

Tropical Timber Market Report

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Top Story

Rosewood export ban begins January 2014

Ghana has announced a total ban on the harvesting and export of rosewood effective 1 January 2014.

Companies with licenses for the export of rosewood have a three-month period, (October to December 2013) to continue operating. When their permits expire at the end of this year the Ghana Forestry Commission will enforce the ban.

Rosewood is only found in the savannah zones of Ghana, particularly the Northern and the Brong Ahafo regions but harvesting has been so intense that it is being over-cut, threatening the fragile savannah forests

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Report from Central/West Africa

Firming market conditions expected to continue

Producers are reporting some minor price improvements reflecting the generally firmer market condition, largely the result of brisk buying for the Chinese market.

Middle East demand has also improved leading to very active trading. When looking at their order books, producers are fairly confident the firming market conditions will continue well into next year.

However, the majority of the price increases have been for the premium species while interest in other timbers has remained dull and unchanged for a long period. Some West and Central African producers are trying to interest Middle East buyers in 'alternative' species but with very limited success.

Some gainers and some losers, market preferences shift again

Demand for okoume logs and sawnwood is very firm and order levels are steadily increasing, providing an opportunity for producers to secure better prices. Padouk is again out of favour and prices are weakening.

Sapele and sipo are in constant demand and sawn sapele and sipo can attract firm and stable price levels however, log supplies of these two timbers are barely adequate and some producers have to negotiate extended delivery times.

Analysts point out that supplies of high quality sapele from the Central African Republic have virtually dried up because of ongoing internal problems and difficult border conditions.

Buyers in the EU are firmly fixed on the premium species and show no interest at all in other timbers. At present, France is probably the most active European market, otherwise trade is dull and in the UK demand is weak.

Republic of the Congo announces Forestry Declaration

A recent timber 'forum' in Brazzaville has resulted in a 'Declaration' that sets out the government's policy on developing the forest resource for the benefit of the people.

Special mention was made of the need for more jobs to be created in the forestry sector to address youth unemployment in the country.

Apart from forest conservation, sustainability and downstream processing there is recognition in the county that more plantations must be established and that further efforts are needed to stamp out illegal logging and trade in illegal timber.

Log Export Prices

West African logs, FOB	€ per m ³		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	220	220↑	155
Ayous/Obeche/Wawa	225	210	150
Azobe & Ekki	230↑	230↑	155↑
Belli	230	230	-
Bibolo/Dibétou	155↑	140↑	-
Iroko	255	225↑	220
Okoume (60% CI, 40% CE, 20% CS) (China only)	310↑	310↑	240↑
Moabi	300↑	290↑	-
Movingui	220	200	175
Niove	165	165	-
Okan	255↓	255↓	-
Padouk	320	280↓	230
Sapele	270	255	180
Sipo/Utile	310	285↓	190↑
Tali	295	295	-

Sawnwood Export Prices

West African sawnwood, FOB	€ per m ³
Ayous FAS GMS	340
Bilinga FAS GMS	520↑
Okoumé FAS GMS	480
Merchantable	270
Std/Btr GMS	350↑
Sipo FAS GMS	550
FAS fixed sizes	-
FAS scantlings	560↑
Padouk FAS GMS	900↓
FAS scantlings	900
Strips	400
Sapele FAS Spanish sizes	490
FAS scantlings	550↑
Iroko FAS GMS	570
Scantlings	600
Strips	445
Khaya FAS GMS	450↑
FAS fixed	470
Moabi FAS GMS	550
Scantlings	550
Movingui FAS GMS	415↑

Report from Ghana

Rosewood export ban begin January

Ghana has announced a total ban on the harvesting and export of rosewood, effective 1 January 2014.

The Minister for Lands and Natural Resources, Alhaji Inusah Fuesinu said at a press conference that the ban had been approved by Cabinet because of the indiscriminate felling of rosewood which was high demand in international markets.

Those companies with licenses for the export of rosewood have a three-month period, (October to December 2013) to continue operating until their permits expire at the end of this year after which the Ghana Forestry Commission will enforce the ban.

Rosewood is only found in the savannah zones of Ghana, particularly the Northern and the Brong Ahafo regions but harvesting has been so intense that it is being over-cut threatening the fragile savannah forests.

Data from the Timber Industry Development Division of the Ghana Forestry Commission (GFC) shows that

rosewood exports in 2012 were 8,570 cubic metres while in the first eight months of 2013 exports surged to over 18,000 cubic metres.

EU importers updated on FLEGT and VPA progress

The GFC held a stakeholder conference in London and Brussels, on the 28th and 30th October to create awareness of, and generate confidence in, the country's FLEGT and VPA processes.

The EU is Ghana's largest export market for wood products and to sustain the EU market Ghana has adopted a FLEGT Action Plan. Ghana was the first country to conclude the VPA (Voluntary Partnership Agreement) negotiations with the EU in 2009 but is still in the implementation stage.

The topics for the conferences were Ghana's sustainable forest management: principles and forest governance, the timber industry in Ghana, the Ghana FLEGT VPA process and updates and Ghana's legality assurance system.

Ghana expects to be able to deliver FLEGT licensed timber to the EU by the summer of 2014. The government is making every effort to ensure the timber industry is ready to satisfy the requirements of the EUTR.

Boule Export prices

	Euro per m ³
Black Ofram	244▲
Black Ofram Kiln dry	300
Niangon	453▲
Niangon Kiln dry	580

Export Sawnwood Prices

Ghana Sawnwood, FOB	€ per m ³	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afromosia	855	945
Asanfinia	480	544
Ceiba	231	269
Dahoma	303	347
Edinam (mixed redwood)	345	539
Emeri	353	542
African mahogany (Ivorenensis)	593▲	674
Makore	575	642
Niangon	536▼	606
Odum	592	761
Sapele	567	649
Wawa 1C & Select	275	323

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	106-116▼	141-166
Ofram	112-118	130-135

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	330▼
Ofram	320	357

Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afromosia	1.32	0.80
Asanfinia	1.20	0.88
Avodire	1.12	0.47
Chenchen	0.85	0.53
Mahogany	1.30	1.00
Makore	1.26	0.72
Odum	1.88	1.08

Export Plywood Prices

Plywood, FOB	€ per m ³		
BB/CC	Ceiba	Ofram	Asanfinia
4mm	428▲	600	641
6mm	422▲	592	622
9mm	360	415▲	475
12mm	363▼	435	439
15mm	325▲	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	12.70▲	15.36-	18.80
Odum	10.70▲	11.20	12.40
Hyedua	14.08	14.00	18.45
Afromosia	14.30	18.65	18.55▲

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

Report from Malaysia

Budget to reduce deficit

The Malaysian Finance Minister, Najib Tun Razak, tabled the 2014 budget on 25 October. This is designed to gradually reduce the country's fiscal deficit so as to achieve a balanced budget by year 2020.

The Finance Minister said Malaysia was on track to reduce the deficit from 4.5% of GDP in 2012 to 4% of GDP this year, and 3.5% of GDP in 2014.

New tax to replace sales and services tax

As part of the Government's fiscal consolidation measures, Najib also announced the implementation of a goods and services tax (GST) from April 1, 2015, at 6% to replace the existing sales and services tax.

The business community appreciated the 17 months lead time in which they can make the necessary adjustments. In conjunction with the introduction of the GST, the corporate income tax rate will be reduced by 1 percent from 25 per cent to 24 per cent.

The tax rate for small and medium sized enterprises will also be reduced from 20 per cent to 19 per cent from 2016.

Individual income tax rates are also to be reduced by one to three percent for all tax payers.

Forecasts for stronger GDP in 2014

Looking to the future, Malaysia's inflation rate is expected to range between 2% and 3% next year, while its economy is projected to expand at a stronger pace of 5% to 5.5%, driven by private investment and private consumption, compared to the projected GDP growth of 4.5%-5% this year.

The budget report also indicates that per capita income for 2014 is expected to reach RM34,126 (about US\$ 10,850) compared with RM24,879 in 2009, an increase of 37 percent over six years.

An unexpected but welcome announcement is the proposal to launch an Environmental, Social and Governance Index and the creation of Malaysian Green Foundation to promote use of green technology among corporate sector and the general public.

Sarawak hill and swamp forest log production

The latest log production data released by the authorities in Sarawak show harvests for the period January to August this year.

Hill Species	Volume (cu.m)
Bindang	115,646
Meranti	1,962,208
Kapur	196,500
Keruing	161,802
Sepetir	16,263
Selangan Batu	138,997
Nyato	84,865
Other species	2,560,297
Total	5,236,579

Swamp species	Volume (cu.m)
Ramin	1,199
Jongkong	789
Sepetir	2,337
Alan	9,372
Kapur	13,449
Keruing	2,293
Meranti	47,782
Other species	83,065
Total	160,286

Falling revenues from forestry explained

The Director of the Forestry Department in Sabah, Sam Mannan, has explained that the decline in timber revenue collection was due to the policy of lowering the harvested volumes in the natural forests to sustainable levels.

At the same time the area of totally protected forests has been increased to 1.35 million hectares (about 20% of Sabah's land area) with the long term target of protecting two million hectares in the next 10 years.

The resources for the timber industry in Sabah are increasingly from planted forests which, in 2011, produced over 1 million cubic metres or around 30% of the state's total production of timber. Log traders in Sarawak reported that export FOB prices are in the following ranges:

	US\$/cu.m FOB
Meranti SQ	255-270
Kapur SQ	325-345
Keruing SQ	295-329
Selangan batu Regular	505-530

Doing business in Malaysia

The World Bank Doing Business Report 2014 identified marked improvements in the ease of doing business in Malaysia saying "categories assessed in the report such as "getting credit," "dealing with construction permits" and "trading across borders" showed impressive progress".

For the full survey results see:

<http://www.doingbusiness.org/data/distance-to-frontier>

However, there were negative comments regarding the "paying taxes" category. The Bank assessment was that in this category Malaysia had slipped from 15th rank to 36th rank out of the 189 countries included in the most recent survey.

The World Bank website notes, "The Doing Business 2014 is the 11th in a series of annual reports published by the World Bank and the International Financial Corporation to investigate regulations that enhance and constrain business activity.

Based on business investors' sentiments gathered from each country, the qualitative survey measures 10 stages in a business lifecycle – starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency".

Report from Indonesia

Slowing FDI a short term risk but mid-term prospects good

In recent months the Indonesian economy has taken a beating because of the combined effects of weak overseas demand and fears that the US stimulus plans would be reigned in.

The net result of these two factors has been to drive down the value of the rupiah, currently down around 16% against the dollar since the first quarter, and to undermine the flow of external funds making it difficult for the country to finance its current account deficit which was close to 4.5% at the end of the second quarter.

In a press release the Indonesian Investment Board said that inward investment, while increasing month on month, the pace of flows had slowed.

For the full press release see:

<http://www.bkpm.go.id/img/file/Press%20Release%20TW%20II%202013%20-%20WARTAWAN%20-%20FINAL%20-%20en.pdf>

In the third quarter inflows were over 65 trillion rupiah (approx. US\$5.7 billion), up 18 percent from the same period last year but down slightly on the near 19 percent rise in inward investment in the second quarter.

The investment board blamed slower than expected global economic recovery for the slower pace.

The slower investment growth was blamed on a change of sentiment and the withdrawal of funds from Indonesia and other Asian economies as the US prepares the markets for a tapering of its stimulus programme.

However, while the FDI flow is of concern some analysts are confident the Indonesian economy will rebound and that annual GDP growth will return to 7-8 in the medium term.

In the second quarter, Indonesia's GDP grew 5.8 percent year on year and the central bank expects 2013 GDP growth to be between of 5.8-6.2 percent.

Private sector initiatives on plantations applauded

The Indonesian Ambassador to Washington, Dino Patti Djalal, has been highlighting government progress in working with industry and environmental groups to protect forests and halt its destruction.

At a meeting with various groups in the US he specifically mentioned the efforts of Asia Pulp and Paper to switch its raw material base from natural forest resources to plantation resources.

The Ambassador said he was convinced the industries in Indonesia want to change and that the government should be ready to step in and assist them when necessary.

ASMINDO targets US\$3 billion exports

Indonesian wood products are in demand globally says the Association of Indonesian Furniture and Handicraft Industry (Asmindo). This sector in Indonesia comprises many small and medium sized enterprises some of which produce only wood carving.

The head of the Marketing and Promotion Division of Asmindo, Widayati Soetrisno, said his sector will target the middle income groups in the international market and will begin its marketing activities at the upcoming Trade Expo Indonesia.

Asmindo data show that total exports of association members reached US\$1.7 billion last year and that Asmindo is still chasing its US\$3 billion target.

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 Sawwood 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

Strengthened rupee brings Indian buyers back to the log market

Log shipments picked up at the end of September according to Myanmar Timber Enterprise (MTE) officials.

Analysts point out that this was mainly due to Indian buyers returning to the market as the Indian rupee has recovered some of the losses against the US dollar thus making US dollars purchases cheaper.

The Indian rupee is now around about 61.5 to the US dollar but around twelve months ago it was as strong as 53 to the dollar which drove Indian purchases of logs higher. Importers in Indian are obviously hoping the exchange rate stabilises.

Singapore a major investor

Two Singaporean companies have signalled their intention to invest in Myanmar's wood-based manufacturing and construction sectors through a joint venture with Myanmar counterparts.

The two Singaporean companies, Wood Craft International and Uni-Global Power, will link up with Myanmar companies Global Star and Nature Link to produce finished wood products and to invest in hotels, apartments, offices and a city mart.

Businesses in Singapore, with the strong support of the Singaporean government, are increasing investment in Myanmar at a time when the country is in need of capital, technology and human resources to implement its economic reform process for development.

According to Myanmar official statistics Singapore's investment in Myanmar amounted to US\$2.358 billion as of July 2013.

Singaporean figures show that in 2012 bilateral trade between Myanmar and Singapore reached US\$2.7 billion of which Myanmar's exports to Singapore amounted to US\$283million.

October teak log tender results

The following shows the grade, quantity and prices for teak logs during the 25 and 28 October tender conducted by the MTE.

Teak tender prices

Grade	Quantity (Tons)	US\$ per hoppus ton
4th Quality	11	6401
SG-1	16	4850
SG-2	78	3409
SG-4	201	3051
SG-5	70	2450
SG-6	119	2164
SG-7	139	1790

Hoppus ton=1.8m³; All grades, except SG-3/5/6, are length 8' x girth 5' & up. SG-3/4/6 are girth 4' & up. SG-3 grade is higher than SG-4 but with lower girth and price. Prices vary due to quality and/or girth at the time of the transaction.

Successful bidders in the October sealed tender for lower grades of teak were from Thailand, India, and Myanmar. Thailand purchased 257 tons, India purchased 66 tons and domestic mills purchased 37 tons. It will be seen that prices have picked up compared to levels last month.

Successful bidders in the tender sales for higher grade natural forest teak logs were from Singapore, Japan and Hong Kong. Singapore purchased 238 tons; Japan 38 tons and Hong Kong 37 tons.

Prices for the better grades were also higher than the previous month's tender and sealed tender sales.

Report from India

Improved economic news lifts business sentiment

External trade data for September was in line with expectations. Exports jumped 11.15% in US dollar terms to US\$27.7 billion, the third consecutive month of double digit growth.

Imports, on the other hand, fell sharply by just over 18% to US\$34.44 billion, easing the worrying current account deficit level which shrank to a two and a half year low of US\$6.7 billion.

Given the improved economic performance, business sentiment improved and the Indian stock market reported gains. Much of the support for improved sentiment came from the steady appreciation of the rupee which has been getting stronger, falling to Rs.61.20 to the US dollar during the last week of October.

Investment in rubber plantations to create jobs

The central government has decided to increase the area of rubber plantations in the North East of India to create jobs for the many unemployed youth in the area.

The planned expansion of rubber plantations will generate many positive spin-off such as improving the economy of the area, expanding the 'green cover', supplying much needed raw material for the rubber and rubberwood industries and creating social stability.

A similar measure taken earlier in Tripura, one of the nine Maoist insurgent affected states has proved effective so the approach is being replicated in other states such as Jharkhand, Chhatisgarh, Odisha, parts of Maharashtra and Madhya Pradesh. The Rubber Board plans to establish an additional 50,000 hectare plantations in these states.

Civil society groups will help implement these plans for economic development of the poorer parts of the country through providing job opportunities in the rubber and rubberwood industries.

According to the Rubber Board plan the total area under rubber cultivation will be increased 986,000 ha. The North Eastern states of Assam, Tripura, Meghalaya, Manipur, Mizoram and Nagaland already have extensive rubber plantations area (approx. 400,000 ha) and growing conditions here are similar to those in Kerala which has around 550,000 ha. under cultivation.

Presently the North East has 113,685 ha. of rubber plantations under cultivation.

Regulations changed to encourage planting of high value woods

The governments of states where sandalwood and agarwood grow are becoming concerned about resource depletion and are formulating policies to encourage planting of these valuable timbers.

Some of the legal constraints to private planting and harvesting have been removed and the National Medicinal Plants Board is offering farmers a 75% subsidy of planting costs.

Because of this initiative forest village committees have been formed to revive and protect these valuable species. Industries using these woods are entering into agreements with farmers to assist them in growing the trees and offering to purchase the trees when mature.

After Independence there was a massive expansion of tree plantations and large areas were cleared such that the stock of medicinal plants was at risk so the current project has been welcomed in many quarters.

Because sandalwood and agarwood are so valuable smuggling for export to other Asian and also Middle eastern markets resulted in these woods being placed on the CITES list of endangered species.

During the 1950s A grade sandalwood, which was available at Rs. 6,000 per Kg from government depots jumped in price to as much as Rs.10,000 per kg during auctions

Today, good quality of Agarwood of 'sinking variety' known as Oud-al-Gharqui, has become so rare that prices near to or above Rs.50,000 per kg . have to be paid.

The encouragement of private planting of these two timbers, along with a change in the regulations to allow owners to harvest the trees, has become an attractive proposition.

Agarwood planting has found favour with tea, coffee, and cardamom plantation owners who see this tree as a highly valuable shade tree to replace species such as Grevillea and Pongamia.

Agarwood will yield a much better return than those ordinary wood species. It has also found favour with areca nut and coconut farmers who can interplant with the existing tree crops.

Currently the areas under these two species are increasing. Agarwood, which was confined to N.E. Region only, is now being planted in southern states of Karnataka and Andhra Pradesh. Planting of sandalwood, which was mostly confined to the southern states, has spread to Madhya Pradesh and Chhatisgarh.

Prices for imported plantation teak

Plantation teak shipments continue to arrive and as some specifications have changed there have been some price adjustments.

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	400-750
PNG logs	400-575
El-Salvador logs	350-650
Guatemala logs	260-550
Nigeria squares	300-450
Ghana logs	280-650
Guyana logs	300-450
Benin logs	325-650
Benin sawn	400-800
Brazil squares	350-680
Colombia logs	350-750
Togo logs	350-525
Ecuador squares	300-540
Costa Rica logs	350-700
Panama logs	320-550
Sudan logs	370-700
Congo logs	450-550
Kenya logs	420-600
Thailand logs	350-700
Trinidad and Tobago logs	400-550
Uganda logs	700-800
Uganda Teak sawn	350-460
Laos logs	300-450
Malaysian Teak logs	150-450
Nicaragua Teak logs	330-535
Liberia Teak logs	350-460

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 ft3
Merbau	1600-1650
Balau	1800-1900
Kapur	1200-1250
Red Meranti	900-950
Radiata Pine (AD)	
Whitewood	600-650
	600-650

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 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

Prices for WBP Marine grade plywood from domestic mills

Plywood, Ex-warehouse, (MR Quality)	Rs. per sq.ft
4 mm	35.50
6 mm	47.00
12 mm	74.00
15 mm	98.00
18 mm	103.00

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.34.50
9mm	Rs.34.50	Rs.42.00
12mm	Rs.41.00	Rs.51.00
15mm	Rs.50.40	RS.62.70
19mm	RS.58.00	Rs707.50
5mm Flexible ply	Rs.36.00	

Report from Brazil

Overview of trends in the economy

Brazil's Consumer Price Index (IPCA) closed at 0.35% in September, up on levels during August (0.24%). In September last year the IPCA reached 0.57%.

The high September number has pushed the accumulated rate for the first three quarters to 3.79% so it would seem that the government's target of 5.86% is within reach.

The average real:US dollar exchange rate in September was BRL 2.27 compared to BRL 2.03 in September last year illustrating the level of depreciation of the Brazilian currency against the US dollar.

The Central Bank has increased the interest base rate from 9% to 9.5% per year marking the fifth consecutive increase in the Selic rate since April.

Mato Grosso forests integrated into national forest inventory

The Brazilian Forest Service (SFB) presented new data on Brazil's forest resources at a meeting held in Cuiabá, Mato Grosso state in mid-October 2013. SFB reported on the quality and standing volumes in the state forests as determined during the National Forest Inventory (Inventário Florestal Nacional - IFN).

The purpose of the recent meeting was to provide transparency on the resource base and explain what was being planned for the state of Mato Grosso. For the first time the IFN delivered information on the extent of the forest resources, diversity of species, plant health and the amount of forest biomass across the country.

To conduct the inventory in the Northwest region of the state the SFB was supported by the Amazon Fund as the work will focus on stemming deforestation. Funding of work in the Brazilian savanna "cerrado" areas, will be provided from the Forest Investment Program (FIP).

IFN field work has been completed in Santa Catarina and data is now being analysed in the Federal District. Work in Rio Grande do Sul, Paraná, Rio de Janeiro, Bahia, Sergipe, Ceará and Rio Grande do Norte are at various stages of planning and implementation of this initiative.

Illegal logging expands in Pará State

The incidence of illegal logging in the State of Pará is said to have more than doubled between August 2011 and July 2012. Of the total 157,239 ha of forests logged, only 34,902 ha were covered by logging permits; in other words some 78% of the areas logged were not covered by permits.

Claims have been made that illegal logging has expanded in the regions of Marajó and the lower Amazon River. Illegal activities were also reported in agrarian reform settlements and protected areas such as the National Forest (FLONA) Itaituba II, Trairão and Jamaxin.

The forest area covered by logging permits increased 8% in the areas mentioned above but harvested volumes were disproportionate to the increase in concession areas. It is suspected that logging permits may have been misused by illegal loggers who take advantage of the permit that was granted for one area to conduct logging in an authorised area.

Forest patrols have not been effective because when inspectors leave the forest loggers return to continue harvesting illegally.

To manage this situation the Pará state government is considering placing chips in the trees in areas where harvesting permits have been approved to facilitate checking the legality of harvests.

Tropical plywood exports down sharply

In September 2013, timber products export values (excl. pulp and paper) increased 9.5% compared to values in September 2012, from US\$178.7 million to US\$195.7 million.

Pine sawnwood exports increased 11.9% in value in September 2013 compared to September 2012, from US\$13.4 million to US\$15.0 million. Export volumes rose 5.4%, from 61,400 cu.m to 64,700 cu.m over the same period.

Tropical sawnwood exports fell marginally in volume from 28,400 cu.m in September 2012 to 28,300 cu.m in September 2013. In terms of value earnings increased 1.4% from US\$14.6 million to US\$14.8 million in September.

Pine plywood exports improved 3.9% in value in September compared to September last year that is from US\$28.3 million to US\$29.4 million. The traded volume increased 6.8% from 76,500 cu.m to 81,700 cu.m. in September.

During September tropical plywood export volumes fell 38%, from 5,500 cu.m last year to 3,400 cu.m in September this year.

Wooden furniture exports increased from US\$37.2 million in September 2012 to US\$40.2 million this September 2013 representing an 8% increase.

Timber exports in the first three quarters disappoint

Wood product exports in the period January to September totaled US\$1.6 billion derived from around 1.9 million cu.m of timber. Compared to 2012, there was a 1.9% increase in revenue and a 4.6% increase in exported volume.

Timber exports in the same period from Mato Grosso, one of the largest timber producing states, totalled US\$77.1 million, representing a 5.8% increase in volume exported and a 0.7% increase in value.

Plywood and flooring exports featured significantly in Mato Grosso's wood products trade, accounting for 47% of total exports and generated US\$36.8 million.

Compared to 2012, there was an almost 4% increase in export volumes (25,084 cu.m), but export earnings remained unchanged from a year ago at US\$34 million.

Brazil's exports of plywood and flooring were worth US\$696 million in the first three quarters of the year and the state of Mato Grosso accounted for around 13% of this.

During the first half of 2013 Brazilian timber exports fell 4.5% in value compared to the same period in 2012 despite a 6.8% increase in exported volumes.

Bento Gonçalves furniture enterprises making a huge contribution to state revenues

In 2012, the furniture sector in Bento Gonçalves accounts for around 4% of formal employment in whole industry provided work for more than 8,000 according to the Center of Industry, Trade and Services (CIC /BG).

The furniture industry in Bento Gonçalves accounts for 12% of all companies in the state of Rio Grande do Sul (2,470) and 2% in terms of the whole country (17,500).

According to Association of Furniture Industries of Bento Gonçalves (Sindimóveis) the furniture industry in Bento Gonçalves provides around 37% of state revenues which is equivalent to 6% for the country (US\$ 37.9 billion),

In terms of exports, Bento Gonçalves exported US\$ 63 million in 2012, corresponding to 31% of exports of Rio Grande do Sul and 9% of Brazil's exports.

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

Price movements

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

Domestic Log Prices

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

Export Sawnwood Prices

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

Domestic Sawnwood Prices

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

Export Veneer Prices

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

Domestic Veneer Prices

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

Woodbased panel imports reach US\$ 78 million

In first eight months of 2013 imports of particleboard were valued at US\$56.2 mil. while imports of MDF totalled US\$22.1 million.

The main supplier of panels was Ecuador, with shipments valued at US\$ 24.4 million and a market share of 43.5% for imported particleboard. The second largest supplier was Chile at US\$23 million (40.9% market share) followed by Spain US\$4.6 million (8.2% share) and Portugal US\$3 million (5.4% share).

In the first eight months the main importer was Novopan Peru with purchases worth US\$22.1 million and a share of 39.3 % of all imported particleboard followed by Arauco Peru (21.5%), Masisa Peru (19.4%) and Representative Martin (9.4%).

For MDF, the main supplier was Chile (US\$14.7 mil., 66 % share of total imports) followed by Turkey, (US\$2.6 mil. 11.8% share), Uruguay, (US\$1.8 mil. 8.2% share) and Ecuador which supplied US\$1.1 mil. for a 4.9% share of total imports of MDF.

Regulations in support of Forestry and Wildlife law discussed

The Minister of Agriculture and Irrigation (Minagri) Milton Von Hesse, presented details of the Forest and Wildlife Act No. 29763 to civil society groups which have until February next year to lodge recommendations and observations.

After the February 2014 deadline consultations will be held with indigenous communities as part of the participatory process.

Already, national participatory thematic working groups (16) have been formed to facilitate dialogue at the regional level and to solicit contributions from other ministries such as the Ministry of Agriculture and Irrigation, Ministry of Environment, Ministry of Foreign Trade and Tourism, Ministry of Culture, Ministry of Production, the Agency for Supervision of Forest Resources and Wildlife and regional governments.

The Ministry of Agriculture has indicated that this regulation is complementary to other management tools that it has developed to strengthen the sector, such as the approval of the National Forestry and Wildlife law, the approval of the Rules of Organization and Functions of the National forestry and Wildlife service which will be the new authority responsible for the stewardship of forestry and wildlife.

In addition, there will be the National Forest Inventory with advice from the United Nations Organization for Food and Agriculture (FAO) and financial support from the Government of Finland.

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
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

Mora log exports resume

For the first time in a month or more mora logs were exported but there were no exports of either greenheart or purpleheart logs.

All the mora log categories attracted favourable prices ranging from US\$120 to US\$160 per cubic metre.

Wamara (*Swartzia leiocalycina*) logs continue to make an impact in the market attracting prices of US\$140 per cubic metre. The main destination for Guyana's logs was the Asian market.

FOB prices soften in dull market conditions

Sawnwood made a positive contribution to total export earnings during the period reviewed and both undressed and dress lumber was traded.

Undressed sawn greenheart (select) top end prices fell from US\$1,166 to US\$1,060 per cubic metre FOB. Similarly, FOB prices for Undressed sawn greenheart (merchantable) also declined at the top end price from US\$954 to US\$679 per cubic metre.

Undressed greenheart attracted buyers in the Caribbean, Europe and North America.

Undressed sawn purpleheart select category was traded at prices of US\$1,279 per cubic metre FOB and the Caribbean was the main market for this category.

Undressed sawn mora prices were good in the export market. Select category sawn mora earned US\$785 per cubic metre FOB, sound category fetched a price of US\$700 per cubic metre, while merchantable quality prices held firm at US\$ 500 per cubic metre FOB. The major market for this timber was Europe.

Dressed sawnwood export prices were just satisfactory. Dressed greenheart top end prices fell from US\$1,333 to US\$1,272 per cubic metre FOB. On the other hand, Dressed purpleheart FOB prices increased from US\$1,102 to US\$1,290 per cubic metre.

There was no export of Baromalli plywood during the period reviewed.

Exports of roundwood (piles, poles, and posts) made a notable contribution to total export earnings. Greenheart piles secured top end FOB prices of US\$600 per cubic metre in the European and North American markets.

Wallaba poles also earned favourable FOB prices as much as US\$824 per cubic metre having secured a good foothold in the Caribbean market. Wallaba Posts attracted positive market prices of US\$667 per cubic metre FOB.

Domestic market opportunities attracts exporter

A local company, HADCO Farm and Sawmill Inc., has decided to target the domestic market after its success with exports of doors, spindles, pedestals, windows, floorboards, decorative mouldings, cabinets, doors, kitchen cabinets, bedroom closets and dining room suites.

HADCO did well in the Caribbean, especially in Barbados and Jamaica but is now keen to break into the local market which has good growth potential.

HADCO's processing plant has one of the country's largest kiln drying facilities and is thus well equipped to expand downstream production of added value products.

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	150-160	140	120-130

*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 Plywood Prices

Plywood, FOB Georgetown Port			\$ Avg unit val. per m ³
Baromalli	BB/CC	5.5mm	No export
		12mm	No export
Utility		5.5mm	No export
		12mm	No export

Export Sawwood Prices

Sawnwood, FOB Georgetown		\$ Avg unit val. per m ³	
EU and US markets		-Undressed	Dressed
Greenheart	Prime	-	-
	Standard	-	650-1,272
	Select	800-,1060	
	Sound	No export	
	Merchantable	636-679	
Purpleheart	Prime	-	-
	Standard	-	1,018-1,290
	Select	678-1,279	
	Sound	-	
	Merchantable	650	
Mora	Prime	-	
	Select	595-785	
	Sound	700	
	Merchantable	500	

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



Report from Japan

Weak exports growth a drag on business sentiment

In a press release Japan's Cabinet office says the indications are that the economy is on the way to recovery at a moderate pace despite the short term weakness in exports.

See: <http://www5.cao.go.jp/keizai3/getsurei-e/2013oct.html>

In summary the Cabinet Office statement says:

- Exports are almost flat.
- Industrial production is increasing but only at a moderate pace.
- Corporate profits are improving, mainly among large firms.
- Business investment shows signs of picking up, mainly among non-manufacturing industries.
- Business sentiment is improving.
- The employment situation is improving.
- The trend in private consumption up.

Regarding short-term prospects the Cabinet Office says, "the recovery is expected to take hold as household income and business investment continue to be on an upward trend while exports pick up and the effects of the policies develop. However, the slowing of overseas economies is still a downside risk for the Japanese economy.

September data, while showing an improvement in exports over levels in August year on year exports weakened because Japan's exports to all major market slowed. This was most notable in the Asian markets where the pace of growth has faltered.

Exports to Asia increased 8% year on year, down from a 14% improvement in August however, shipments to China increased. The pace of export growth to both the US and EU eased in September.

Regional growth prospects positive but variable

The Bank of Japan (BoJ) produces a regional economic report summarising data from the Bank's regional research divisions and the October 2013 report is now available at: <http://www.boj.or.jp/en/research/brp/rer/rer131021.htm/>

In a press release the BoJ says "Compared with the last assessment in July 2013, all regions reported upward revisions to their economic assessments from the previous report, with some improvement observed in the employment and income situation, amid firm domestic demand and a moderate increase in production.

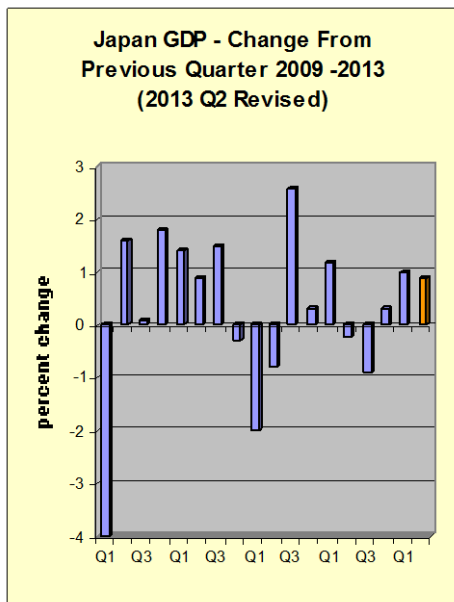
Eight regions (Hokkaido, Tohoku, Kanto-Koshinetsu, Tokai, Kinki, Chugoku, Shikoku, and Kyushu-Okinawa) noted that the economy had been recovering or recovering moderately; the Hokuriku region reported that the economy had been picking up steadily".

Sustained GDP growth is key to decisions on additional 2015 tax increase

The consumption tax in Japan will be raised from 5% to 8% in April 2014 and this is expected to impact growth and consumer spending. The government plans a further increase in the consumption to in October 2015 taking the rate to 10%.

In a recent statement Japan's Finance Minister said the performance of the economy as measured through GDP growth will be the deciding factor on whether or not the government will go ahead with the second consumption

tax hike adding that it will take some time for the Japanese economy to escape deflation.



While the indications are that the economy is heading towards a sustained growth track much more needs to be done. Specifically, analysts are waiting for the government to spell out its plan for reforming the economy.

Much needs to be done as Japan's labour productivity only three quarters of that in the US and is in the same rank as that of Italy. In addition the burden of inefficient and highly costly health care and the massive agricultural subsidies are a drag on growth.

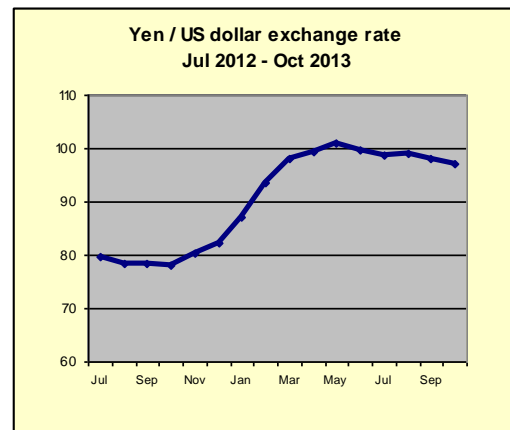
If the TPP talks succeed then there is a chance for reform but the agricultural sector will be hard hit. Already the government has announced changes to the support provided to rice farmers and under the TPP the US\$ 50 billion subsidy package for farmers will have to be adjusted.

Yen stability vital for exporters

Because of the debacle in the US the yen suddenly and once more became a 'safe haven' currency for worried traders and this resulted in a strengthening of the yen against major currency especially the US dollar.

Fortunately for businesses in Japan the yen has stabilized back at the 97/98 to the dollar level targeted by the Bank of Japan.

One of the greatest problems resulting from the weaker yen is the rising trade deficit which is being pushed higher mainly because the country needs to import fuel for power generation as nuclear plants in the country are shut down.

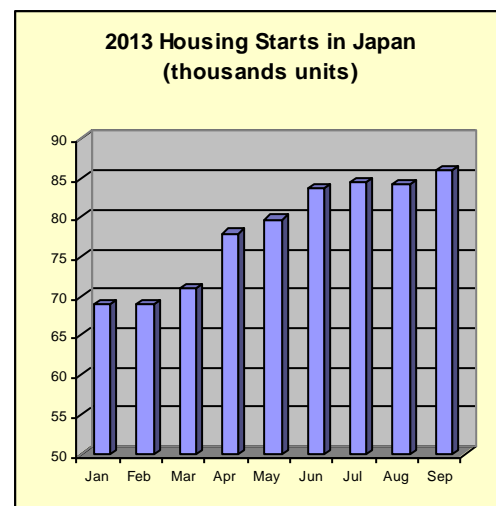


Housing starts may slow in 2014

The September rise in housing starts was not a great surprise after the slight dip in starts in August. August is the holiday month in Japan and almost all construction companies close for around ten days.

The strong demand for new homes which began in April this year has put pressure on wood product suppliers in the country who have very firm order book positions.

Analysts suggest that the pace of growth in starts will slow in 2014 as there has been a catch up phase after the 2011 disaster and that enthusiasm for beating the consumption tax increase which is applied to home purchases will fade.



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

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>

Ranking of wood based house builders in 2012

Sumitomo Forestry became the top builders of wood based units in 2012 with 9,253 after it developed new models such as big frame construction and three stories unit. Tama Home was the top builder in 2011 but its result in 2012 was forth with 7,981 units, which is about 20% down from 2011.

The second behind Sumitomo Forestry was Misawa Home with 8,622 units, 3.8% more than 2011.

Top ten builders had generally gained over 2011 but degree of increase was mild. They had larger plan in expectation of reconstruction demand in earthquake damaged areas in the North East and of marketing unit with solar power generation as standard model but because of shortage of workers, growth was not as large as the builders initially planned.

In 2012, builders which put up units built for sale made larger progress. Prices of property stayed rather low and rush demand before consumption tax hike are reasons of growth.

Foreign countries protest wood use point system introduced by Japan

The Forestry Agency will respond to WTO on the protest made by five foreign countries for the Wood Use Point system the government is promoting. Foreign countries think that the system conflicts with WTO's rule of equal treatment by giving priority to domestic wood and excluding foreign products.

At the WTO's meeting in July, Canada and EU made protest and the U.S.A, New Zealand and Malaysia supported the protest.

The Forestry Agency insists that regardless of species the committee by well informed people makes proper judgment based on information by certificate of origin, growth of resources and spill-over effect to local economy.

Wood Use Point system is to give gift certificate if locally produced wood is used for housing or wood products. The certificate can be traded to locally produced agricultural or marine products.

Point is given to the wood used may become a subject of conflict but wood products in subject are not all locally produced wood but over 50% in volume. Initial idea is to maintain and preserve forest resources, to prevent from global warming trend and to vitalize local economy.

The Minister of Natural Resources Ministry of British Columbia, Canada visited Tokyo recently and made speech, mentioning Wood Use Point system, which has been concerned matter for wood products exporting countries.

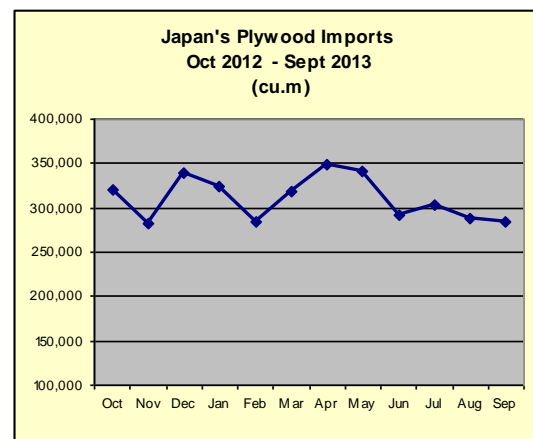
The Minister said that it is understandable that the measure is to stimulate economy but access has to be opened for foreign countries and be fair to treat imported wood products.

British provincial government together with federal government will request Japan that Canadian wood products should be subject of the Wood Use Point system to

recognize Canada's timber management based on sustained yield policy.

August plywood supply

Total supply in August was 515,600 cbms, 5.1% more than the same month a year ago and 7.8% less than July. About 44 M cbms less than July. In particular, plywood import from Malaysia was the lowest this year. Also domestic supply decreased due to summer vacation season.



Source JLR

Imported plywood volume in August was 285,600 cbms, 2.3% less than August last year and 8.6% less than July. Malaysian volume was 109,900 cbms, 17.9% less and 15.6% less. This is forth straight month decline. Indonesian volume was 91,300 cbms, 15.6% more and 4.0% less.

Price gap between suppliers' prices and market prices in Japan widened since last May on 12mm panels like concrete forming so that contract volume has been dropping. September arrivals would increase to about 300 m cbms due to ships' rotation then October arrivals would decline again.

Increasing generation wood biomass power

The Forestry Agency disclosed that there are about 60 biomass generation projects in planning stage now.

The Agency for Natural Resources and Energy approved 18 biomass generation facilities based on FIT system as of end on May. The Forestry Agency says there will be more facilities not only of power generation but also of heat supply from now on.

Planned wood biomass power generation facilities, which use subsidy, are about 40. Total power output by those

facilities is about 350,000 KW. Ones without any subsidy are about 20 facilities, which generate about 200,000 KW. Also there are about 30 existing facilities with output of 1,200,000 KW, which shift to FIT system

Plywood market news

Domestic softwood plywood manufacturers have been running in full since last spring to satisfy robust demand by house builders and precutting plants so that the inventories remain in low level.

This pattern seems to continue for some time. Normal wholesale channels are also moving stably but because of sales push by trading firms and wholesalers to have certain amount of sales for book closing in September, sellers suffer some loss but gradually the prices are getting close to the manufacturers' proposed prices.

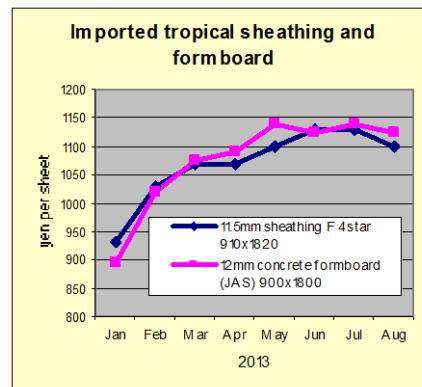
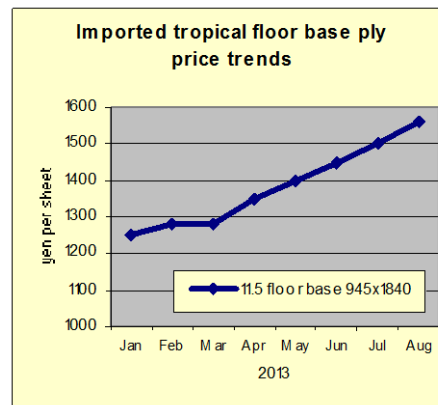
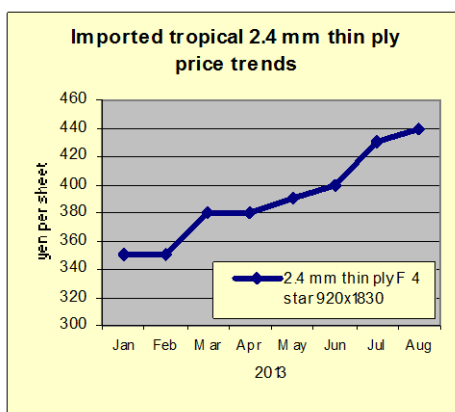
In the Tokyo market, 12 mm 3x6 plywood (special type/F 4 star) prices are 960 yen per sheet delivered, 10 yen up from September; 1,900-1,920 yen on thick 24 mm panel, 20 yen up and long 9 mm 3x10 is flat at 1,400 yen.

Imported South Sea hardwood plywood market is gradually recovering from the slump. Log shortage in Malaysia and sudden change of exchange rate in early this year caused speculative purchases for futures but the demand did not grow as much as expected so that the inventories swelled up by last summer.

The importers and wholesalers dumped some in late September but such moves are now gone and the prices are firming back up to early September level.

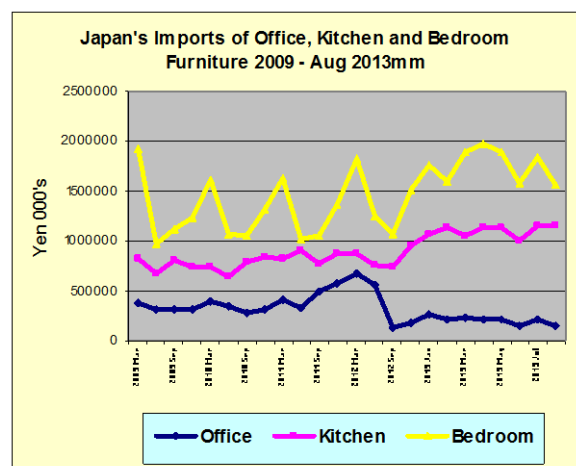
In the Tokyo market, prices of JAS 3x6 concrete forming panel prices are 1,120-1,130 yen per sheet delivered, 20-30 yen up from September. 1,220-1,240 yen on 3x6 concrete forming for coating, 10 yen up. 12 mm structural panel prices are 1,130-1,140 yen, unchanged from September. Malaysian offer prices on JAS 3x6 concrete forming panel are slightly down from September at about \$520 per cbm C&F.

Price trends for imported Indonesian and Malaysian plywood



August 2013 furniture imports

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



Source: Ministry of Finance, Japan

Office furniture imports (HS 9403.30)

In August 2013 Japan's imports of office furniture fell around 30% from levels in July. The top four suppliers in August were China, Poland, Portugal and Germany which replaced Malaysia in the top four.

August imports of office furniture totaled yen 145 million down sharply on levels in July with around 50% being provided by exporters in Asia.

China's August office furniture exports to Japan at yen 48 mil. were down sharply (-32%) on levels in July. While Japan's imports of office furniture from Malaysia remained steady, Indonesia's exports were only half the level in July. Imports from Germany increased in August but Poland and Italy saw their share of imports fall.

Office furniture imports (HS 9403.30)

	Imports Aug-13 Unit 1,000 Yen
S. Korea	5989
China	48040
Taiwan P.o.C	8550
Vietnam	-
Thailand	1953
Malaysia	1058
Philippines	1004
Indonesia	6912
Sweden	316
Denmark	3681
UK	-
Belgium	-
France	-
Germany	11976
Switzerland	-
Portugal	12513
Spain	310
Italy	7820
Poland	23698
Austria	-
Lithuania	4468
Czech Rep.	-
Slovakia	4348
Canada	-
USA	2186
Mexico	-
Australia	-
Total	144822

Source: Ministry of Finance, Japan

Kitchen furniture imports (HS 9403.40)

As was the case in July, Asian suppliers provided over 90% of all kitchen furniture imports by Japan according to figures from Japan's Ministry of Finance. August kitchen furniture imports, at yen 1,151 mil. were unchanged from levels in July.

The top supplier in August was Vietnam, by a huge margin. The Philippines lost its second place rank to and Indonesia in August. The top three suppliers account for over 65% of all kitchen furniture imports.

If imports of kitchen furniture from China are added to the amount from the top three suppliers then some 80% of all kitchen furniture imports are accounted for.

Imports from countries outside of Asia remain small and once again imports from Germany fell while imports from Italy increased.

Kitchen furniture imports (HS 9403.40)

	Imports Aug-13 Unit 1,000 Yen
S. Korea	-
China	153307
Taiwan P.o.C	1136
Vietnam	418373
Thailand	20302
Malaysia	32334
Philippines	166195
Indonesia	224984
Iran	-
Sweden	-
Denmark	1556
UK	249
Belgium	-
France	702
Germany	71343
Switzerland	-
Spain	-
Italy	14676
Austria	2524
Romania	-
Lithuania	5451
Canada	3353
USA	34129
Argentina	-
Total	1150614

Source: Ministry of Finance, Japan

Bedroom furniture (HS 9403.50)

Japan's imports of bedroom furniture dipped to yen 1,560 mil. in August down on the yen 1,835 mil. in July but not too much should be read into this change a monthly imports of bedroom furniture swing from peaks to dips.

In August the biggest loser was China whose exports fell around 20% from yen 1,033 in July to only yen 853 mil. in August. Imports from Vietnam, Indonesia and Thailand also fell.

China's August exports of bedroom furniture to Japan accounted for 55% of Japan's total imports of bedroom furniture. Asian suppliers once more provided over 9% of Japan's August imports of bedroom furniture.

The largest non-Asian supplier in August was Italy very closely followed by Poland. EU suppliers accounted for only a small part of Japan's August imports of bedroom furniture.

Bedroom furniture (HS 9403.50)

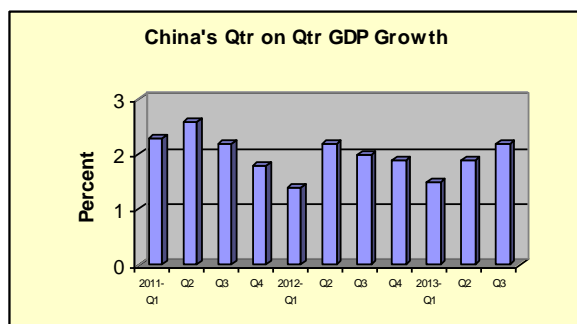
Imports	
Aug-13	
Unit 1,000 Yen	
S. Korea	545
China	852959
Taiwan P.o.C	15151
Hong Kong	-
Vietnam	345660
Thailand	58776
Singapore	-
Malaysia	140147
Philippines	-
Indonesia	27842
India	796
Sweden	4702
Denmark	5212
UK	-
Belgium	-
France	497
Germany	226
Switzerland	-
Spain	-
Italy	33300
Finland	5609
Poland	32374
Austria	479
Romania	4121
Turkey	-
Lithuania	1639
Croatia	-
Bosnia	2901
Slovakia	1916
USA	25057
Mexico	-
Total	1559909

Source: Ministry of Finance, Japan

Report from China

Three quarters of solid growth

In the first three quarters of 2013 the economy realised steady growth. According to preliminary estimates, GDP in the first three quarters of this year was up 7.7% . Specifically, year-on-year growth was 7.7% for the first quarter, 7.5 percent for the second quarter and 7.8% for the third quarter.



The value added in the primary industries was up by 3.4%; that of secondary industries by 7.8% and that of tertiary industries by 8.4%. GDP in the third quarter of this year increased by 2.2 percent on a quarterly basis.

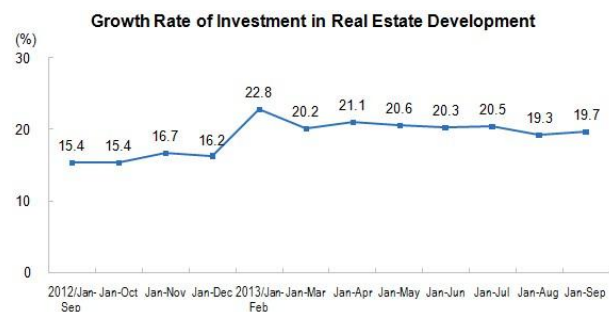
The highlights of growth in the first nine months of the year are:

- Agricultural production expanded and the autumn grain harvest is expected to be good.
- Industrial Production grew steadily and enterprise profits increased
- Investment in fixed assets expanded while growth of Investment in real estate slowed
- Retail sales maintained steady growth and growth was faster in rural areas
- Export growth slipped while imports increased slightly
- Consumer prices were generally stable
- Both urban and rural income continued to rise

Investment surges ahead despite easing in third quarter

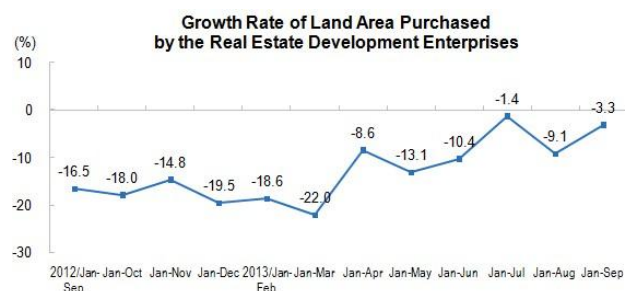
In the first three quarters of the year investment in fixed assets (excluding rural households) grew by 20.2%, slightly down on figures for the first half.

Investment in primary industries was up by 31% percent year-on-year; that in secondary industries was up by 17.1% while investment in tertiary industry was up by 22.3%.



Source: National Bureau of Statistics, China

In the first nine months the land area purchased by real estate developers was 251.67 million square metres, a year-on-year decline of 3.3% however, the total value of land sale transactions increased 14.6%.



Source: National Bureau of Statistics, China

Exports fall, imports rise

The total trade value in the first three quarters registered a growth of 7.7% year-on-year, down slightly on the first half. The value of exports was US\$1614.9 billion, up 8.0%, on the other hand imports were US\$1,445.5 billion, up by 7.3%.

The trade surplus for the first three quarters was US\$169.4 billion.

Rural incomes a long way to go to close the gap

In the first three quarters, annual per capita total income of urban households was RMB22,068 and disposable income expanded by 9.5%.

The per capita income of rural households in the same period was RMB7,627, up by 12.5 percent year-on-year.

Wood chips imports rise sharply

China's paper mills are expanding rapidly and due to the high prices of domestic wood chips imports are rising. The value of China's wood chips imports in 2012 was US\$1.3 billion and Vietnam was and still is the largest wood chips supplier to China accounting for more than half of total imports followed by Indonesia, Thailand and Australia.

It is forecast that the value of China's wood chips imports in 2013 will be US\$1.5 billion.

Log imports up 11% in first half

China's log imports in the first half of the year were 25 million cubic metres, valued at US\$5 billion, a rise of 11% from the same period in 2012.

In addition, according to the Eurostat data, in the first half of 2013 the value of China's logs imports from European countries reached euros107 million, three times more than in the same in 2012.

According to estimates from the State Forest Administration demand for logs and sawnwood in China will continue to grow and that the country will need to import around half of its annual requirement by 2015.

Manzhouli international timber market nears completion

Around RMB1.3 billion has been invested in the new Manzhouli International Timber Trading Market. Building started in May 2012 and the first stage will be completed by the end of 2013 and ready for business by March next year.

On completion the market will accommodate more than 1000 domestic and foreign merchants and will deal mainly with imported Russian timber.

Manzhouli city has several advantages in terms of international trade and in recent years wood products from the area have been sold to Russia, Mongolia, Japan and South Korea. In addition trade with Denmark, Germany and Canada has expanded.

New composite panel lines come on-stream in Guangxi Zhuang

About 2 million hectares of Eucalyptus plantations are nearing maturity in Guangxi, Guangxi and the veneer and plywood industry is developing fast. As the plywood industry grows so does the volume of wood residues.

To make full use of these resources the Forestry Bureau in Guangxi Zhuang Autonomous Region has worked hard to attract investment in wood based composite panel production.

Since the beginning of 2010 there has been investment in MDF plants and particleboard production.

Four new production lines have come on-stream in the Guangxi Zhuang Autonomous Region with a total rated capacity of more than 700 000 cubic metres.

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 20 cm	3200-4800
Larch	4 m 28 cm 20 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
Spelle	all grades	3200-3700
Plywood		Price yuan/sheet
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
	6m	30 cm	1400
Korean Pine	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

Economy improves but no signs yet of rising tropical hardwood demand

Across the EU, signs are emerging of a gradual improvement in economic conditions and confidence. Fears of a euro currency collapse have receded into the background and the political situation seems more stable in Southern Europe.

GDP growth resumed from the second quarter of 2013 in several European countries, notably the UK and Germany. Construction sector activity has also improved

significantly in the UK and Germany from the start of the summer onwards.

However, there is little sign yet of these positive developments filtering through into the European market for tropical hardwood. After a slow start to the year and subdued buying in summer, the EU market for tropical sawn hardwood has continued weak into the autumn months.

There was a brief increase in orders from European importers during September immediately after the summer lull to replenish depleted stocks. However, general lack of confidence and limited availability of credit meant that very few importers have been willing to speculate and to build stock holdings in anticipation of stronger future demand.

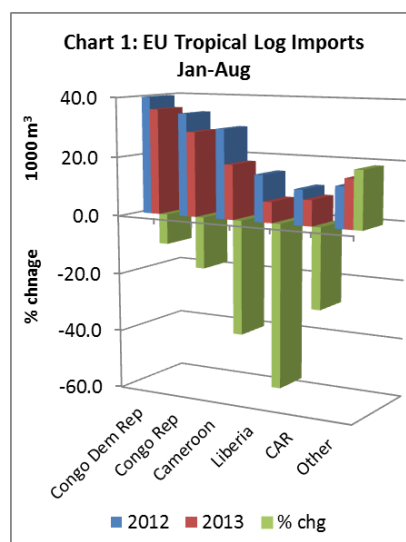
The slow pace of tropical hardwood imports into Europe has been almost universal this year with nearly every EU Member State recording a significant downturn in imports. With consumption so limited for so long, the number of tropical suppliers engaged in the European market has declined. This means that even when demand improves – as it has recently in the case of sawn sapele – supply soon becomes a problem.

In addition to slow consumption and limited supply, imports this year have been hampered by legality concerns following introduction of the EU Timber Regulation (EUTR) in March 2013 and by mounting competition from a range of wood and non-wood substitutes.

EU imports of tropical hardwood logs down 21%

In the first 8 months of 2013, EU imports of tropical hardwood logs were 114,000 m³, down 21% compared to the same period in 2012.

Imports of this commodity into France, the main destination, were down 11% at 62,000 m³. Imports from all the leading supply countries declined, including Congo (Kinshasa), Congo (Brazzaville), Cameroon, Central African Republic, and Liberia (Chart 1).



Source: FII Ltd analysis of eurostat

The decline is due to the combined effects of weak European demand, supply constraints and regulatory uncertainty. Political unrest has restricted log availability from Central African Republic in 2013.

The Liberian government placed a freeze on all logging activities in January this year, including on the exportation of logs from the country.

In May this year, the Forest Stewardship Council (FSC) terminated its relationship with decorative veneer and hardwood timber producer Danzer Group following a complaint from an environmental group. This has further undermined European demand for products manufactured from Congolese logs.

Meanwhile, encouraged by the EUTR, environmental groups have focused heavily on finding discrepancies in the legal documentation for log exports from the Congo basin.

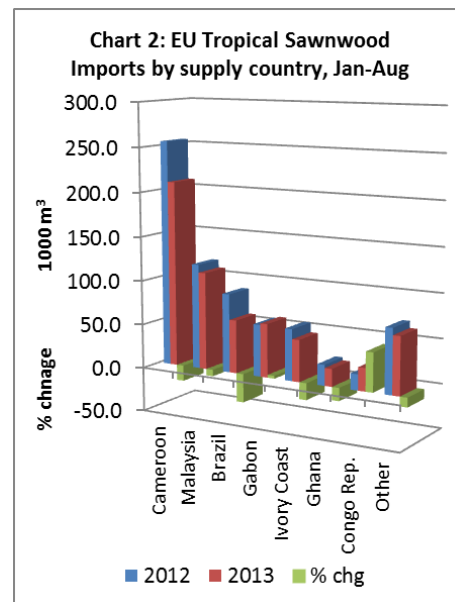
A shipment of Congolese wenge logs is currently being held in custody by the German authorities as they deliberate over alleged irregularities in the certificates of origin filed for the shipment.

The competent Congolese Ministry has intervened to state that the legal documentation is correct. A final decision is now awaited from the German authorities over whether the shipment will be confiscated and a fine imposed. Irrespective of the outcome, the dispute has added to the already high level of uncertainty in the EU tropical hardwood log trade.

Tropical sawn hardwood imports unlikely to exceed 900,000 m3 in 2013

EU imports of tropical sawn hardwood in the first 8 months of 2013 were 597,000 m3, 14% down on the same period in 2012 (Chart 2).

After falling below 1 million m3 for the first time since records began in 2012, it is unlikely that EU imports of sawn tropical hardwood will exceed 900,000 m3 in 2013 and they may be as low 850,000 m3.



Source: FII Ltd analysis of eurostat

EU imports of tropical sawn hardwood during the first eight months of this year fell particularly heavily from Cameroon, at 209,800 m3 down 18% compared to the same period in 2012. Imports also fell sharply from Brazil (down 32% at 60,000 m3) and Ivory Coast (down 19% at 47,000 m3).

After a rapid fall between 2011 and 2012, the pace of decline in imports from Malaysia has slowed slightly this year. Imports of Malaysian sawn hardwood were down 7% at 109,900 m3 during the first 8 months of 2013.

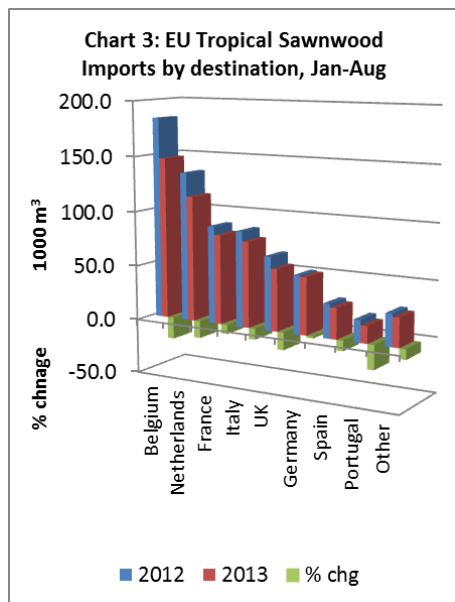
In contrast, both Gabon and the Congo (Brazzaville) recorded rising sales of sawn hardwood in the EU during the first 8 months of this year. EU imports from Gabon increased 3% year-on-year to 60,200 m3, while imports from Congo (Brazzaville) were up 44% year-on-year at 25,700 m3.

Imports of sawn tropical hardwood declined into all the major EU markets during the first 8 months of 2013 (Chart 3).

Imports fell particularly heavily into Belgium (down 20% compared to the same period in 2013), the Netherlands (-16%), and the UK (-16%).

Imports into France and Italy declined sharply in 2012 and have continued to slide in 2013, but at a slower pace. In the first 8 months of 2013, imports were 81,100 m3 into France and 77,800 m3 into Italy, respectively 9% and 10% down on the same period the previous year.

Germany is the only large market where imports have remained relatively stable this year, reaching 51,600 m3 in the first 8 months, only 2% down on the same period in 2012.



Source: FII Ltd analysis of eurostat

Limited supply of sawn sapele

Falling EU imports during 2013 are only partly due to weak demand. Limited supply of sawn sapele is now beginning to have a significant impact on the level of imports.

Lead times for sapele are becoming very lengthy with orders placed now not being offered for delivery until April next year at the earliest. This is resulting in sharply rising prices both on an FOB basis and for landed stock in the EU.

A number of factors are being blamed for lack of supply, including increased diversion of trade to China and the US and the fact that African mills have not returned to pre-crises capacity.

In addition, a representative of one large EU distributor with operations in Africa suggests that less sapele is available in the new concession areas now being allocated for harvesting. The reasons for this are unclear.

Supply is less of an issue and prices have been more stable for most other major African commercial species.

Iroko prices on offer to European buyers have changed little in recent months, although there is speculation that this might change with rising demand, particularly in the US and Ireland.

Expectations that Ivory Coast framire would be subject to widespread boycott in the UK market as a result of EUTR compliance concerns have not materialised. Although a few former buyers are no longer engaged in the trade, others have approved some Ivory Coast suppliers in line with their due diligence requirements.

Those suppliers are now reaping the rewards of rising European demand for their products, particularly in the UK.

The low prices for framire offered by some Ivory Coast exporters during the spring and summer months to stimulate demand are no longer available.

Less direct competition between sapele and meranti

In the past, there was strong direct competition in the European market between African sapele and South East Asian meranti, so much so that prices changes in one species would quickly impact on demand and prices in the other.

However this relationship seems to have broken down during the recession. The European market has become increasingly accustomed to and oriented towards African sapele.

In the formerly large Dutch window sector, Malaysian meranti used to have a strong edge over African sapele due to quicker turnaround times and tight adherence to Dutch quality and size specifications.

However this market has been devastated in recent years due to the recession and zealous adherence to FSC certification standards by public authorities.

The result is that prices for meranti lumber on offer to European buyers have remained weak and unresponsive to the rise in prices for African sapele.

Another change is that Malaysian meranti is no longer readily available at short notice to European buyers.

As the world's demand for tropical hardwood has shifted away from Europe towards other markets, notably in Asia and the Middle East, very few Malaysian sawmills now maintain stocks of meranti lumber in European specifications. Instead of waiting a few weeks for products to arrive after ordering, turnaround times now extend to several months.

Weak demand for hardwood for marine defence and decking

European demand for heavy-duty species such as South American greenheart and African ekki has been very weak this year.

This is due both to the long-term decline in local government funding during the recession and continuing efforts by government authorities to substitute tropical hardwood for other species and products with lower costs upfront and which are perceived to have a smaller environmental footprint.

The market for tropical decking timbers in Europe during the 2013 summer season proved to be very slow, with some reports suggesting demand down 20% or more compared to the previous year.

Weather conditions in Europe were quite good this year and there was a reasonable level of activity in the decking sector as a whole. The decking market in the UK was particularly good, boosted by rising business confidence and better weather over the summer months.

However tropical hardwood has suffered a further loss of share in the decking sector this year both to other wood species and to Wood Plastic Composites.

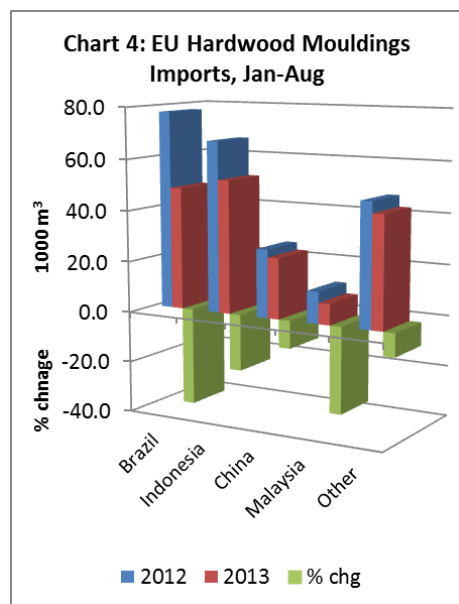
Amongst tropical hardwoods, Asian bangkirai has suffered more from substitution than South American alternatives such as a cumaru and ipe. Orders of bangkirai for the next spring season, usually placed in the autumn of the preceding year, are expected to be delayed and low again this year.

EU imports of hardwood mouldings decline 24%

In previous years, some of the decline in EU imports of sawn tropical hardwood has been offset by rising imports of hardwood mouldings and engineered wood products from tropical countries. However this year, imports of these products have also fallen sharply (Chart 4).

EU imports of hardwood mouldings, most of which derive from developing countries, were 175,400 m³ in the first 8 months of 2013. That is 24% less than the same period in 2012.

Imports from Brazil fell particularly heavily, down 38% at 47,900 m³. Imports also fell from Indonesia (-22% at 52,100 m³), China (-11% at 23,700 m³) and Malaysia (-34% at 8,200 m³).



Source: FII Ltd analysis of eurostat

Some of the decline in EU imports of hardwood mouldings may be due to declining competitiveness relative to EU domestic production.

For example, Brazil's hardwood industry continues to suffer from high and rising labour and other business costs, while China's labour costs have risen rapidly in recent years. Hardwoods are also coming under intense competitive pressure in the mouldings sector from pine and MDF.

However, there are isolated reports of some tropical hardwood products regaining market share in the

moulding sector at the expense of temperate hardwoods. For example, in recent years American tulipwood made significant inroads into the European market for painted mouldings.

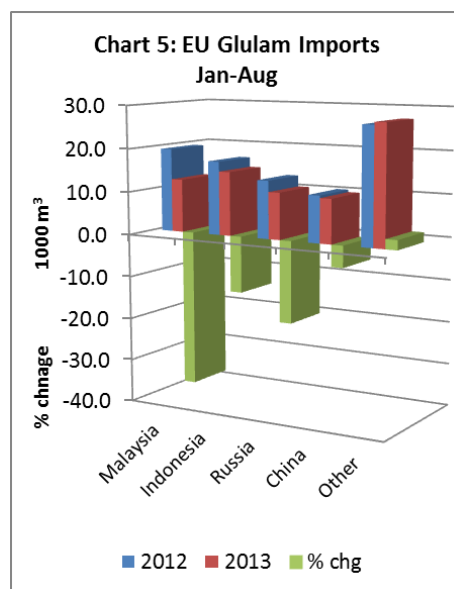
However this year there are reports of Ghanaian wawa retaking share as the price of American tulipwood is rising.

During 2013, lack of log supply and rising US and international demand has led to a significant increase in prices across the full range of American hardwood species.

14% fall in EU imports of window scantlings

Weak construction sector activity during 2013 has led to further declines in EU glulam imports (Chart 5). EU imports of this product, which consist primarily of scantlings for the window sector, were 75,800 m³ in the first 8 months of 2013, 14% less than the same period the previous year.

EU imports of scantlings from Malaysia were 12,300 m³ during this period, down 36% year-on-year. Imports from Indonesia were 14,800 m³ between January and August 2013, a 15% decline.



Source: FII Ltd analysis of eurostat

Short-term prospects for meranti window scantling in the EU market seem poor. Despite limited buying this year, importers' inventories have run ahead of demand in recent weeks.

Prices in Europe have been falling and exporters in Asia are also coming under intense pressure to reduce FOB prices.

However, longer term prospects appear more promising. More building permits are now being issued in Germany, the leading European market, and there is rising confidence in the German construction sector.

The UK construction sector is also rebounding more strongly than expected this year. The UK has not been a significant market for tropical hardwood glulam in the past, but interest in engineered scantlings is now rising with introduction of tougher quality and energy-efficiency standards for wood windows.

These factors, together with limited supply of sapele, the leading African wood used in European joinery, might lead to improving European demand for meranti window scantlings during 2014.

Report from North America

More sawn hardwood from Brazil and Africa in July

Total sawn hardwood imports were up by 4% in August compared to a 12% increase in tropical imports from the previous month. Tropical imports were 23,195 cu.m., accounting for 40% of total sawn hardwood imports.

Balsa imports declined by 12% from July, but at 3,458 cu.m. imports were higher than at the start of 2013.

US imports of sawn tropical hardwood

	Jun-13	Jul-13	Aug-13	Percent change
World Total	16,822	20,636	23,195	12%
Ecuador	3,767	3,948	3,458	-12%
Brazil	1,913	3,767	3,312	-12%
Cameroon	1,620	2,474	3,429	39%
Malaysia	2,354	2,001	2,137	7%
Congo (Braz.)	259	1,212	1,832	51%
Peru	1,795	209	1,414	577%
Indonesia	932	714	1,018	43%
Ghana	570	1,205	1,034	-14%
Cote d'Ivoire	441	1,043	1,083	4%
Other	3,171	4,063	4,478	10%
Total	33,644	41,272	46,390	

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

Sawn hardwood imports from Peru grew from just over 200 cu.m. in July to 1,414 cu.m. in August. Year-to-date imports increased by 19% with the largest growth in virola and other (not specified) species.

Imports from Brazil declined to 3,312 cu.m. in August, primarily because of lower ipe shipments (1,888 cu.m). Virola imports from Brazil grew to 598 cu.m. in August.

Imports from Cameroon climbed again in August, reaching 3,429 cu.m. Sapeli imports accounted for 2,085 cu.m, up 77% from July. Congo/Brazzaville shipments were at 1,832 cu.m. in August, up 51% from the previous month. The main import species was also sapeli at 1,188 cu.m.

Malaysian shipments were slightly higher in August at 2,137 cu.m. Higher keruing imports (1,705 cu.m.) accounted for much of the increase.

Imports from Indonesia grew by 43% to 1,018 cu.m. Imports of all major species increased in August with the exception of mahogany.

US imports of sawn tropical hardwood, by species (cu.m.)

	Aug	Change from previous month	Year-to-date August 2013	Change from previous year
Balsa	3,804	-11%	26,416	-24%
Sapelli	3,776	68%	16,837	-2%
Acajou d'Afrique	3,201	24%	18,004	4%
Keruing	2,003	10%	13,918	23%
Ipe	2,036	-22%	15,858	-10%
Mahogany	1,059	-46%	9,787	30%
Virola	1,470	731%	8,975	-3%
Meranti	806	33%	3,888	-1%
Cedro	583	-36%	5,802	55%
Jatoba	481	-17%	3,521	-6%
Teak	1,525	97%	7,938	110%
Iroko	135	121%	289	-4%
Padauk	80	158%	340	-58%
Aningre	5		126	-45%
Other tropical	2,216	15%	15,983	0%
Total	23,180	12%	147,682	0%

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

Canada and EU reached political agreement on trade deal

After four years of negotiations, Canada and the EU signed an agreement in principle for a Comprehensive Economic and Trade Agreement in October. The agreement is expected to increase bilateral trade by €26 billion.

Once the agreement takes effect, almost all duties will be eliminated, including duties on wood products. Wood products are primarily shipped from Canada to Europe, and the elimination of duties on plywood is of particular interest to the Canadian industry.

Free trade negotiations between the EU and the US started in June 2013.

Gap expected in collection of Chinese plywood antidumping duties

The provisional antidumping duties on imports of decorative plywood from China expire on October 30, 2013 since a six month limit exists for provisional duties. Therefore the US antidumping duties on Chinese plywood should not be collected on or after October 30.

A decision by the US International Trade Commission on injury determination was expected for late October, but the federal government shutdown in the first half of October has delayed the process.

The International Wood Products Association (IWPA), representing US importers, has pointed out that the six-month period is not extendable and that it was not extended during previous government shutdowns in 1995 and 1996.

As a result, there may be a long gap period after October 30 where no antidumping duties are collected until the Department of Commerce completes the investigation.

Composite Panel Association criticises proposed formaldehyde emissions regulations

The Composite Panel Association (CPA) has submitted a list of desired changes to the national formaldehyde emissions regulations proposed by the Environmental Protection Agency (EPA).

The CPA has been a strong supporter of national rules to ensure consistent industry regulation and equal treatment of imported panel products.

However, the association is urging the EPA to change several aspects of the proposed emissions regulations, including the following:

- The global third-party certification system should be more stringent according to the CPA. The proposed system would allow outsourcing many decisions to third party certifiers or accreditation bodies, including testing exemptions or reduced testing requirements.
- EPA proposes a complete stoppage of commerce when there is an indication of non-compliance at the panel production site. The CPA suggests instead a formal notice to the panel manufacturers' customers.
- Panel laminators should not be required like panel manufacturers to test emissions and be certified. The CPA recommends chain-of-custody use of certified panel cores.
- Labelling and record keeping requirements should be eliminated for products that contain very small amounts of composite wood products, according to the CPA.

The International Wood Products Association (IWPA), representing US importers and manufacturers using imported wood products, has submitted similar comments to the EPA.

IWPA also recommends allowing imports an additional three months after the regulations take effect to make up for the longer lead time of imported products.

The proposed EPA formaldehyde emissions regulations and the CPA and IWPA submissions are available here:

<http://www.epa.gov/oppt/chemtest/formaldehyde/index.html>

<http://www.compositepanel.org/userfiles/filemanager/5254836d6c722/>

<http://iwpawood.org/associations/8276/files/10%209%2013%20Final%20IWPA%20Formaldehyde%20Comments.pdf>

Generalised System of Preferences not yet extended

The US Generalized System of Preferences provides duty-free entry on up to 5,000 products from 127 designated countries with developing economies.

The most recent agreement included plywood from Indonesia. The program expired on July 31, 2013 and despite support from the US government Congress has not extended the program.

An extension of the program is expected and duties incurred since July 31 will likely be refunded, but it is unclear when Congress will pass the extension. Lapsing the program creates pricing uncertainty and additional work for importers.

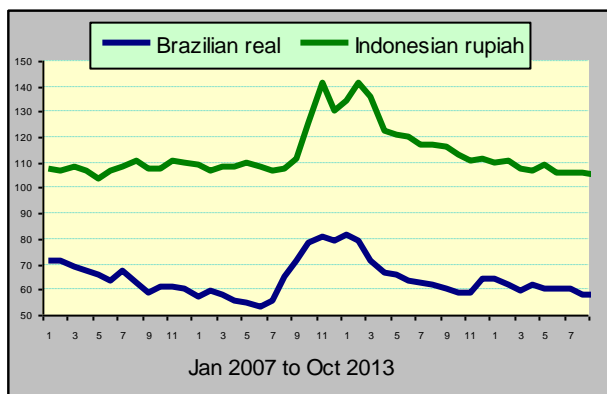
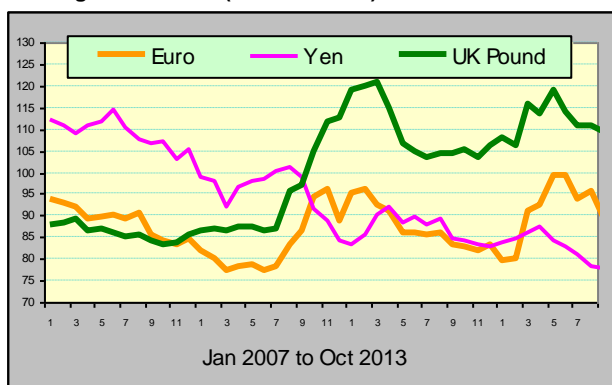
Disclaimer: *Though efforts have been made to keep prices near to accurate, these are published as a guide only. ITTO does not take responsibility for the accuracy of this information.*

Main US Dollar Exchange Rates

As of 24th October 2013

Brazil	Real	2.2033
CFA countries	CFA Franc	476.13
China	Yuan	6.082
EU	Euro	0.7246
India	Rupee	61.455
Indonesia	Rupiah	11127
Japan	Yen	97.28
Malaysia	Ringgit	3.1556
Peru	New Sol	2.7671
UK	Pound	0.6172
South Korea	Won	1062.19

Exchange rates index (Dec 2003=100)

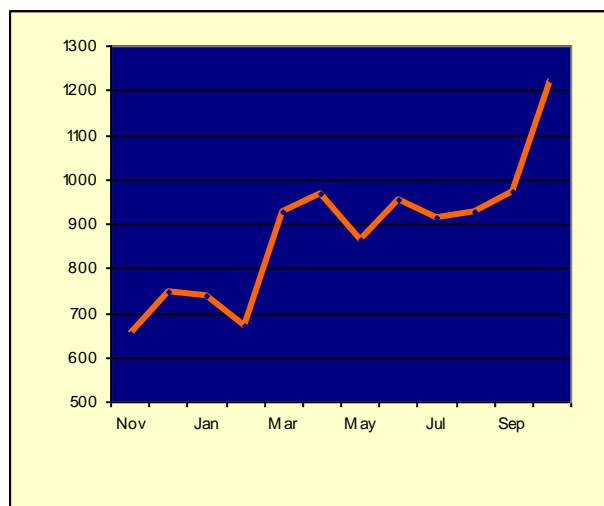


Abbreviations and Equivalences

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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