilise the rupiah and lay a solid foundation for, albeit, slower growth.

A World Bank economist is on record as saying, "The softening of commodity prices (in Indonesia) not only provides an environment for greater investment in manufacturing but also to for more investment in downstream product manufacture because one of the difficulties of moving downstream is when prices of export commodities are very high in international market the incentive for downstream investment is lower."

The recent reduction in fuel subsidies will bring longer term benefits even if the short term pain is tough says the Bank. The World Bank does not foresee Indonesia facing difficulties in addressing its external financing needs.

Domestic consumption the engine of growth

Over the past 5-6 years Indonesia's GDP growth has averaged around 6 percent, one of the fastest in ASEAN and analysts claim this was possible because of a credit fuelled consumer spending boom

Data indicate that around 55 percent of the recent economic growth was the direct result of domestic consumer spending, a boom only possible because of low interest rates, a boom in credit card use and loans. According to Moody's, Indonesia's non-mortgage consumer credit nearly tripled in the past five years.

However, the risk of a consumer debt crisis was recognised and the Bank Indonesia moved to limit credit card ownership and reign in consumer spending.

New product standards expected to boost trade

The Forestry Ministry and the National Standardisation Agency (BSN) have launched new national standards for 28 forest and wood products. It is anticipated that this move will improve the quality of domestic products and create greater export opportunities.

The new standards cover wood chips and laminated veneer lumber as well as dammar gum, pine sap and honey. The new standards add to the already 137 existing SNI codes for timber and non-timber forest products.

BSN Chief, Bambang Prasetya, said that instead of imposing tariffs or other non-market weapons Indonesia will enhance product standards to create international market opportunities and to eliminate inferior imported products.

He further said, "International organizations, such as World Trade Organization, only acknowledge standard setting as protecting consumers and domestic products, instead of tariffs or quotas". He said, "Indonesian standards are important for improving the competitiveness of our products".

Forestry Ministry Secretary General Hadi Daryanto said that the new codes would apply to domestic and imported products. He said "The standards are important in preventing low quality forest products from coming in to the country."

VPA to give a boost to timber exports

Indonesia's exports of timber and timber products to the EU could double because of the signing of the VPA according to government officials

"This agreement (the VPA) will allow timber and timber products, which had been certified in Indonesia, to enter the European Union," Deputy Trade Minister Bayu Khrisnamurti said.

Bayu said, last year EU imports of Indonesian wood products were just over US\$930 million a steep drop from the high of US\$1.38 billion in 2008 and just 10% of all wood product exports. Bayu said timber exports to the EU could exceed US\$1 billion this year.

Domestic Log Prices

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

Domestic Ex-mill Sawnwood Prices

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

Export Plywood Prices

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

Domestic Plywood Prices

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

Export and Domestic Other Panel Prices

Indonesia, Other Panels, FOB	US\$ per m ³
<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**One million ton of logs awaiting shipment**

During the first six months of fiscal 2012-13 a total of 186,500 cu.m of teak logs and 690,250 cu.m of hardwood logs were shipped. Shipment of teak logs in the same period fell by about 25% and shipments of hardwood logs were down by about 10% compared to the same period last year.

With only six months before the log export ban is expected to be introduced analysts say there are about 1 million tons of logs remain unshipped. Analysts point out that shipping all these logs before the ban will severely test available shipping capacity.

Forest security units for Myanmar police

Forest Security Units are being formed within the Myanmar Police Force according to a spokesman from the Police Department. The units will be comprised of 1700 personnel and will include some twenty civilians.

The formation of two squads has been arranged in the Mandalay and Yangon areas. The purpose of the units is to combat the illegal trafficking of timber along the border areas and elsewhere.

MOECAF Union Minister Win Tun said in the past some of the illegal transportation of logs had to be dealt with through assistance from the army, local government authorities and sometimes through diplomatic channels but the creation of forest security units in the police force is a big step forward to eliminate trade in illegal timber.

Revamping old financial laws to reflect the new reality

Myanmar will soon amend its 23-years old financial institutions law, according to government officials. At a recent press conference an official said, the current law was outdated as it was enacted in 1990. In addition the country has changed its policies, and economic structure and international relationships so the law must keep up with the changing circumstances.

“The law will be amended so that it can meet the needs of future financial market,” said Aung Thaung, the chairman for Development Committee of Banks and Financial Institutions in the Parliament.

Myanmar has identified 18 “outdated” laws and so far five of them have been amended. Four are related to the United Nations and nine others include laws such as the Insurance Law, Insurance Authority Law, Government Security Act and the Pensions Act.

Foreign Investment approved for a Joint Venture Company (JVC)

On 2 October the Myanmar Investment Commission approved a joint venture between a Singaporean company and a Myanmar company for processing timber products. Wood Craft Co., of Singapore and Global Star of Myanmar will jointly produce wood based finished products in Shwe Pyi Tha Township of the Yangon Division.

Yoma Strategic also signed on Tuesday a non-binding memorandum of understanding with Mitsubishi Corporation and Mitsubishi Estate to invest in the prestigious Landmark project (excluding the Peninsula Yangon) in Yangon, following an earlier agreement signed on the same day.

The centrally-located 10-acre Landmark project will comprise approximately two million square feet gross floor area of residential, office, retail and hospitality property and is situated opposite the Trader’s Hotel, close to the Sakura Tower and adjacent to the Bogyoke Aung San market, a famous tourist destination.

A slight upward revision in Myanmar’s economic growth

The East Asia Pacific Economic Update, published by the World Bank said GDP growth in ASEAN member countries in 2013 could be only 5.1% improving to 5.7% in 2014. This rate of growth represents drop of 0.3 percent for this year and 0.6 percent next year compared with the Bank’s predictions in April.

But it said Myanmar’s economy is expected to grow by 6.8 percent this year and 6.6 percent next year, an upward revision of 0.3 percent for both years compared with the April forecast.

Teak tender prices

The following prices were recorded for teak log sales during competitive bidding on 27th and 30th September during the MTE tender. The next log tender sale will be held in late October.

Grade	Quantity (Tons)	US\$ per hoppus ton
4th Quality	10	6366
SG-1	22	4401
SG-2	179	3064
SG-4	142	2670
SG-5	85	2497
SG-6	119	2197
SG-7	147	1615

Indian economy and rupee steadying

The exchange rate of the Indian rupee continues to improve and has returned to a rate of Rs.61.40 to the US dollar.

The increase in import duty on non essential items has slowed the pace of imports and has helped reduce the current account deficit and arrest the decline in exchange rates. Analysts expect further improvement in both areas during the current quarter.

India's GDP has also improved marginally and the Reserve Bank of India hopes it will attain a 5.5% growth by the end of this fiscal year.

Figures for industrial production are also showing signs of improvement as core industries have performed well over the past month. If the Central Government can speedily address the remaining economic policy issues the Indian economy will return to steady and sustained growth.

Real estate sector remains cautious

The real estate sector has been slow to respond to the improved economic climate in the country as consumers are still cautious, waiting to see if the current improvements in the economy can be maintained. A weak construction and real estate sector weighs heavily on demand for wood products.

Update on legality certification

Since the EUTR came into force India's wood product exporters have moved to comply with the importers need to satisfy due diligence requirements of the EU regulation.

Scientific management of forestry in India dates back to 1864. It was introduced by the then Inspector General of Forests for India, Mr. Dietrich Brandis. The forest management working plans introduced then include the principles and criteria which are considered best practices today.

India's trade with the European Union is very significant and to allay fears that illegal timber can enter the supply chain all manufacturers are very active.

Analysts in India confidently say that the very basis of Indian forest laws and practices are so well laid out and so strictly enforced that satisfying due diligence requirements is not at all difficult.

The forests of India are State Governments assets and full records are kept along the supply chain from felling to exports. At present EUTR authorities are liaising with the Indian government and civil society and other bodies to ensure satisfactory compliance.

To meet EU market requirements the Export Promotion Council for Handicrafts has launched 'Vriksh Timber Legality Assessment' and a 'Verification Standard' to be recognised by the various regulatory authorities.

Conformity to this standard will demonstrate user's procurement policies and procedures to meet the due diligence requirements of importers in the EU as well as importers in the US and Australia.

Auctions of domestic teak at western India Forest Depots

September log auctions were concluded by the 30 of September. Around 20,000 cubic metres of mainly teak and some hardwood logs were sold.

This being the first auction in the post monsoon period the logs were fresh and of good quality such that the prices realised were high.

The auction prices also reflected the higher cost of imported logs, the result of the recent depreciation of the rupee. Average prices secured at recent auctions are shown below.

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

Teak logs	Per cubic foot
A quality for ship building	Rs.3400 -3500
B quality for ship building	Rs.3200 - 3300
A for sawing	Rs. 3100-3200
B or sawing	Rs. 2900-3000
A Long length logs	Rs. 2700-2800
B Long length logs	Rs 2600-2700
Long length, Medium Quality	Rs 2000-2100
Short Length, Medium Quality	Rs 1700-1800
Short Length, Average Quality	Rs 1500 plus

Prices for 3 – 4 metre length Haldu (*Adina cordifolia*) and Laurel (*Terminalia tomentosa*), kalam (*Mitragyna parviflora*) and *Pterocarpus marsupium* logs with a girth of 91cm or over were from Rs600 -700 per cft.

The next series of auctions will take place at the Tapti line depots of Raj Pipla and Vyara from 20th to 25th October 2013. Analysts expect some 6,000 cu.m of logs to be offered for sale.

Prices for imported plantation teak

With the overall economic situation improving the 'frozen' imports will commence once more but buyers are still waiting for a further improvement in exchange rates before committing to imports.

In the meantime goods in transit and the log stocks at Indian ports will meet the immediate requirements of industry.

Current C & F prices for imported plantation teak, Indian ports per cubic metre are shown below.

	US\$ per cu.m
Tanzania teak, logs	350-700
Côte d'Ivoire logs	450-750
PNG logs	400-575
El-Salvador logs	350-650
Guatemala logs	350-550
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	350-525
Ecuador squares	300-540
Costa Rica logs	350-650
Panama logs	350-550
Sudan logs	370-700
Congo logs	450-550
Kenya logs	450-600
Thailand logs	350-450
Trinidad and Tobago logs	400-550
Uganda logs	450-650
Laos logs	300-450
Malaysian Teak logs	250-500
Nicaragua Teak logs	330-535

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

Domestic ex-sawmill prices for air dried sawnwood cut from imported logs

Prices per cubic foot are shown below.

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

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 ³
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.

Domestic prices for Myanmar teak processed in India

The effects of higher log landed costs are now reflected in prices being quoted for Myanmar logs sawn by Indian mills. Current prices are shown below.

Sawnwood (Ex-mill)	Rs. per ft ³
Myanmar Teak (AD)	
Export Grade F.E.Q.	6000-14000
Plantation Teak A grade	5000-5500
Plantation Teak B grade	4000-4250
Plantation Teak FAS grade	3250-3500

Price variations depend mainly on length and cross section

Prices for WBP Marine grade plywood from domestic mills

Plywood, Ex-warehouse, (MR Quality)	Rs. per sq.ft
4 mm	35.50
6 mm	52.00
12 mm	78.50
15 mm	93.00
18 mm	111.50

Domestic ex-warehouse prices for locally manufactured MR plywood

Locally Manufactured Plywood "Commercial Grade"	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	Rs.18.00	Rs.27.50
6mm	Rs.27.50	Rs.37.50
8mm	Rs.34.50	Rs.41.50
12mm	Rs.41.00	Rs.49.00
19mm	RS.58.00	Rs.67.50
5mm Flexible ply	Rs.36.00	

Report from Brazil

Second quarter growth a welcome surprise

Official figures report that Brazil's economy grew by 3.3% year-on-year in the second quarter and second quarter growth was 1.5% higher than in the first quarter, well above analysts expectations..

The 2013 growth target is now 2.5%, 5% down from earlier forecasts. For 2014 growth is forecast at 4.0%.

The success in the second quarter was largely the result of increased agricultural output as there was a surge in soya bean production which rose almost 25% compared to levels in the second quarter of 2012.

Also, corn output increased and the production of beans and rice also increased. Second quarter growth was helped by expanded manufacturing output. The better than expected figures boosted the real in international markets. But still the Brazilian real has lost 20% of its value against the dollar since January.

Double digit interest rates likely

Interest rates in Brazil were raised for the fifth straight time in early October and the Central Bank indicated it was determined to tackle the high levels of inflation. The move by the Central Bank comes at a time when the economy is struggling.

The Central Bank raised its benchmark Selic rate to 9.5 percent from 9.0 and the Bank report can be found at: <http://www.bcb.gov.br/textonoticia.asp?codigo=3769&IDPAI=NEWS>

Several economists are expecting the next Bank meeting to result in another increase to 9.75 or even 10%.

Brazilian consumer price data indicated inflation eased slightly in September to around 6% but the Bank is clearly aiming for a lower rate.

Analysts indicate that the Bank would have to raise interest rates to over 12% to achieve a 4-5% rate of inflation.

Environmental brigade of the military police tackle illegal logging

The Institute of Environment in the State of Acre (IMAC) in the Amazon region began a surveillance programme in early October. One of the operations in the Agroextractive Settlement Project "Porto Dias", in Acrelândia municipality.

The surveillance operation which aims to combat illegal logging and prevent environmental crimes is being undertaken by the environmental brigade of the military police.

In earlier inspections between January and September this year some 2,500 cu.m of timber was seized. The goal is to curb unauthorized logging operations and the illegal transport of timber.

Because illegal loggers use clandestine routes avoiding checkpoint to transport timber to the neighboring state of Rondonia, surveillance in Tucandeira municipality has been strengthened.

Tocantins to update plantation survey

The Secretariat of Agriculture and Livestock (Seagro) in the State of Tocantins has started mapping planted forest areas in the state to assess the situation in the state forestry sector in the state.

Part of the survey consists of a questionnaire for producers from various regions of the state on areas planted and growth forecasts.

With these data it will be possible to make an estimate of available volumes and to design public policies to encourage forest plantations.

The results of the current survey are expected to be released in November this year and will provide details of forest species, area, potential for expansion and other data on the planted forests in the State.

The last survey conducted in Tocantins was in 2011. The results showed that the planted forest area was about 83,500 ha, and mostly of eucalyptus, followed by Indian neem tree, acacia, paricá, pine, pequi, rubber tree, teak, peach palm, mahogany and cedar maria.

When compared to data from the 2010 survey it was found that the forest plantation area had increased about 44% by 2011.

Competitiveness and innovation for the furniture industry

A 'Competitiveness and Innovation' fair for the furniture industry has been held with support from the Brazilian Trade and Investment Promotion Agency (Apex-Brazil) and the Association of Furniture Industries in the State of Rio Grande do Sul.

In the state of Rio Grande do Sul the municipality of Bento Gonçalves is the largest furniture producer accounting for 42% of all furniture enterprises in the state. The furniture cluster in Bento Gonçalves has 1,032 companies and generates 86% of the employment in the municipality.

The companies in the cluster are responsible for over 90% of the furniture parts produced in the state.

Between January and July this year exports of the cluster were around US\$31.3 million, representing 28% of furniture exports in the state.

During the fair, examples of successful projects to promote trade such as the project 'Orchestra Brazil' and "Brazilian Furniture" were presented. The 'Orchestra Brazil' project is focused on the export of furniture parts and design services for the furniture industry while the project 'Brazilian Furniture' targets furniture exports, support programmes for industry, financing and credit support and other issues of concern to entrepreneurs in the region.

Competitiveness in furniture sector needs addressing

During the period January and August 2013, the state of Rio Grande exported furniture and parts worth US\$130.2 mil. accounting for 28.5% of all furniture exports. Other important producers and exporters were Santa Catarina (US\$122 million, 26.7%), Paraná (US\$79 million, 17.3%), São Paulo (US\$72.7 million, 15.9%) and Minas Gerais (US\$38.5 million, 8.4%).

When compared to exports for the same period of last year, export sales from the state fell 1.3%.

According to the Association of Furniture Industries of the State of Rio Grande do Sul (Movergs), this was due to a loss of competitiveness because of such factors as logistic costs, the tax burden and lack of incentives. The association says policies to stimulate exports are required to reverse this situation.

The main destinations for Brazilian exports (US\$456.6 million in the first eight months of 2013) were Argentina, (US\$83.6 mil.); followed by the United States, (US\$63.6 mil.); the United Kingdom, (US\$51.3 mil.) and Uruguay, (US\$27.8 mil.).

Price movements

The average price of timber products in BRL did not show variation from the previous fortnight.

Domestic Log Prices

Brazilian logs, mill yard, domestic	US\$ per m ³
Ipê	154
Jatoba	103
Guariuba	82
Mescla (white virola)	86

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per m ³
Jatoba Green (dressed)	1275
Cambara KD	750
Asian Market (green)	Guariuba 383
	Angelim pedra 900
	Mandioqueira 302
Pine (AD)	220

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green)	US\$ per m ³
Northern Mills (ex-mill)	Ipê 797
	Jatoba 565
Southern Mills (ex-mill)	Eucalyptus (AD) 226
	Pine (KD) 1st grade 200

Export Veneer Prices

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

Domestic Veneer Prices

Rotary cut Veneer, domestic	US\$ per m ³
(ex-mill Northern Mill)	Face Core
White Virola	244 199

Export Plywood Prices

Plywood, FOB	US\$ per m ³
White Virola (US Market)	
5.2mm OV2 (MR)	498
15mm BB/CC (MR)	470
White Virola (Caribbean market)	
4mm BB/CC (MR)	665
12mm BB/CC (MR)	480

Pine Plywood EU market, FOB	US\$ per m ³
9mm C/CC (WBP)	371
15mm C/CC (WBP)	343
18mm C/CC (WBP)	339

Domestic Plywood Prices

Plywood, domestic (ex-mill Southern mill)	US\$ per m ³
Grade MR (B/BB)	White Virola 4mm 796
	White Virola 15mm 580

Domestic prices include taxes and may be subject to discounts.

Prices For Other Panel Products

Belem/Paranagua Ports, FOB	US\$ per m ³
Blockboard Pine 18mm 5 ply (B/C)	422
<i>Domestic Prices, Ex-mill Southern Region</i>	
Blockboard White Virola faced 15mm	499
Particleboard 15mm	324

Export Prices For Added Value Products

FOB Belem/Paranagua Ports	US\$ per m ³
Decking Boards	Cambara 1,010
	Ipê 2,640

Report from Peru

Business delegation visits China timber trade fair

In order to gain more knowledge on the use of new technologies for the manufacture of furniture, trends in the furniture market and to forge business relationships a delegation from 15 timber companies recently visited the China Furniture Fair. This business trip was organised by the Timber Exporters Association of Peru (Adex) and Tropical Forest SRL.

The delegation had the opportunity to visit one of the largest furniture fairs and was able to appreciate new design trends, materials and innovations in furniture production.

The delegation also visited the Furniture Manufacturing and Supply Fair in Shanghai, one of the largest exhibitions of machinery for furniture manufacture. The visit concluded with a tour of a large and successful laminate flooring manufacturer in China.

Export Sawnwood Prices

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

Peru Sawnwood, FOB Callao Port (cont.)	US\$ per m ³
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	428-487
Grade 2, Mexican market	358-404
Cumaru 4" thick, 6'-11' length KD	
Central American market	834-849
Asian market	811-893
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	509-549
Dominican Republic	584-598
Marupa (simarouba) 1", 6-11 length Asian market	421-482p

Peru Sawnwood, FOB Iquitos	US\$ per m ³
Spanish Cedar AD Select Mexican market	911-931
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

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

Export Veneer Prices

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

Export Plywood Prices

Peru plywood, FOB Callao (Mexican Market)	US\$ per m ³
Copaiba, 2 faces sanded, B/C, 15x4x8mm	318-347
Virola, 2 faces sanded, B/C, 5.2x4x8mm	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	393-419
B/C 9x4x8mm	366-385
B/C 12x4x8mm	350-360
B/C 8x4x15mm	416-439
C/C 4x8x4mm	389-425
Lupuna plywood B/C 8x4x4mm Central Am.	370-393

Domestic Plywood Prices

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

Domestic Prices for Other Panel Products

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

Export Prices for Added Value Products

Peru, FOB strips for parquet	US\$ per m ³
Cabreva/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

No exports of prime species logs

Once again there were no exports of logs of the main species, greenheart, purpleheart and mora. However, further shipments of wamara (*Swartzia leiocalycina*) logs were made to Asian markets with prices ranging from US\$120 to US\$125 per cubic metre FOB in the fair to small sawmill quality.

But, sawnwood export prices remain firm

Sawnwood export demand was positive and exports were made at favourable prices. Exports of Undressed greenheart made a solid contribution to total export earnings. In the select category top end FOB prices for Undressed greenheart fell from US\$1,835 to US\$1,166 per cubic metre.

Undressed Greenheart (sound) attracted good FOB prices on the export market earning a top end price of US\$720 per cubic metre FOB. Undressed Greenheart (merchantable) FOB prices were in the region of US\$954 per cubic metre.

The main markets for Guyana's greenheart, a highly demanded durable hardwood timber, are the Caribbean, Europe, North America and South America.

Only merchantable category Undressed purpleheart was traded, earning US\$650 per cubic metre FOB in the Caribbean market of Barbados. Undressed mora prices remain relatively stable with the (select) quality having a top end FOB price of US\$595 per cubic metre. Merchantable quality mora export prices held steady at US\$500 per cubic metre FOB. The Caribbean and Europe were the primary markets for Guyana's mora.

Dressed sawnwood prices remain firm. Dressed greenheart attracted an increased top end FOB price of US\$1,333 up from the previous level of US\$ 1,124 per cubic metre. The main market for Dressed greenheart during the period reviewed was the Caribbean and the Middle East.

In contrast, prices for Dressed purpleheart fell marginally from US\$1,124 to US\$1,102, with the Caribbean market being the main buyer for this species and product category.

Plywood BB/CC quality was exported attracting favourable FOB prices on the export market as high as US\$584 per cubic metre FOB with the main markets being the Caribbean and North and South America.

Greenheart piles earned attractive FOB prices on the export market earning as much as US\$602 per cubic metre with North America being the major buyer.

Splitwood (shingles) prices remain firm at US\$1,273 per cubic metre FOB, with the Caribbean as the prime market.

Export Log Prices

Logs, FOB Georgetown	SQ - \$ Avg unit value per m ³		
	Std	Fair	Small
Greenheart*	No export	No export	No export
Purpleheart	No export	No export	No export
Mora	No export	No export	No export

*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 Plywood Prices

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

Export Sawwood Prices

Sawwood, FOB Georgetown		\$ Avg unit val. per m ³	
EU and US markets		-Undressed	Dressed
Greenheart	Prime	-	-
	Standard	-	700-1,333
	Select	678-1166	
	Sound	575-720	
	Merchantable	636-954	
Purpleheart	Prime	-	-
	Standard	-	725-1,102
	Select	-	
	Sound	-	
	Merchantable	650	
Mora	Prime	-	
	Select	500-595	
	Sound	-	
	Merchantable	500	

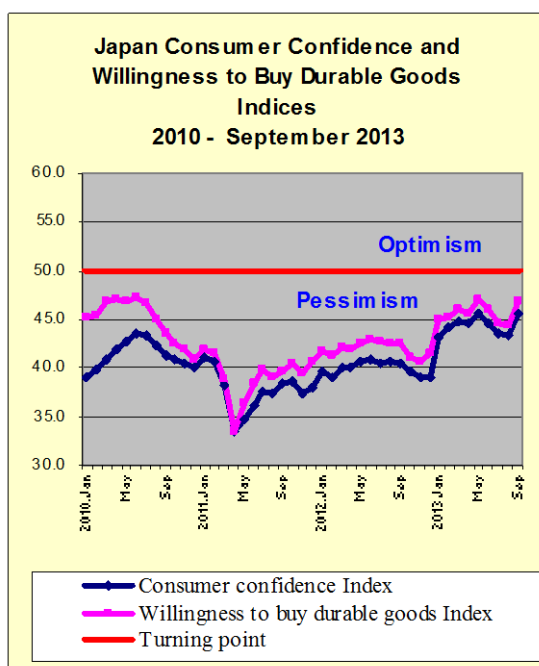
In the case of no price indication, there is no reported export during the period under review.

Report from Japan

Consumer confidence jumps to new heights

Consumer confidence rose more than expected in September climbing to 45.7, edging closer to the 50 point level which signals the change of sentiment from pessimism to optimism.

The index for willingness to buy durable consumer goods also rose sharply to 46.9, but this is still below the threshold signalling optimism but still an encouraging result for the government. For the latest Cabinet Office data see: <http://www.esri.cao.go.jp/en/stat/shouhi/shouhi-e.html>



Data source: Japan Cabinet Office

Price movements suggest the end of deflation

In its September report Monthly Economic Report Japan's Cabinet Office says the economy is on a moderate recovery path:

- Exports have been encouraging but recently the upward trend has moderated
- Industrial production is increasing at a moderate pace
- Corporate profits are improving, mainly among large firms
- Business investment shows signs of picking up, mainly among non-manufacturing industries
- Firms' judgment on current business conditions is improving
- The employment situation is improving
- Private consumption is on an upward trend
- Recent price developments indicate that the deflation is ending

The report says the shoots of recovery are expected to firm as household income and business investment continue on an upward trend. However, the risks of an extended slowdown in overseas markets is still of concern.

In recent weeks exports have shown improvement although the pace of expansion has eased. Exports to Asia and the US have been flat recently; on the other hand, exports to EU show signs of picking up.

In the short term the report says export prospects are expected to continue upwards reflecting the steady improvement in overseas economies. The improvement in exports will be supported by the weaker yen.

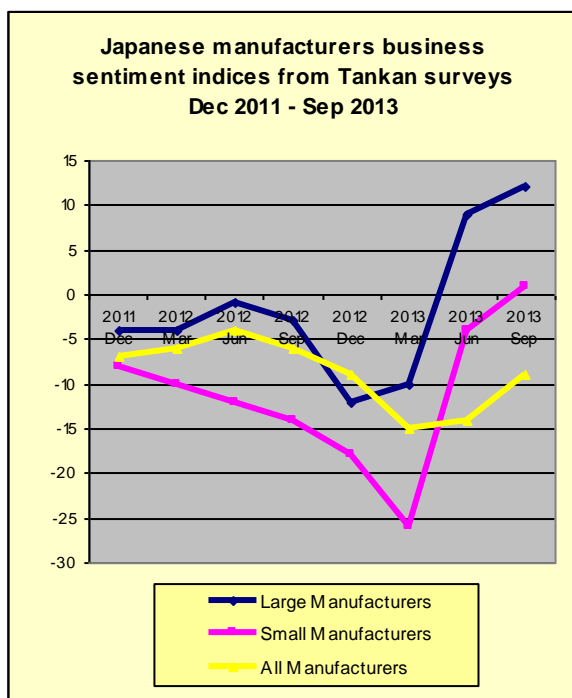
The report does suggest that exports to Asia may weaken as these countries struggle to adjust to the reduction in capital flows caused by downsizing of the US stimulus measures. For the monthly report see: www5.cao.go.jp/keizai3/getsurei-e/2013sep.html

Business conditions continue to improve

In the third quarter of this year the sentiment of Japanese manufacturers improved according to the recent survey by the Bank of Japan and this paved the way for the government to confirm that the consumption tax will be increased from 5 to 8% in April next year.

Sentiment in the service-sector which is more closely aligned to domestic spending also improved slightly. Overall, with growing domestic consumption and the indications that companies are increasing capital investment the signs are that the policies of the current government have cemented the foundations for growth and an end to deflation.

The risk now is that Japanese companies will slow expansion due to uncertainty in overseas markets, especially the US. This stop and start attitude adds to the challenge facing policymakers as they need to sustain a positive sentiment to support wage growth and consequent domestic consumption.



The BoJ Tankan shows that the index for big manufacturer sentiment rose 8 points to plus 12 in September, the third consecutive quarter of improvement. For the full Tankan report see: <http://www.boj.or.jp/en/statistics/tk/index.htm/>

Bumpy road ahead in promoting TTP in Japan

Japan's minister for economic revitalisation and the person leading Japan's team at the TTP has said concluding the talks with TTP partners was one of the "fourth arrow" of the government's determination to reverse stagnation of the Japanese economy.

In the absence of any other concrete policies, joining the TTP is probably the most encouraging move so far put forward by the Japanese government. But there are huge hurdles to cross before the TTP can be concluded as many lawmakers are determined to protect sensitive agricultural interests upon which the ruling party depends for electoral support.

SME manufacturers could get new life from TTP

In an interesting article in the East Asia Forum, an initiative of the East Asian Bureau of Economic Research, Kensuke Yanagida and Boon-Loong Ngiang of the Asian Development Bank Institute discuss the opportunities in the TTP for Japan's small and medium sized enterprises saying:

"Japanese small- and medium-sized enterprises (SMEs) in particular would benefit substantially from deeper integration across Asia as limitations in SME capabilities and resources mean that nearer regional markets are important for facilitating a firm's first steps abroad."

The authors point out that SMEs in Japan could benefit from greater internationalisation of Japanese manufacturing capacity.

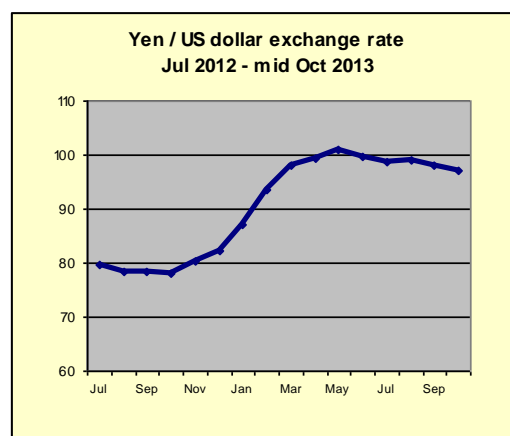
They say further that "Traditionally, Japanese SMEs largely operated as suppliers for large enterprises as part of the keiretsu system of integrated supply chain groups. With some exceptions, SMEs tend to be domestically oriented and export indirectly via the value chains of large multinational enterprises and general trading houses.

In the post-March 2011 disaster environment these arrangements are increasingly sub-optimal. As the country's population continues to shrink at an alarming pace, Japanese SMEs urgently need to seek opportunities in faster growing regional markets to diversify demand and remain viable." For the full article see www.eastasiaforum.org/2013/09/11/whats-holding-back-japans-smes-from-regional-opportunities/#more-37768

Fear of yen appreciation derailing optimism

Worries over the time it is taking to for the US Senate and Congress to reach an agreement to end the stalemate and get US government agencies open and working is worrying Japanese lawmakers as they fear a prolonged delay will result in a stronger yen.

This risk has been increased as there is no agreement as yet on raising the debt limit to avoid a US default. On October 12 the yen was at a five week high against the US dollar.



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>

New JAS specifications on plywood

The Ministry of Agriculture, Forestry and Fisheries has been reviewing JAS specifications and will newly establish specifications on decorative structural plywood.

Several other revised plans have been approved at the JAS examination committee.

In this latest revision, main purpose is to expand use of plywood. Newly established specifications are for decorative structural plywood. Surface quality of standard plywood is revised.

Easing of bending strength of concrete forming plywood is also revised on decorative plywood, several manufacturers demanded establishment of new specifications.

This is structural plywood with decorative veneer with less than 1 mm thick since this is used for ceiling. Product specifications are the same as structural panel and gluing standard is compliance with special type or type one and bending strength is more than second class of structural panel.

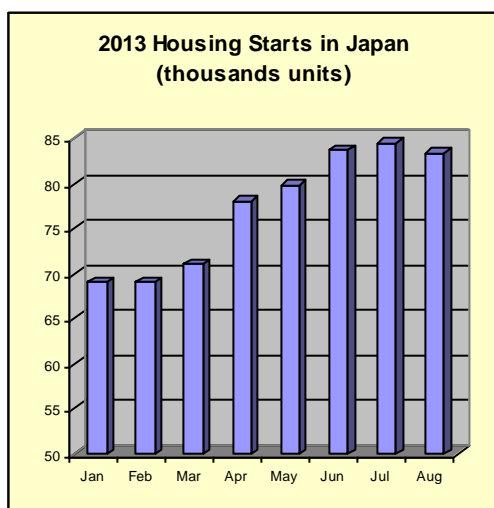
Regarding decorative veneer, dimensional stability and crack free are required.

On side processing, tongue and groove processing on decorative plywood was not allowed before but it takes time for fitting at working sites. To respond to such requests, now side processing is allowed.

Reviewing of surface quality of standard plywood is to allow using lower grade veneer since surface materials have been diversified from high grade tropical hardwood to softwood and lower grade of hardwood. Specified grade has been grade one and two, which are high grade. Now quality is eased to allow using lower grade of class three and four so that veneer used as core can be used for surface.

August housing starts

Total starts in August were 84,343 units, 8.8% more than the same month a year ago and this is twelve straight months increase over a year earlier. Considering localized torrential downpours in Western part of Japan, this is much higher starts than expected.



Source: www.mlit.go.jp

Seasonally adjusted annual starts are 960,000 units. They have been over 900,000 units for seven straight months since last February. Enthusiasm for house purchase continues with high probably because of coming consumption tax increase.

August starts were up in all types of housing, owners' unit, rental units, units built for sale both on detached units and condominiums. Owners' units were 31,379, 11.2% more than August last year and they have been increasing for twelve consecutive months. There is steady demand in all the areas.

Rental units were 29,548, 7% more than August last year and this is six consecutive months increase. Condominium starts were temporarily smaller than other types because of completion of large units. Detached units built for sale were 11,983, 11.3% more, twelve straight months increase.

Wood based units were 47,901, 11.4% more out of which traditional post and beam type units were 36,260, 13.2% more.

Starts in three quake damaged prefectures continue high. Iwate was 54.4% more than August last year. Fukushima was 56.8% more while Miyagi was 5.7% less because of high starts in August last year.

Increasing export of domestic logs

Export of domestic logs doubled in seven months. Export has been increasing since last February and the first seven months total was 118,628 cbms, 94.7% up from the same period of last year.

Main destination is China. The volume for China for the first seven months was 45,726 cbms, 377.2% more. The export of domestic logs in 2010 was 65,482 cbms then in 2011 was 100,134 cbms. In 2012, it was 113,598 cbms.

The largest factor is that China's import from North America is declining and logs from Japan is complementing shortfall. The prices of domestic logs become competitive to logs from other sources because of weakening yen. China becomes the top buyer over Taiwan, which was top buyer before.

South Sea (tropical) logs

There is demand for good quality large diameter logs with decent prices by plywood mills and sawmills in Japan but there is very little such logs available.

Usually rainy season in the South East Asian countries will start in November or December so this is time to buy and accumulate logs for winter but in Sarawak, Malaysia, rain falls have already started so that log supply is down by 20% compared to the same month a year ago.

Since purchase by India is not so active, the log prices have not gone up much but with tight supply, large price reduction is difficult. Economic slump and weak Rupee seem to impact India's log purchase.

Currently, Sarawak meranti regular prices are about US\$280 per cbm FOB, US\$10 down from September and there is no more offers of US\$300. Meranti small is about US\$240 and super small is about US\$220. They are both weak.

Sabah kapur regular prices are holding at about US\$370 per cbm FOB and serayah regular prices are about US\$260 per cbm FOB.

Demand by Malaysian local sawmills and plywood mills is stagnant as their order files are dropping so some log suppliers give priority for export.

PNG is suffering prolonging foul weather so that log supply is low.

Ocean freight of log ships is unchanged despite shipping companies' request for higher freight.

Log prices in Japan stay high due to high FOB prices with weak yen nearly 100 yen per dollar. Sarawak meranti regular prices are about 10,200 yen per koku CIF, 200 yen up from September.

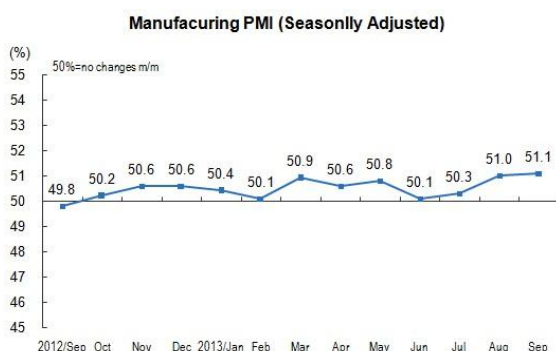
Plywood mills try hard to push the sales prices up because of higher log cost and higher electricity and glue cost but progress is slow.

Report from China

Recent survey points to improvement in business sentiment

In a press release the National Bureau of Statistics has presented data showing China's manufacturing purchasing managers index (PMI) was 51.1 percent in September, up by 0.1 percentage point month-on-month, having risen for 3 consecutive months. For the full press release see: http://www.stats.gov.cn/english/pressrelease/t20131008_402930263.htm

The PMI of large-sized enterprises was 52.1 percent, up by 0.3 percentage point month-on-month, positioned above the negative threshold; that of medium-sized enterprises was 49.7 percent, up slightly but still in negative territory.



Source: National Bureau of Statistics China

The PMI for small-sized enterprises was 48.8 percent, down by 0.4 percentage point month-on-month and has been below the positive threshold for some time.

The survey results showed that the new export orders index, which reflects the situation in foreign trade for manufacturers was 50.7 percent, an increase month-on-month.

Forest stock to be 15 billion cubic metres by 2020

The State Forestry Administration recently issued a planning outline for promoting ecologically sound construction for the period 2013 to 2020. The outline emphasises a reliance on forest resources, a transformation and upgrading of traditional industries and encouraging the development of new industries.

The outline suggests that the forest cover should be more than 23 percent to provide a forest stock volume of 15 billion cubic metres by 2020.

Development Plan for China's bamboo industry

A development Plan up to 2020 has been prepared for the bamboo industry. The State Forestry Administration formally released the document recently.

The plan describes the current situation and future plan for the bamboo industry and includes a description of the development situation, demand trend in the sector, key areas for investment and support measures for the industry.

The overall goal of the plan is to achieve sustained development of the sector and to lay the foundation for achieving a viable bamboo sector through improvement primary, secondary and tertiary processing in support of the development of the 'green' and low carbon economy.

The total output value of the bamboo industry is forecast to increase by over 60% from levels in 2011 to RMB200 billion by 2015 and RMB300 billion by 2020.

There are an estimated 10 million employees working in bamboo industry. The annual average earning of farmers producing bamboo is RMB2100, accounting for about 20 percent of their average annual earnings.

The new plan points out that the area of bamboo forest in China is expanding, that management of bamboo forests has been improved and the range of bamboo species has been optimised. However, there are some problems such as imbalanced regional development, uncoordinated industrial development, weak domestic consumption of bamboo products and the small scale of most bamboo enterprises.

Swedish timber exports to China

The Swedish Wood Association and the Commercial Department of the Swedish Embassy in China have committed to promote and improve Swedish timber and timber product exports to China.

Swedish timber enterprises took part in the trade fair FMC Premium 2013 held in the Shanghai World Expo

exhibition hall from 11-14 September 2013 and the Swedish Wood Association will hold an international seminar in December to promote timber and timber products trade development between China and Sweden.

Swedish sawnwood exports to China surged 174 percent to 90,000 cubic metres up to April this year. Importers noted that the quality of Swedish timber was good but prices tend to be high.

Wood products exports through Zhanjiang Port up 20 percent

The value of wood products and wooden furniture exports through Zhanjiang Port rose 10 percent to US\$243 million in the period from January to September 2013.

Wood products and wood furniture are the main products exported through the port and the value of 2012 exports was US\$300 million.

The exported products include plywood, fibreboard, wooden doors, wooden window frames and wood crafts. These products are mainly exported to the US, EU, Canada and Japan.

The value of wood product exports through has doubled from US\$158 million in 2008 to US\$330 million in 2012. Exports to the US and European Union through the port in 2012 made up 52 percent of the total.

However, the value of wood products exports through the port to emerging markets such as Thailand, Panama and Brunei have increased rapidly

Plywood output in the first half of 2013

Chinese made plywood is popular both at home and abroad due to its high quality and competitive price. The total production of plywood in China in the first half of 2013 was 4,820,540 cubic metres.

Province	First half	
	2013 output cubic metres	% of total
Shandong	2297980	47.7
Jiangsu	1422967	29.5
Guangxi	256263	5.3
Guangdong	253646	5.2
Zhejiang	196774	4.1
Jilin	114074	2.4
Anhui	91836	1.9
Shanghai	67482	1.4
Liaoning	62499	1.3
Hebei	57018	1.2

Guangzhou Yuzhu International Timber Market

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

Shanghai Furen Forest Products Wholesale Market

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

Hangzhou Timber Trading Market

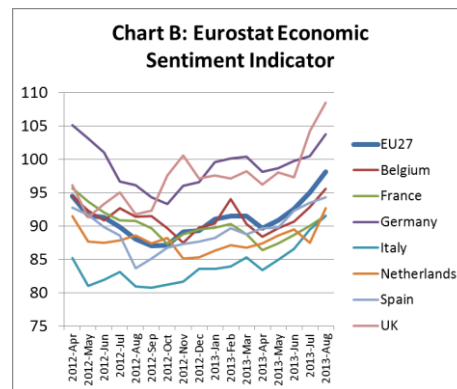
Logs		Yuan/cu.m
Ash	4 m ≥30 cm	3200-4800
Larch	4 m ≥8 cm ≥10 cm	1800-2900
Linden	4 m ≥26 cm	2400-3500
Sawnwood		
Beech (Europe)	All grades	2800-5000
Black walnut (N. America)	All grades	7000-13000
Teak (Myanmar)	All grades	9000-18000
Red oak (N. America)	All grades	3500-5000
Alder (Myanmar)	All grades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

Wenzhou Timber Trading Market

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

Shandong De Zhou Timber Market

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



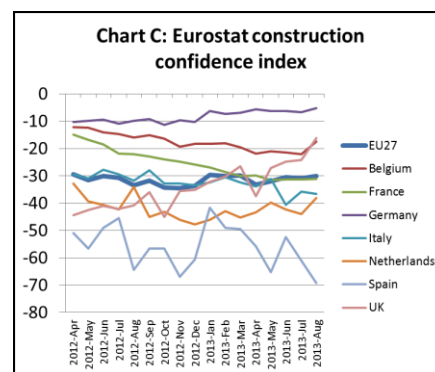
While economic conditions are improving, several factors are likely to limit the pace of recovery. Particularly notable amongst these are the high level of consumer and government debt and the weakness of the labour market. Europe's unemployment rate remains stubbornly high at 12.1%.

In some member states hardest-hit by Europe's debt crisis, such as Greece and Spain, more than one in four people don't have a job. Analysts say more dynamic growth will be needed to spur investment and job creation there.

Still, even meagre growth in Europe provides a boon to the global economy. The EU, which now totals 28 nations following Croatia's accession in July, has a population of some 500 million, and its annual gross domestic product stands at around \$17.3 trillion — both more than the U.S., which has a GDP of \$16.6 trillion for 315 million people.

EU construction sector flat overall but positive signs in UK and Germany

Short-term prospects for the European wood industry continue to be dampened by the slow pace of recovery in the construction sector. The Eurozone Construction Confidence Index (Chart C) has remained flat at a low level of around -30 since the beginning of 2013.

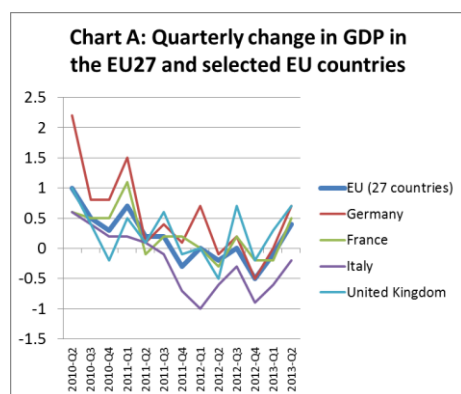


This means that construction companies across the EU continue to have declining order books and low employment expectations in the coming months. However, construction confidence has remained comparatively high in Germany and improved rapidly in the UK in recent months.

Report from Europe*

Early signs of economic improvement in Europe

There are early signs that the EU may be at last emerging from recession. The 27 countries' combined gross domestic product grew 0.4 per cent in the second quarter compared to the previous three-month period, when it shrank 0.1 per cent, according to Eurostat.



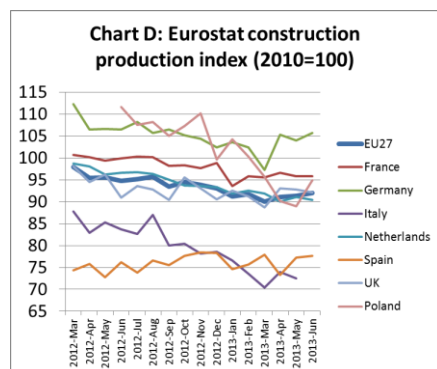
A rise in household spending underpinned the economic momentum in many member states. There are also signs of increased business optimism and higher manufacturing output.

During the second quarter of 2013, there was robust GDP growth in Germany (+0.7%), the UK (+0.7%) and France (+0.5%). Although GDP continued to shrink in Italy (-0.2%) and Spain (-0.1%), but the rate of decline was much slower than during previous quarter.

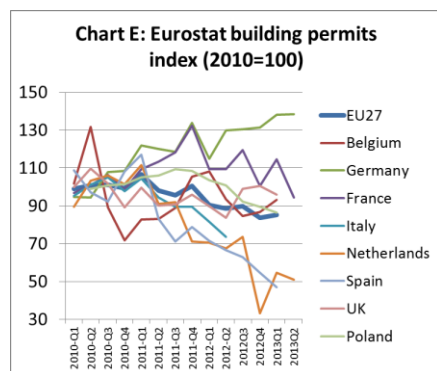
The rise in GDP was mirrored in a significant improvement in the Eurostat Economic Sentiment Indicator between April and August 2013 (Chart B).

This indicator, which draws on a regular monthly survey of perceptions and expectations in five sectors (industry, services, retail trade, construction and consumers) improved across a wide range of EU member states.

The Eurostat Construction Production Index (Chart D), which measures the seasonally adjusted production level, increased slowly but consistently between March 2013 and June 2013. This was due primarily to a strong rebound in German construction in the summer months after a dip last winter.



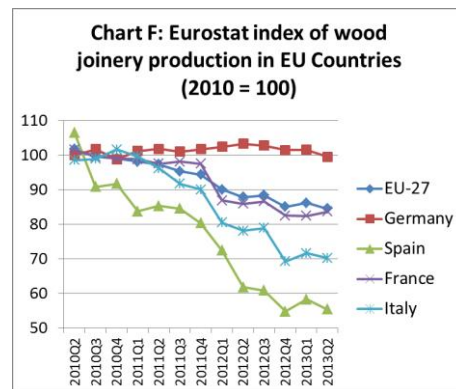
The Eurostat Building Permits Index (Chart E), which provides a forward indicator of likely future construction activity, suggests good prospects in Germany but flat or declining prospects elsewhere in the EU. Building permits are currently at around 85% of the 2010 level across the EU as a whole.



However permits issued in Germany this year are nearly 40% up on the level prevailing in 2010. In France and the UK, building permits are at a similar level to 2010. However permit levels have continued to fall sharply in a few countries this year, notably Netherlands and Spain.

The Eurostat Index of Wood Joinery Production (which covers all joinery products except flooring) indicates that joinery activity across the EU in 2013 has remained flat at around 85% of the level prevailing in 2010 (Chart F).

Joinery production in Germany has remained stable at around the same level for the last 3 years. However production declined sharply in Spain, France and Italy between 2010 and 2012 before levelling out at a low level this year.



UK joinery manufacturers optimistic but sales volumes are yet to rise

The latest British Woodworking Federation (BWF) quarterly survey of joinery companies in the UK suggests that the sector remains optimistic about an increase in sales volumes for the remainder of 2013, despite slightly disappointing results during the second quarter of the year.

On balance, respondents to the survey reported slightly lower sales in the second quarter of 2013 compared to the first quarter despite improving weather conditions. Order books are also low with only 7% of companies reporting orders for future work extending beyond 3 months.

Nevertheless, respondents were confident that sales volumes would improve, with a balance of 19% predicting an increase in the third quarter of 2013. A majority of respondents said that they had been using less than 70% of their production capacity for the past year. However, most expected a significant increase in production in the second half of 2013.

BWF conclude that “anecdotal evidence and industry predictions suggest that we could be looking at better fortunes for joinery manufacturers in the third quarter, as the housing recovery, a general uplift in construction work and fair weather are all likely to boost activity.

But the second quarter results serve as a reminder that growth for the joinery sector continues to be slow if at all, and it shouldn't be taken for granted in what remains an exceptionally competitive marketplace.”

New report indicates long term decline in European construction

A newly released report suggests only poor prospects for long-term growth of construction activity in Western Europe. The “Global Construction 2025” report by research firms Global Construction Perspectives and Oxford Economics predicts that the region's construction market will be 5% smaller in 2025 than in 2007.

This is due to a combination of declining real wages and unemployment having a negative impact on house building, as well as high levels of public debt meaning there will be little funding available for infrastructure investment.

The report forecasts that output growth will struggle to reach 2% in any year between now and 2025.

However, the news is better for the UK. This is due to a pressing need for new homes and renewed infrastructure and also the apparent willingness of Chinese and Middle Eastern sovereign wealth funds to invest in UK infrastructure and real estate.

The report forecasts that UK construction output will grow at 2.1% a year on average up to 2025. The report concludes that by the end of the forecast period the size of the UK market will rival that of Germany's, with output of \$315bn and \$342bn respectively.

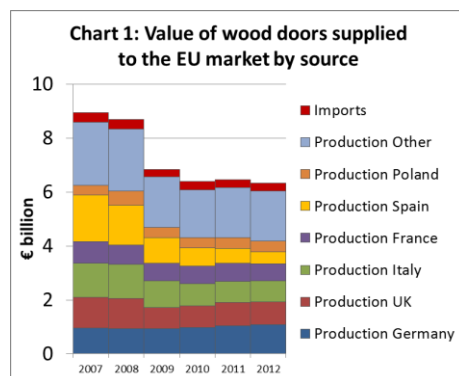
There are also better prospects in Eastern Europe. The population of Eastern Europe is expected to decline by 0.2% a year over the forecast period. However the report says that strong economic growth should lead to increased construction demand. It expects construction output in Eastern Europe to grow on average by 4.6% a year over the next 12 years, marginally higher than the global average.

However, there are marked differences between Eastern European countries. The best performers, Turkey and Russia, are predicted to see average annual growth exceeding 5%.

Russia is expected to move from being the ninth largest construction market in the world in 2012 to the sixth by 2025. Growth in Turkey is forecast to be, if anything, higher than in Russia, with rapid urbanisation and the need to replace and upgrade the country's housing stock driving growth.

EU wood door consumption stable at a low level

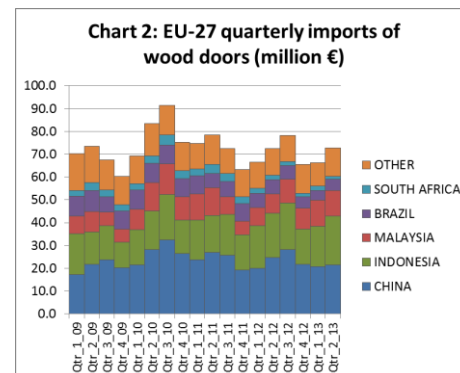
Data newly released by Eurostat shows that production of wooden doors across the EU in 2012 was valued at €6.04 billion, 2% less than the previous year. A 2.7% increase in German production to €1.08 in 2012 was insufficient to offset declining production elsewhere. Production value in Spain fell 21% to €437 million in 2012, only a quarter of the value of 2007 prior to the economic crises.



During 2012 there was also a 4.4% decrease in French production to €640 million, and 1.4% decrease in Italian production to €780 million. Production value in the UK remained stable at €850 million in 2012.

In 2012, imports of wooden doors from outside the EU were valued at €283 million, 2.3% less than the previous year. Imports accounted for 4.5% of total supply of wooden doors to the EU market in 2012, the same proportion as the previous year.

Chart 2 shows recent quarterly trends in the value of EU wooden door imports by supply country. While subject to seasonal variation, import levels have been reasonably consistent averaging around €70 million per quarter since the start of 2011.



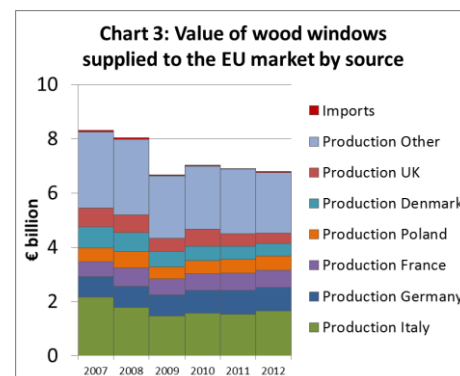
China is the largest single supplier accounting for 30% of all import value during the first six months of 2013, down from 32% during the same period of 2012.

The share of imports from Indonesia was 29% in the first six months of 2013, up from 27% during the same period last year. In 2013, imports from China have been destined primarily for the UK (42%), Romania (18%) and France (17%).

Wood window imports slide to negligible levels

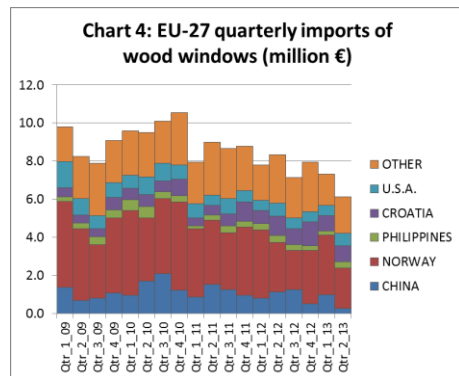
According to Eurostat, production value of wood windows in Europe was €6.76 billion in 2012, 1.6% less than the previous year. Despite the economic downturn, Eurostat report a 9% rise in Italian production of wood windows in 2012 to €1.65.

This rise offset falling production value in Germany (-1.6% to €870 million), France (-2.0% to €630 million), Denmark (-3.2% to €470 million), and the UK (-17% to €380 million). Production value in Poland was €510 million, the same as the previous year.



Domestic manufacturers are overwhelmingly dominant in the European windows sector. Imports have not been competitive in a market requiring regular supply of consistent product at short notice to a highly fragmented building sector in accordance with demanding national quality and efficiency standards.

Imports of wood windows into the EU were valued at only €31 million in 2012, 9% less than the previous year, and only 0.5% of total supply. Norway is the largest non-EU supplier of wood windows into the region, benefiting from geographic proximity.

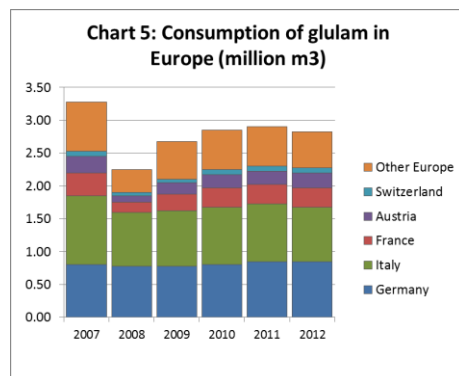


EU imports of wood windows from China have been falling over the last 2 years and were valued at only €1.3 million in the first six months of 2013, down from €2 million in the same period of 2012. Wood window imports from China are destined mainly for France, Belgium and Poland.

Competition intensifies in the glulam sector

Data from the UNECE Timber Committee indicates that European glulam consumption fell 2.6% to 2.83 million m³ in 2012 (Chart 5). Germany and Austria have traditionally been the largest markets for glulam, while Italy and France showed rapid growth in consumption prior to 2007.

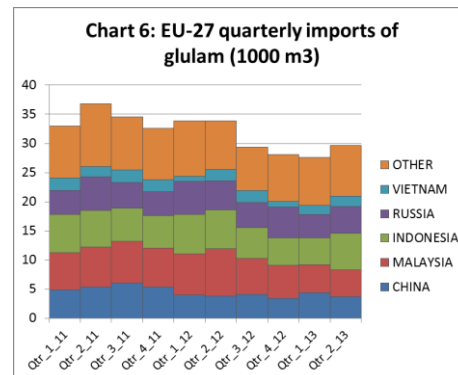
Consumption of glulam in other European countries is still low despite significant growth potential.



The downturn in EU consumption in 2012 was mainly due to declining construction and other economic problems in Italy. For 2012 Italy's glulam consumption is estimated at 830,000 m³, down 5.7% compared to 2011.

Consumption in Austria increased 12% to 230,000 m³ in 2012, while consumption was stable in Germany (850,000 m³) and France (300,000 m³).

In 2012, 125,000 m³ of glulam was imported into the EU, 8% less than the previous year. In 2012 imports accounted for 4.4% of total consumption, down from 4.7% in 2011. Glulam imports have continued to decline this year. In the first 6 months of 2013, imports were 57,300 m³, 15% less than the same period in 2012.



The leading external suppliers of glulam to the EU are Malaysia, Indonesia and Russia, followed by China. In the first 6 months of 2013 compared to the same period in 2012, EU imports declined from Malaysia (-38% to 9400 m³), Indonesia (-18% to 11000 m³) and Russia (-20% to 8600 m³). However imports from China increased by 3% to 8000 m³, mainly due to rising sales in the UK.

The European glulam market is currently suffering from saturation. Also, several other engineered wood products are now competing with glulam in Europe, such as laminated veneer lumber (LVL), which is gaining importance in northern Europe. Competition from LVL may intensify this year as Pollmeier in Germany is expected to begin production of LVL from beech, starting with 150,000 m³ of production capacity.

European glulam manufacturers have been increasing their efforts to expand markets outside the EU, notably in Japan and the Middle East. The main focus is on big projects and eco-buildings, including government buildings, retail developments and sports and recreation centres.

A big part of the market development strategy focuses on European glulam producers' ability to provide a "one-stop shop" integrating design, manufacture, and installation.

Commenting on their Middle Eastern marketing operation one large European manufacturer comments: "we are reducing out-sourcing and developing our own capacity to manufacture steel connectors and undertake hybrid buildings, combining wood with other materials, as well as projects using solid timber frame and cross-laminated timber."

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

Report from North America*

Partial US government shutdown

Most US government operations were shut down in early October after the House and the Senate failed to agree on a budget for the new fiscal year.

A short shutdown has a relatively small effect on the US economy, but a longer shutdown and a potential debt default could be very harmful to the American and the global economy.

The partial government shutdown already led to a steep decline in consumer confidence, according to Gallup's Economic Confidence Index.

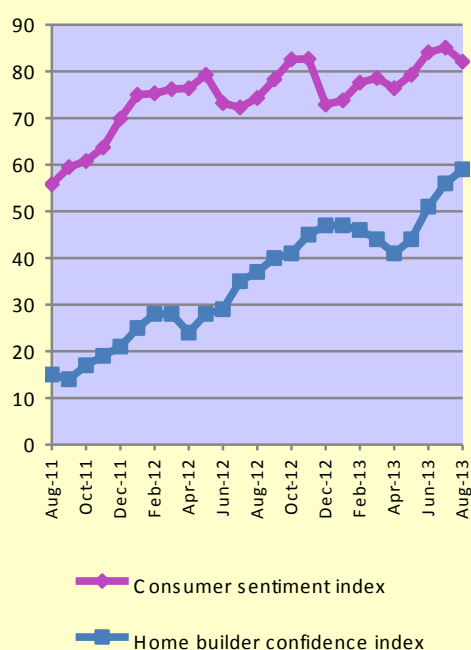
The unemployment rate was 7.3% in August, little changed from 7.4% in July, according to the US Bureau of Labor Statistics.

Home builders' confidence up despite slow growth in construction

Builder confidence in the market for newly built single-family homes rose for the fourth consecutive month in August. The National Association of Home Builders reports a 3 point increase in the Home Builders/Wells Fargo Housing Market Index from July to August.

The only region where home builders' confidence did not improve was the US Northeast. Everywhere else rising demand for homes and a limited supply of homes on the market supported builders' confidence.

Consumer and home builder confidence indices



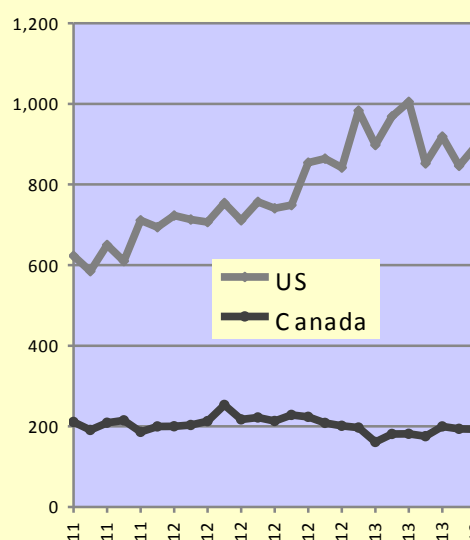
Single-family home construction affected by wet summer weather

US housing starts increased by 5.9% in July to 896,000 at a seasonally adjusted annual rate. Multi-family construction grew by 26%, recovering from a dip in the previous month. Single-family starts declined slightly (-2.2%) from the previous month.

Single-family housing starts declined in July because of unusually wet weather in the South and West, according to the National Association of Home Builders.

Total housing starts increased in the US Northeast (+40.2%), Midwest (+25.4%) and West (+7.2%), but they declined in the South (-7%).

Housing starts¹ in the US and Canada
Thousand units



The number of building permits issued rose by 2.7% to 943,000 in July at a seasonally adjusted annual rate. The number of permits issued is usually an indicator of future building activity.

Home prices close to 2006 levels

Sales of existing homes increased strongly in July. Sales rose by 6.5% in July at a seasonally adjusted annual rate, according to the National Association of Realtors.

The national median price for existing homes sold was 13.7% higher than at the same time last year. The median home price was only 7.3% below its record high in July 2006, before the financial crisis hit.

Little change in Canadian housing market, West stronger

Canada's housing starts remained unchanged in July, according to the Canada Housing and Mortgage Corporation (CMHC). Construction started on 193,000 units at a seasonally adjusted annual rate.

CMHC expects housing starts to remain stable in the second half of 2013. The housing market in Western Canada will remain stronger than in the rest of the country.

There was little change in sales of existing homes in July. Since January 2013, existing home sales have grown by an average 1.5% per month.

Access to loans constrains non-residential construction

Spending in non-residential construction in the US remained unchanged in July, at a seasonally adjusted rate. Only public commercial construction improved from the previous month (+4.7%).

Difficult access to loans for land development and construction is a major obstacle. Banks have eased lending standards, but access to financing remains a problem for many developers and businesses.

Plywood imports from China recovered in July

US imports of hardwood plywood recovered in July. Total import volumes were 255,554 m³ in July, up 28% from the previous month. The increase in imports was almost entirely in higher shipments from China.

Imports from China were 118,957 m³ in July, up 82% from June. Year-to-date shipments are still 15% lower than in July 2012.

US imports of hardwood plywood (cu.m)

	May-13	Jun-13	Jul-13	% change
Total imports	215,671	200,248	255,554	28%
China	61,398	65,377	118,957	82%
Indonesia	25,853	60,315	30,494	-49%
Ecuador	28,909	16,500	28,314	72%
Canada	47,174	10,765	12,596	17%
Russia	24,721	27,275	21,381	-22%
Malaysia	14,854	6,391	22,885	258%
Other	12,762	13,625	20,927	54%

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

Imports from Indonesia dropped by half from the previous month to 30,494 m³ (+107% year-to-date). Imports from Russia also declined, but all other major hardwood plywood suppliers saw increases in July.

Ecuador's shipments were 28,314 m³ (+450% year-to-date). Imports from Malaysia increased to 22,885 m³ (+42% year-to-date).

Hardwood moulding imports from China up

Hardwood moulding imports rose by 15% to \$18.4 million in July (-3% year-to-date). The growth was almost entirely in higher moulding imports from China.

Imports from China increased to \$5.9 million in July (-1% year-to-date). Brazil shipped \$4.4 million worth of hardwood mouldings (-18% year-to-date).

US imports of hardwood mouldings (US\$)

	May-13	Jun-13	Jul-13	% change
Total imports	17,395,190	16,079,575	18,432,541	15%
Brazil	5,928,852	4,651,383	4,419,605	-5%
China	5,490,352	4,818,312	5,905,907	23%
Malaysia	1,124,334	1,253,503	1,297,630	4%
Canada	1,561,033	1,544,863	1,502,664	-3%
Other	3,290,619	3,811,514	5,306,735	39%

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

Slight decline in wood flooring imports

US imports of assembled flooring panels declined slightly in July to \$10.7 million. Year-to-date imports are 5% lower than at the same time in 2012. Imports from Canada and Brazil also declined, while European shipments to the US increased.

Hardwood flooring imports changed little from the previous month. \$2.7 million worth of flooring were imported in July (-6% year-to-date). Imports from Indonesia rose to \$1.3 million (+50% year-to-date), while Malaysian shipments declined to 393,602 m³ (-47% year-to-date). Hardwood flooring imports from China were worth \$335,964 in July, up 63% from June (-17% year-to-date).

Wooden furniture imports from Europe up

US imports of wooden furniture grew to \$1.3 billion in July. Imports of wooden furniture (excluding furniture parts) were up 8% from the previous month. Year-to-date imports are 4% higher than in July 2012.

China's market share in total US furniture imports has been around 50% in recent months. China's furniture shipments to the US were \$559.9 million in July (+2% year-to-date).

US imports of wooden furniture (US\$ millions)

	May-13	Jun-13	Jul-13	% change
Total imports	1,134	1,163	1,252	8%
China	559	591	629	6%
Vietnam	17	172	193	12%
Canada	90	105	103	-2%
Malaysia	5	42	47	12%
Mexico	46	43	44	2%
Indonesia	52	48	50	4%
Other	365	162	186	15%

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

Imports from Vietnam grew in July (\$193.8 million, -8% year-to-date). Canada shipped \$103.7 million (+3% year-to-date). US imports from Europe increased in July, with Italy and Poland as the largest suppliers.

Furniture market update

Moderate growth in new orders and shipments

Year-to-date furniture orders were 4% higher in June than at the same time in 2012, according to a monthly survey of US furniture manufacturers and distributors (Smith Leonhard Furniture Insights August 2013). 64% of the

companies surveyed reported higher orders compared to last year.

Furniture shipments also increased in June, with year-to-date shipments 3% higher than in 2012. Furniture inventories at distributors and manufacturers changed very little.

No improvement in furniture retail sales from 2012

The latest retail sales figures from the US Census Bureau are less positive than the manufacturing and import data above.

Retail sales at furniture stores in the US declined by 4% from May to June. At \$4.2 billion furniture sales were at the same level as in June 2012.

Furniture manufacturing closures and bankruptcies

Two large furniture companies closed and declared bankruptcy in early September. Furniture Brands International is the parent company of several furniture manufacturers.

Furniture Brands declared bankruptcy and its brands and other assets are being sold, but furniture production continues. The second company, Cardinell Cabinetry in Texas, closed its plants on September 9 due to ongoing debt problems.

Online furniture retail on the rise

Online furniture sales increased by 11% from 2011 to 2012 according to a survey by Furniture-Today. Online sales accounted for 9% of total furniture and bedding sales in 2012.

This is one percentage point higher than in 2011.

The survey covers 34 internet retailers, but it excludes companies that sell both online and in stores. The actual share of online furniture sales is likely higher than 9%.

Furniture market remains challenging

New furniture orders and shipments indicate that the market is good and slowly improving. However, relatively weak consumer confidence and a still high unemployment rate dampen demand.

The rise in mortgage rates may affect the housing market and furniture retail sales. The recent closure and bankruptcy of two large US manufacturers are an indication that the furniture market remains challenging.

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

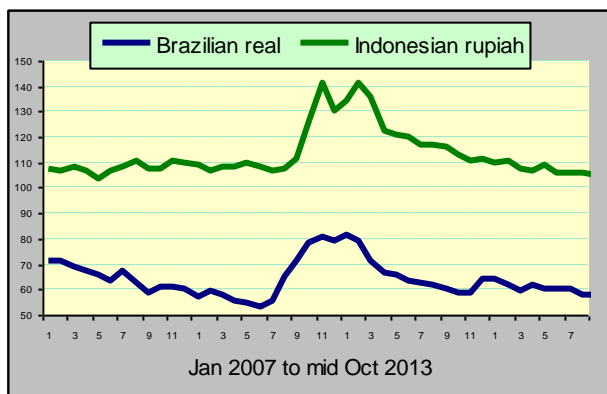
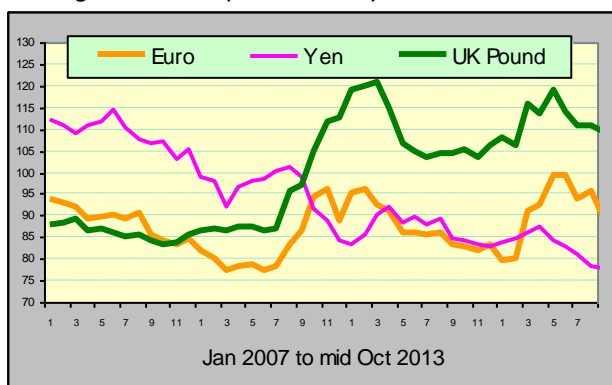
Disclaimer: *Though efforts have been made to keep prices near to accurate, these are published as a guide only. ITTO does not take responsibility for the accuracy of this information.*

Main US Dollar Exchange Rates

As of 12th October 2013

Brazil	Real	2.1755
CFA countries	CFA Franc	483.53
China	Yuan	6.1210
EU	Euro	0.7384
India	Rupee	61.04
Indonesia	Rupiah	11042
Japan	Yen	97.50
Malaysia	Ringgit	3.18
Peru	New Sol	2.7710
UK	Pound	0.6269
South Korea	Won	1077.60

Exchange rates index (Dec 2003=100)

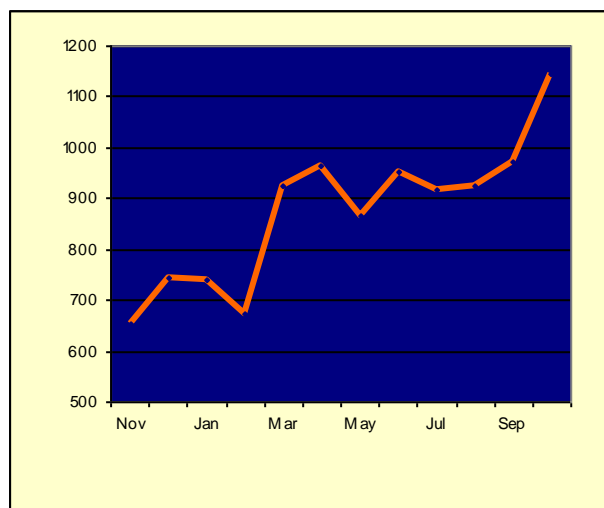


Abbreviations and Equivalences

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

Ocean Freight Index

Baltic Supramax Index 2012 – October 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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