

Tropical Timber Market Report

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Top Story

No antidumping duties on plywood from China

The US International Trade Commission ruled in early November that there is not enough evidence of injury to the US plywood industry from imported Chinese plywood.

The unanimous ruling overturns the Commission's preliminary determination of injury in 2012.

The final countervailing and antidumping duties that were announced in September will not be imposed.

For more see pages 17 and 25

Headlines

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The next market report will be issued on or around 7 December 2013

Exporters encouraged by return of buyers for Indian market

After the flurry of price changes during October markets have steadied and no further price changes were reported in the first weeks of November.

With the current stable demand most traders do not see opportunities for any significant upward price movement through to the end of the year and forecasts are for a continuation of the steady but uninspiring demand and flat prices.

Trade between West African producers and China is good and improving and markets in the Middle East are also showing considerable strength.

India buyers have returned to the market but purchases are not yet back to levels seen before the recent crash in the rupee exchange rate, although producers are anticipating continued firm demand as business confidence returns in India on the back of the improving economic outlook.

Successes in Middle East inspires producers to consider untapped Asian markets

Following success in expanding markets in the Middle East, some West and Central African producers have gained sufficient confidence and are even eyeing possible market opportunities in the Asia Pacific region where, for example, Thailand is a very substantial importer of sawnwood.

Traditional markets in Europe are slow and there appears little prospect of any real change in demand or prices through into the winter months. Demand in the US is said to be steady but the US has never been a major market for W. African hardwoods

Demand in the UK is particularly quiet as, although housing starts have surged because of government financial help for buyers, the consumption of tropical timbers shows no change.

Consumer preferences for and current fashions favour temperate hardwoods especially oak and the light coloured American poplar, with the trade name tulipwood. Other traditional markets, such as Greece and Turkey, are quieter than in previous years. In contrast, the Italian and French markets have been the most consistent performers throughout the year to date.

Industry in Cameroon hit hard by intense rain season

On the supply side most producers report a continuation of the tight log supply. The industry in Cameroon has been hard hit as the rain season this year was very intense which disrupted forest operations and while the rains are almost over the heavy rain has damaged forest roads and washed away bridges.

It will take some time before logging operations in Cameroon get back into full swing.

Asian plywood producers capturing more of the demand

Analysts say plywood exports from West Africa have been solid this year but Malaysian plywood has been gaining ground in the market as end users look increasingly to the higher quality board products. The supply of export quality plywood from West Africa is small compared to that of Malaysia and Indonesia and now there are fewer producers remaining in West Africa however, the veneer export business is still performing well.

Partnership in microfinance for affordable housing

In regional news, Lafarge, a leading building materials supplier and the French Development Agency (AFD) have launched a partnership in microfinance for affordable housing. The press release from Lafarge can be seen at: www.lafarge.com/wps/portal/6_2_1-CADet?WCM_GLOBAL_CONTEXT=/wps/wcm/connect/Lafarge.com/AllPR/2013/PR20131025/MainEN

The EUR 5 million contribution from AFD to the Lift Above Poverty Organization (LAPO) microfinance bank, Lafarge's partner in Nigeria, will enable low-income families to finance the construction, expansion and renovation of their homes, improving their living conditions permanently.

By pooling their expertise and working with LAPO - the largest microfinance bank in Nigeria with 900,000 clients and 323 branches - Lafarge and AFD seek to offer replicable, sustainable and appropriate housing solutions adapted to the needs of the local population.

This project initiated by Lafarge was conceived to help meet the challenges of urbanization in Nigeria a densely populated country with over 170 million people.

Log Export Prices

West African logs, FOB	€ per m ³		
<u>Asian market</u>	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)	310	310	240
(China only)			
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
Moungui	FAS GMS	415

Report from Ghana

Forest Investment Programme fully funded

Ghana has received approval for a US\$9.75 million contribution from the Climate Investment Fund through the African Development Bank to implement a Forest Investment Programme.

The funding is intended to help reduce deforestation and forest degradation, increase carbon stocks and reduce poverty. This programme will engage communities in land management to generate financial and environmental benefits.

About 12,000 people, half of them being women, would receive support in capacity building and equipment. They will also benefit from financial incentives through benefit-sharing agreements to develop forestry, agro-forestry and alternative livelihood activities. The initial stage of the programme will be piloted in the forest areas in the Western and Brong-Ahafo regions.

According to the Task Manager for the programme, Mr. Albert Mwangi, "Approval of this funding means that Ghana can ramp up sustainability of its forest sector and ensure that forest-related communities are both recipients and creators of effective and climate-smart economic solutions."

The CIF was established in 2008, and is one of the largest fast-tracked climate financing instruments in the world, which provides developing countries with grants, concessional loans, risk mitigation instruments and equity through engaging local communities in REDD+ and Enhancement of Carbon Stocks (ELCIR+) projects.

Inflation leaps by 5.4%

The Ghana Statistical Service (GSS) has announced that, the producer price inflation year-on-year between September 2012 and September 2013, increased by 5.4 percent, which represented an increase in producer

inflation by 0.7 percent relative to the rate recorded in August 2013 (4.7 percent).

The month-on-month change in producer prices between August 2013 and September 2013 was 1.9 percent.

According to the GSS statement, output in the mining and quarrying sub-sector declined by 2.8 percent compared to levels in August.

The GSS further said manufacturing output, which constitutes more than two-thirds of the total industry, increased by 1.82 percent to 12.6 percent for the year to date while the rate of the utilities sub-sector remained unchanged.

Boule Export prices

	Euro per m ³
Black Ofram	244
Black Ofram Kiln dry	300
Niangon	453
NiangonKiln 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	240↑	269
Dahoma	303	347
Edinam (mixed redwood)	350↑	470↓
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	330↑
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 BB/CC	Ceiba	Ofra	Asanina
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
Afrormosia	14.30	18.65	18.55

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

Report from Malaysia

VPA talks put on hold

Malaysia's Ministry of International Trade has announced a postponement of talks on the free trade agreement between European Union and Malaysia.

It seems that this postponement was decided upon to allow the Malaysian negotiators to focus on the Trans Pacific Partnership Agreement (TPPA) talks. Analysts are speculating that the priority previously placed on the VPA negotiations with the EU may have shifted.

Deputy Minister Hamim Samuri was reported as saying his ministry would now focus on the completion of the TPPA talks and then resume the EU-Malaysia free trade talks.

The EU Ambassador to Malaysia, Luc Vandebon, reiterated that, upon completion of a free trade agreement between Malaysia and the EU, both sides would have duty free access to each other's markets which will benefit exporters.

Malaysia graduated out of GSP

In other news the Trade Ministry announced that from next year Malaysia will no longer enjoy benefits provided through the Generalised System of Preference (GSP) scheme offered by the EU and Turkey.

Malaysia has been graduated out of the scheme because the country has attained the status of an upper middle income country according to the World Bank. This change will not affect exports to Norway, Switzerland, Russia, Belarus and Japan.

Sabah to secure 'Green capital for the future'

Sabah has just hosted an international conference "Heart of Borneo's Natural Capital: Unleashing their potential for sustainable grown in Sabah".

In his welcoming address, the Sabah Forestry Department Director Sam Mannan said Sabah commented on the

record low collection of revenues from forest activities this year, the lowest since 1973.

Revenue from the forestry sector is expected to fall to about RM 50 million a year for the next 20 years before rising again as plantation resources begin to be utilised by the timber industries.

The lower forest revenue collected in Sabah is attributed to lower harvest levels considered sustainable to ensure, in the words of the Minister, "green capital for the future". He said the Sabah State government and the timber industries have made huge sacrifices in the interest of long term conservation and an endowment for future generations.

'Heart of Borneo' is an initiative between Malaysia, Brunei and Indonesia. This initiative was signed in 2005 to protect the biological, ecological and cultural richness of the rainforests of Borneo. The initiative focuses on the remaining intact band of forests in the centre of the island of Borneo.

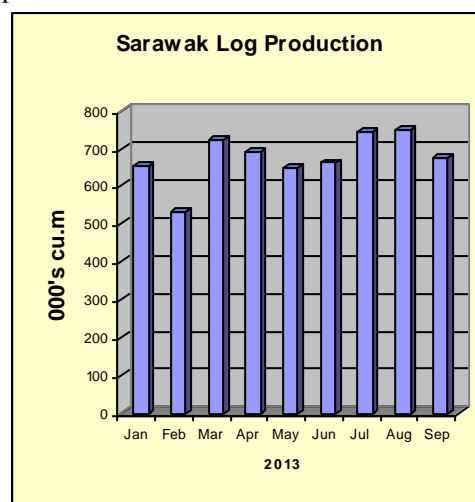
A Minister in the Sarawak Chief Minister's Office recently announced plans to gazette 20 more parks and nature reserves in the state to protect the state's diverse biological resources.

This would bring the state closer to reaching its target of setting aside a million hectares of forests, out of total land area of 12.4 million hectares, as totally protected areas.

The increase in protected areas will be welcomed as the state battles wildlife poachers. The Forestry Department intends to mount a campaign to increase awareness among the various authorities and public on the seriousness of the crime of poaching.

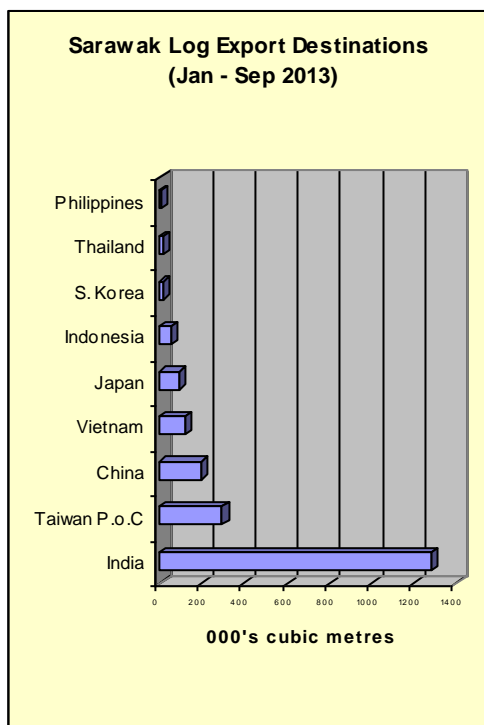
Sarawak log export trends

The Sarawak Forestry department released 2013 log production statistics



January 654,930 cu.m, February 530,441 cu.m, March 719,518 cu.m, April 692,012 cu.m, May 645,460 cu.m, June 660,836 cu.m, July 744,505 cu.m, August 749,163 cu.m and September 674,502 cu.m.

The department also release log export market data for the period January to September 2013.



China 197,676 cu.m, India 1,282,804 cu.m, Indonesia 53,774 cu.m, Japan 93,600 cu.m, South Korea 19,330 cu.m, Taiwan 294,785 cu.m, Vietnam 123,041 cu.m, Thailand 15,030 cu.m and Philippines 7,250 cu.m.

The total value of log exports from January to September was RM 1,253,194,801 (approximately US\$ 387.3 million).

Plywood price indications for late November

Traders in Sarawak provided the following price indications for export plywood: from Sarawak: FB (11.5mm) US\$680 – 685 FOB, CP (3' x 6' UCP) US\$530 FOB, to Middle East (9 – 18 mm) US\$465 FOB, to South Korea (8.5 – 17.5 mm) US\$480 C&F, to Taiwan P.o.C (8.5 – 17.5 mm) US\$450 FOB, and to China/Hong Kong US\$460 – 480 FOB.

Report from Indonesia

Plans for massive investment in infrastructure

Indonesia's Central Bank issued a press release on the performance of the economy in the third quarter say, as anticipated, the economy grew 5.6% in the July-to-September period from a year earlier, down from 5.8% in the previous quarter.

For the press release see:

www.bi.go.id/web/en/Ruang+Media/Siaran+Pers/SP_154313_DKom.htm

The press release says "The economic slowdown primarily results from weak investment due to declining growth of investment in construction as well as weak investment in non-construction".

The Bank considers the economic slowdown a result of the stabilisation policy implemented by the Government and Bank Indonesia to bring economic growth towards a more sustainable level. Further, the Bank estimates that economic growth for 2013 is still within the range of the previous 5.5% to 5.9% forecast.

To boost growth the government has announced plans for massive new infrastructure projects which will include port improvements, new dams and roads as well as additional power generation capacity. The poor infrastructure in Indonesia has always been seen as a handicap to growth.

Forestry Ministry to address rights abuses in the sector

The Indonesian Ministry of Forestry has indicated it would review the legal framework for forestry in an effort to eliminate human rights abuses linked to illegal practices in forestry.

Forestry Ministry secretary general Hadi Daryanto said "We are open to suggestions to improve the framework regarding timber standards, which has so far not included terms to protect the rights of indigenous peoples. We will review the standard for legal timber,"

The recent emphasis on rights abuses comes after Human Rights Watch (HRW) released the Indonesian version of its recent report, "The Dark Side of Green Growth: Human Rights Impacts of Weak Governance in Indonesia's Forestry Sector", regarding mismanagement in Indonesia's forestry sector.

See the HRW press release at

www.hrw.org/reports/2013/07/15/dark-side-green-growth

HRW urged the government to improve the timber legality standard, saying that the Forest Law Enforcement, Governance and Trade Voluntary Partnership Agreement (FLEGT-VPA) signed with the EU in Brussels, Belgium, in September was not enough to curb rights abuses.

Demands to scrutinise forestry crimes

Indonesian law enforcement institutions have been urged to strengthen their fight against forest crimes after the Indonesia Corruption Watch (ICW) released a report estimating that state losses from such crimes could have been as much as Rp691 trillion (US\$62 billion) between 2011 and 2012.

Lalola Estele, a researcher with ICW, said the total losses had been calculated from 124 cases of forest crimes recorded by the watchdog from 2011 to 2012.

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

Massive jump in log shipments as Indian buyers return

In October 54,500 cu.m of teak logs and 170,000 cu.m of other hardwoods were shipped. The total volume of logs shipped between April to the end of October was 241,000 cu.m of teak and 860,000 cu.m of hardwoods. The October shipment volume is impressive and is the highest for the past six months.

As India purchases the largest volume of teak (around 70%) analysts assume that the stabilised US dollar-Indian rupee exchange rate has encouraged Indian buyers to ship logs.

The US\$/rupee exchange rate was 54.2491 on 9 May but fell to 68.7947 on 28 August but recovered slightly to 62.4593 on 1 October. Some analysts expect log shipments to increase with the continued easing of the pressure on the Indian rupee.

Discrepancies in border trade statistics

The Weekly Eleven newspaper, quoting Ministry of Commerce sources, reported that, according to China's trade data, forest products valued at US\$17 mil. had been

transported overland to Yunnan Province within a single month. In contrast, figures from Myanmar's border checkpoints show a much lower figure. Analysts say this sort of discrepancy in the trade data is not a new thing but requires investigation.

Similar disparities in export/import data appear in the Myanmar-Thailand border areas. Unrecorded exports along the Myawaddy and Tachileik trade routes have also been reported.

Deforestation, an obstacle to alleviating rural poverty

At a recent meeting of the Forest Products Joint Venture Corporation (FJV), Myanmar's Union Minister, Win Tun, stressed the importance of the country's forest resources in the fight against poverty. He also mentioned that deforestation was the biggest obstacle to long term sustainability of the environment.

The Minister explained to the gathering the need to minimise the depletion of forests and natural resources; preserve biological diversity; administer proper land use to combat climate change and to successfully implement international agreements.

FJV is a joint venture corporation with 45% of the shares owned by MTE; 10 % by the Forest Department; and 45 % by the public.

Thilawa special economic zone

Work on Myanmar's first special economic zone, the Thilawa Special Economic Zone (SEZ) is set to begin. The SEZ is a sprawling complex about 25 kilometres south of Yangon.

The SEZ is 51 percent Myanmar owned and will have a deep water port, factories and large housing projects. Last week Japan's Thilawa SEZ Company Ltd. (JTSC) signed a joint-partnership agreement in Tokyo with Myanmar Thilawa SEZ Holdings Public Ltd. (MTSH).

The Japanese companies Mitsubishi, Sumitomo and Marubeni have formed a joint venture to develop the Thilawa Special Economic Zone. This planned investment represents Japan's largest in Myanmar to date. For more see: www.marubeni.com/news/2013/release/00056.html

The first challenge facing the government is to reach agreement with land owners on compensation. The second major challenge will be to arrange power, water and transport facilities to service the SEZ.

Of the 51 percent ownership by Myanmar, 41 percent is private belonging to MTSH. The first stage includes work on 400 hectares of the 2,400-hectare Thilawa SEZ. In 2015, factories will be finished and infrastructure in the zone will also be complete.

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. The next tender sale will be at the end of November.

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.

Report from India

Housing market hit by inflation and high interest rates

Positive economic news continues to drive private sector sentiment higher. The fact that the rupee/US dollar exchange rate remains stable is good news for importers. Quarterly results for industrial production have improved and companies are looking forward to good financial results.

The only weak spot is the real estate sector where, despite attractive offers and discounts made during the Diwali festive season, unsold homes have reached new highs. At the end of September figures for unsold housing stock stood at 711 million square feet as against 670 million sq.ft at the end of June.

The bad news is that consumer price inflation is eating up the personal savings and the high interest rates introduced to curb inflation are also weighing on consumers and affecting decisions on taking loans for new homes.

This scenario hurts sales of wood and wood products and the industry hopes the government will introduce measures to assist those wanting to buy a home.

Farm contract planting to feed plywood mills a reality

TNAU,(Tamilnadu Agricultural University) is the largest Agricultural University in India and its campus spreads over 125 ha.. The university does excellent work not only to help Agriculture but also the Forestry sector through research and application on tree improvement to increase opportunities for manufacturing.

In 2011 TNAU developed a hybrid of Casuarina equisetifolia called MTP CA-1 and 2 which, besides growing faster and having better form, has a higher cellulose content. Similar work is underway on eucalyptus, teak and silver oak.

Recently, the university has been promoting the idea of contracting farmers to help the plywood industry in Tamilnadu through the planting of a fast growing new

hybrid Melia dubia, called MTP-1 and 2 which has been found very suitable for plywood manufacture.

The proposed farm/plantation model involves guaranteed buy-back and assured prices as well as supportive mechanism for the growers.

On the environmental front, the cultivation of Melia dubia trees, it is said, will help reduce atmospheric carbon-dioxide through carbon sequestration. This tree accumulates a biomass of 300 tonnes/hectares in six years and removes 150 tonnes of atmospheric carbon-dioxide through sequestration.

Melia grows in a wide range of soils and the logs attract a price of around Rs 7,500/tonne once at a girth of 20 inches (approx 50cm.). This could mean a farmer will earn Rs 6-8 lakh per acre (Rs. 1.5-2.0 mil. per ha) within six years.

Contract 'farming' of tree species is common for the production of raw material for the pulp and match industries and more than 30,000 hectares planted in the State but the idea for 'farming' for raw materials for the solid wood product sector is new. As resources from natural forests come under pressure from growing demand there is a need for alternate sources to be created.

Western India Forest Depot auctions

Auctions at the Tapti depots of Raj Pipla, Vyara etc. held from 20th to 25th October 2013 were successful and prices were firm. Approximately 6000 cu.m of logs were offered for sale at the recent auction.

Teak logs sales

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

Teak logs	Per cubic foot
A quality for ship building	Rs.3300 -3400
B quality for ship building	Rs.3100 - 3200
A for sawing	Rs. 2900-3000
B or sawing	Rs. 2700-2800
A Long length logs	Rs. 2500-2600
B Long length logs	Rs 2400-2500
Long length, Medium Quality	Rs 2100-2200
Short Length, Medium Quality	Rs 1800-1900
Short Length, Average Quality	Rs 1500 plus

Bidding at the auction was brisk for fresh teak logs of desirable specifications. Unfortunately, for some medium quality lots bids failed to achieve the reserved price and went unsold.

Good quality non-teak hardwood logs, such as Haldu (Adina cordifolia), Laurel (Terminalia tomentosa), kalam (Mitragyna parviflora) and Indian Kino (Pterocarpus marsupium) having lengths of 3 to 4 metres and girths of 91cms and up fetched prices in the range of Rs.800-900 per c.ft while medium quality logs traded at around Rs600-700 per c.ft.

Now that the Diwali and Indian New year holidays are over, auctions will continue.

Imported plantation teak prices reflect wide variations in quality

Plantation teak shipments continue to arrive irrespective of exchange rate fluctuations as India needs to import all types of wood including teak. Because of changed specifications and the willingness of importers to accept logs with smaller girths, prices have declined. On the other hand some exporters have been shipping higher quality logs so, for these shipments, prices have improved.

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

In the period reviewed Brazilian plantation teak logs arrived in India at prices ranging from US\$ 350-750 per cubic metre.

	US\$ per cu.m
Tanzania teak, logs	350-700
Côte d'Ivoire logs	280-750
PNG logs	400-575
El-Salvador logs	350-650
Guatemala logs	350-550
Nigeria squares	300-450
Ghana logs	275-650
Guyana logs	300-450
Benin logs	250-650
Benin sawn	430-800
Brazil squares	360-680
Colombia logs	350-750
Togo logs	350-715
Ecuador squares	290-540
Costa Rica logs	350-700
Panama logs	260-550
Sudan logs	450-700
Congo logs	450-550
Kenya logs	390-600
Thailand logs	500-700
Trinidad and Tobago logs	400-680
Uganda logs	440-760
Uganda Teak sawn	680-800
Laos logs	320-450
Malaysian Teak logs	140-450
Nicaragua Teak logs	430-535
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 for air dry sawnwood per cubic Foot, ex-sawmill are shown below.

Sawnwood,(Ex-mill) (AD)	Rs. per ft ³
Merbau	1500-1650
Balau	1500-1650
Kapur	1200-1250
Kempas	1100-1200
Red Meranti	850-950
Radiata Pine (AD)	550-650
Whitewood	600-650

Domestic prices for Myanmar teak processed in India

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

The recent slowing in the Indian economy and the weak housing market is holding down 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

ABIMCI launches timber sector report

The Brazilian Association for the Mechanically Processed Timber Industry (ABIMCI), in partnership with the National Forum of Forest-Based Activities (FNABF), has published a sectoral study of Brazil's timber industry. This study provides the main socio-economic data and an overview of the timber industry in Brazil.

The new study presents information such as the trade balance in the forest-based sector which in 2012 was a positive US\$6.9 billion or 35.4% of Brazil's trade surplus in that year.

The study also shows that the wood processing industries are responsible for 72% of the output from the forestry sector with 58,200 active companies.

Furthermore, the forestry sector added direct jobs in 2012 and the total now stands at 735,000. Other information includes consolidated trade and market data which are relevant for the development of strategies for the forest sector in Brazil.

The official launch of the Sectoral Study will take place in Brasilia in mid-November. ABIMCI also plans to promote the study. The first phase of this promotion will be in Europe where the results of the study will be presented to timber and trade organizations such as the Timber Trade Federation (TTF), the European Timber Trade Federation (ETTF), the Global Timber Forum (GTF), the European Plywood Federation (FEIC) and major importers.

Tax revenues from timber sector fall

The state of Mato Grosso is one of the major timber producing states in the Amazon region. In the first half of 2013 the Tax on Goods and Services (ICMS) collected from the forest-based sector in the state amounted to real 33 million.

Despite an increase of real 12 million in taxes collected in the last two months the semiannual report from the State confirmed a 10.8% decline in state tax revenue from forestry compared with that collected in the first half of 2012.

The ICMS tax revenue from the forest-based sector has fallen 11.6% over the past ten years. Currently, the Center for Timber Producers and Exporters Industries of Mato Grosso (Cipem) is working on a proposal for a new taxation model for the timber industry. The proposal was discussed recently during a meeting with the State Finance Secretariat.

Furniture exports fall in January - September period

Bento Gonçalves is the main municipality in Southern Brazil for the production of furniture. The value of furniture exports from furniture clusters in Bento Gonçalves from January to September amounted to US\$42.9 million.

This represents a decline of around 8% when compared to levels in the same period last year. This performance is worse than the fall in exports from companies in the state of Rio Grande do Sul.

Amongst the twenty major markets serviced by exporters in Bento Gonçalves demand from twelve weakened and this was most noticeable for neighbouring countries in Latin America and some countries in Africa. Colombia remains the main market for furniture from Bento Gonçalves, accounting for 15% of total state exports.

Price trends

Wood products prices in real increased by an average 0.7% over the past two weeks. Prices in US\$, as shown in the tables, increase by an average of 2.1%.

Domestic Log Prices

Brazilian logs, mill yard, domestic	US\$ per m ³
Ipê	158▲
Jatoba	105▲
Guariuba	84▲
Mescla (white virola)	88▲

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per m ³
Jatoba Green (dressed)	1278▲
Cambara KD	770▲
Asian Market (green)	Guariuba 394▲
	Angelim pedra 920▲
	Mandioqueira 302
Pine (AD)	220

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green)	US\$ per m ³
Northern Mills (ex-mill)	Ipê 803▲
	Jatoba 568▲
Southern Mills (ex-mill)	Eucalyptus (AD) 232▲
	Pine (KD) 1st grade 204▲

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	247▲	202▲

Export Plywood Prices

Plywood, FOB	US\$ per m ³
White Virola (US Market)	
5.2mm OV2 (MR)	498
15mm BB/CC (MR)	483↑
White Virola (Caribbean market)	
4mm BB/CC (MR)	675↑
12mm BB/CC (MR)	493↑

Pine Plywood EU market, FOB	US\$ per m ³
9mm C/CC (WBP)	368↓
15mm C/CC (WBP)	341↓
18mm C/CC (WBP)	337↓

Domestic Plywood Prices

Plywood, domestic (ex-mill Southern mill)	US\$ per m ³
Grade MR (B/BB) White Virola 4mm	776↓
White Virola 15mm	540↓

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	506↑
Particleboard 15mm	331↑

Export Prices For Added Value Products

FOB Belem/Paranagua Ports	US\$ per m ³
Decking Boards	
Cambara	1,045↑
Ipê	2,570↓

Report from Peru

Wood based panel imports reach US\$ 78 million

In first eight months of 2013 imports of particleboards 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 the 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	421-482

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

Log exports of prime species resume

For the first time in some weeks log exports of all the prime species resumed.

Greenheart logs were exported at prices in the region of US\$120 to US\$140 FOB per cubic metre.

Prices for purpleheart logs in both the standard sawmill quality were very favourable at US\$235 per cubic metre FOB for standard while sawmill quality logs achieved prices of US\$170 per cubic metre FOB.

Mora logs remain popular and attracted export prices ranging from US\$130 to US\$160 per cubic metre FOB in Asian and Caribbean markets.

Variable prices recorded for Undressed sawnwood exports

FOB prices for Undressed sawn greenheart select were between US\$1,060 to US\$954 per cubic metre.

In contrast, sound category Undressed sawn greenheart FOB prices were as high as US\$741 per cubic metre. However, prices for merchantable quality experienced a decline in top end price from US\$679 to US\$594 per cubic

metre FOB. The main market for Undressed Greenheart was the Caribbean, Europe and North America.

Undressed purpleheart sawnwood saw significant price increases during the period reviewed with Prime category sawnwood trading at US\$1,080 per cubic metre FOB.

This was matched by very attractive price offers for Select category purpleheart sawn of US\$1,993 per cubic metre FOB sharply up from the previous FOB price of US\$1,279 per cubic metre.

For Merchantable quality sawn purpleheart FOB prices were only fair at US\$ 640per cubic metre. The main markets for Undressed purpleheart sawnwood was the Caribbean, Oceania (New Zealand) and North America.

Undressed Mora FOB prices held firm in the export market and only Select category mora sawnwood saw any price movement where top end FOB prices were US\$508 per cubic metre in the Caribbean and European markets.

Caribbean market sustains exports of dressed sawnwood

Dressed sawnwood from Guyana continues to attract favourable FOB prices on the export market; the Caribbean was the only active market during the period reported.

Dressed greenheart prices declined during the period reviewed from US\$1,272 to US\$1,102 per cubic metre FOB and prices for Dressed purpleheart sawnwood also dipped slightly from US\$1,290 to US\$1,230 per cubic metre.

Plywood was shipped in the period reviewed at top end prices of US\$ 584 per cubic metre FOB for markets in Central and South America.

Prices for greenheart piles were favourable at as much as US\$613 per cubic metre FOB in markets across Europe and North America. Wallaba poles exports also made a notable contribution to export earning as did Splitwood (shingles).

Export Log Prices

Logs, FOB Georgetown	SQ - US \$ Avg unit value per m ³
	Std Fair Small
Greenheart*	120-140 - -
Purpleheart	235 - 170
Mora	130-170 - -

*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	US\$ Avg unit val. per m ³
Baromalli BB/CC 5.5mm	584
12mm	
Utility 5.5mm	No export
12mm	No export

Export Sawnwood Prices

Sawnwood, FOB Georgetown		\$ Avg unit val. per m ³	
EU and US markets		-Undressed	Dressed
Greenheart	Prime	-	-
	Standard	-	1,102
	Select	954-1060	
	Sound	741	
	Merchantable	640	
Purpleheart	Prime	1,080	-
	Standard	-	1,230
	Select	1,993	
	Sound	-	
	Merchantable	640	
Mora	Prime	-	
	Select	508	
	Sound	-	
	Merchantable	-	

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

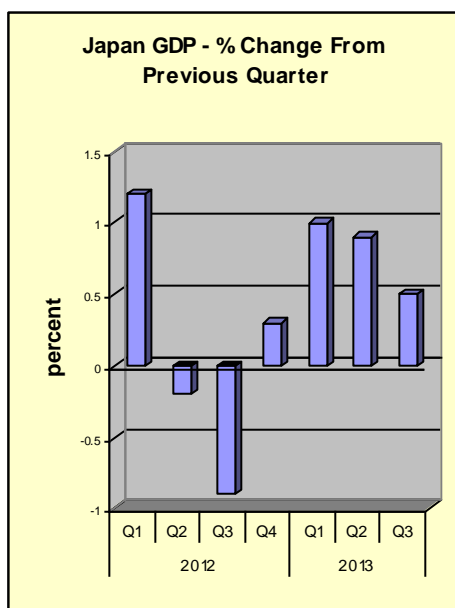
Report from Japan

Positive GDP but pace of growth takes a hit

Japan's GDP growth rate fell during the third quarter of the year compared with the first half of this year. The decline was put down to falling demand from emerging markets and weak domestic consumption.

In the three months from July to September GDP expanded by 0.5 percent but, while this is considerably down on first half rates, it did beat analyst's expectations.

A rise in consumer spending and the effect of the weaker yen on stock prices and exports had been the driver of growth in the first half of the year but the impact of these two drivers has weakened.



Source: www.esri.cao.go.jp/en/sna/sokuhou/sokuhou_top.html

Exports in the third quarter fell 0.6% from the previous quarter and growth in personal consumption remained virtually unchanged. However, personal spending over the

next months until the introduction of the higher consumption tax is expected to remain strong but weaker exports could become a major threat.

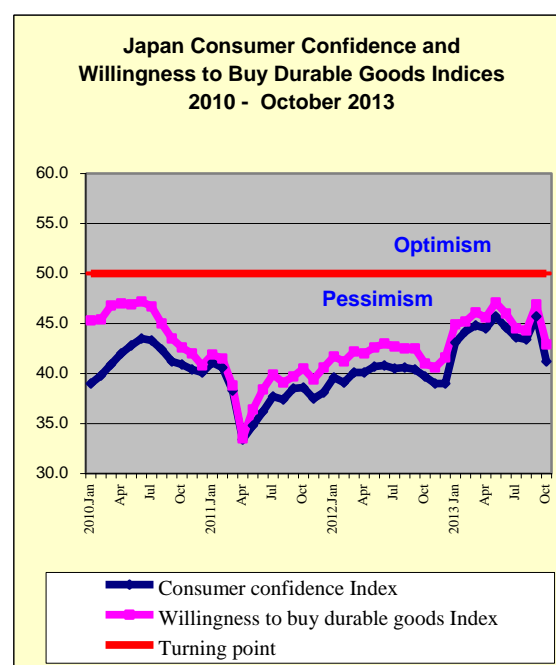
Exports of Japanese cars to the US have fallen recently and the export of electronic goods, especially to Asian markets, have been hit by currency weakness in these markets.

In the medium term the Japanese government is pinning its hopes on public works spending to maintain growth momentum. Public works spending in the third quarter rose almost 7% from the previous quarter and more money will be pumped into public works projects. This, and strong growth in the housing market is expected to sustain growth at least until the end of the financial year in March 2014.

Fragile consumer confidence undermines prospects for growth

Japan consumer confidence fell sharply in October as did the index for willingness to buy durable goods. The October decline was the sharpest since the crash after the March 2011 mega quake.

The sudden turn-around in consumer confidence highlights the fragility of the recent recovery and sends a strong message to the government that ordinary people are not sharing the benefits of recent economic gains.



Source: Cabinet Office, Japan

The Japanese Cabinet Office, which compiles the consumer confidence index, suggested that the mid-October typhoon which caused severe damage in the west of the country undermined sentiment. The announcement during the month that the sales tax in Japan will be raised is cited as another reason for the weaker data.

Small businesses not feeling benefits of recent growth

The Japanese central bank has indicated that it now expects the economy to expand 1.5 percent in the year starting next April, up from a previous forecast of 1.3 percent. The weaker yen is making Japanese goods more competitive and that has helped corporate earnings recover.

But, ordinary Japanese families and small businesses have not felt the benefits of recent growth and many say conditions in the real economy are worse than last year.

All Japanese economists know the hardest work is yet to be tackled especially structural reforms to make all businesses, large and small, more competitive

Other areas that need addressing include making the labour market more flexible, improving productivity and bringing more women into the work force.

In a growth strategy announced mid year the government signaled its intention to establish 'special economic zones' where some regulations would be relaxed and conditions put in place to attract foreign investors. However, the specifics of all these good ideas have yet to be announced.

One analyst said "There is a sense that the series of announcements earlier this year have been replaced by mere supporting statements and no action.

Is inflation target slipping?

In its latest forecasts the BoJ seems to be hinting that the 2 percent inflation target for two years from now will not be achievable but said it would maintain its financial stimulus policy as long as needed to get the country out of deflation.

On a brighter note the Bank of Japan (BoJ) revised upwards its growth forecast for fiscal 2014 to 1.5 percent from the previous forecast of 1.3 percent as it expects growth to continue despite the slowing expected when the sales tax is increased next year.

The BoJ is sticking to its monetary stimulus policy which began in April to meet its target of lifting inflation. In its semi-annual outlook report, the BoJ kept its forecasts for core consumer inflation in fiscal 2014 at 1.3 percent rising to 1.9 percent in 2015.

Economists have voiced concern that the BoJ is over optimistic of the impact of the government plans to minimize the impact of the rise in the consumption tax to 8 percent next April.

Emerging Asian economies turn the corner

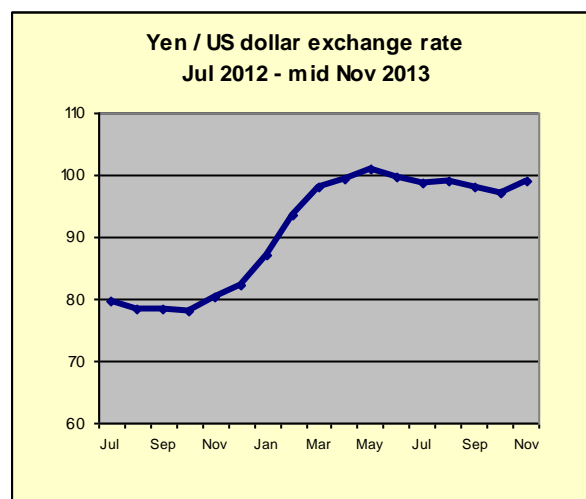
In a recent assessment the BoJ noted the beginnings of economic recovery in the United States, Europe and China and this has helped slow the pace of economic declines in much of the rest of Asia where there are now signs of expanded manufacturing output.

The economies in emerging Asia grew rapidly in the years after the financial crisis but slowed sharply over the past few years because of continued weak demand especially in Europe and a cooling of growth in China and India.

According to the Asian Development Bank, growth in the region slowed from 9 percent in 2010 to about 6 percent this year. However, new data suggests a more optimistic picture for future growth.

Yen weakens marginally

The Japanese yen has weakened slightly over the past week but is still below the 100:US\$ mark. The Central Bank is being very careful to monitor exchange rates and has a deliberate policy of holding the yen down to aid exporters.



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>

Japan China wood use seminar

JETRO (Japan External Trade Organization) and the Japan Wood Products Export Promotion Council held wood utilization and export promotion seminar for Japan and China and reported wooden house situation and progress of Chinese wood structural design standard in China.

JETRO reported that the government is targeting to double the amount of export of agricultural and marine products by 2020 and wood is one of eight priority items.

Actually wood products export has been growing after the yen weakened and price increase of competing North American wood products and revision of Chinese building standard.

Five Chinese specialists were invited to learn about recent situation in China.

Regarding revision of wood structural design standard of China, Japanese cedar, cypress and larch have a good chance to be listed as structural material and Japanese post and beam construction will be listed as one of construction styles.

One Chinese specialist reported that demand for wooden house is large in China and house builders actually build 2x4 units, log house and units of laminated lumber.

Another specialist reported that height of Chinese house is normally 3 meters and sometimes 4 meters, which is higher than Japanese house. Size of guest room is 45-50 square meters and bed room is 30 square meters so span is wide.

Accordingly size of post is 150 mm and beam is 350 mm or larger. There is no standard on structure by metal fasters.

There will be large change after the standard in China is revised for wooden buildings. China is large country and climate varies by the regions so different view is necessary by the region. When ones intend to go to China market to sell wooden units, what ones need to pay attention is to consider Chinese taste of using wood post and beam as exposed, much larger size of house unit in China and importance of durability.

South Sea (tropical) logs

Suppliers' proposals for export logs are firming after rain started since mid October and the region is in rainy season now. This means log production would drop and supply would get tight.

Right at this moment there have not been much influence by rain yet but log supply is gradually dropping. India resumed active purchase after their currency Rupee is being appreciated.

Rainy season is here then Malaysia will have the New Year holidays in mid January when workers take days off so log supply will certainly drop and the prices would inflate.

This is just in between stagnant market and escalating market after log prices trended on weak side for last several months.

Log prices of some type are already going up. Low grade log prices for India in Sarawak are now \$230-240 per cbm FOB, \$10 up from October.

Sarawak meranti regular prices are about \$280 per cbm FOB. Small meranti prices are about \$240 and super small

are \$220. They are all firming. Sabah's seraya FOB prices are about \$260 and kapur regular are about \$370. PNG is suffering foul (harvesting) weather

The log market in Japan continues high but due to difficulty to pass higher log cost onto plywood, actual prices are softening. Sarawak meranti regular prices are about

10,100 yen per koku CIF, slightly down from October.

Akita Plywood intensifies floor base production

Akita Plywood (Akita prefecture), increases floor products after it expanded floor manufacturing facility. Production of floor base (9.0-11.5 mm thick/3x6) is 50,000 sheets a month since last August, which is almost double of former production. It targets to make it 100,000 sheets a month in near future by improvement of the facility.

With declining housing starts and demand for structural materials, the company intends to develop market of softwood plywood to non structural product.

To increase floor base production, the first plant introduced semi automatic veneer setter and joint machine for 6 feet long veneer in July. The second floor plant renewed sticker facility of floor base and MDF. Newly introduced are two cold press and one adhesive roll coater.

Akita Plywood is the largest plywood manufacturing company and its consumption of cedar logs is about 40,000 cbms a month for three plants. Its softwood floor base plywood is made of Hokkaido fir for face and back with cedar core. Thin MDF is used as cushion between floor base and surface materials of floor.

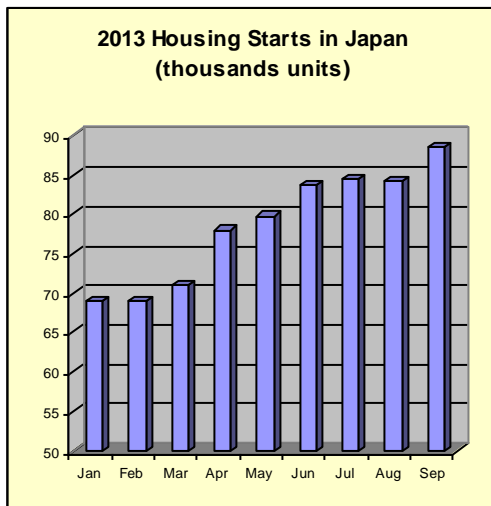
In manufacturing domestic softwood floor base plywood, smoothness is required even for core veneer so that quality cedar logs are necessary. Akita is famous area for quality cedar so the plants are in advantageous location.

September housing starts

Total starts in September were 88,539 units, 19.4% more than the same month a year ago. This is the consecutive increase of thirteen months.

Seasonally adjusted annual starts are 1,040,000 units, 8.3% more than September last year.

The boom seems to be triggered by coming consumption tax raise and rising mortgage interest rate. September is the deadline of orders to apply 5% tax so there were heavy last minutes rush orders in September so it is doubtful that the boom would last after September.



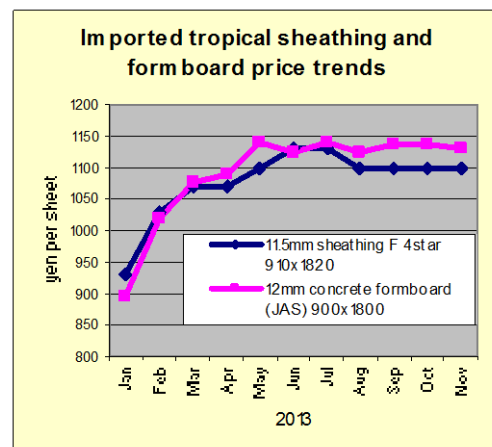
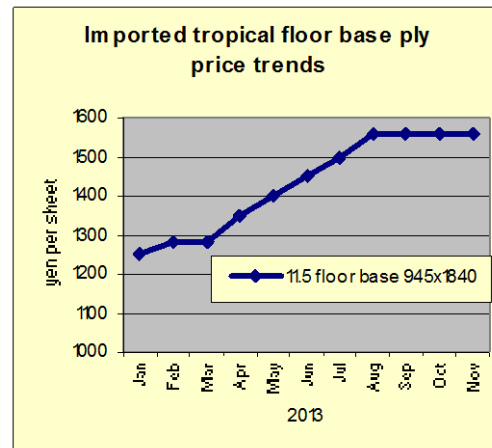
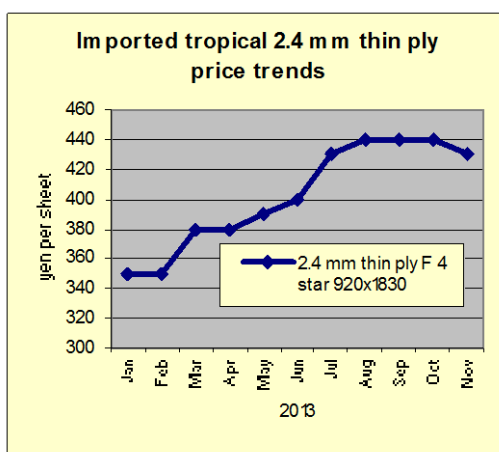
Source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

By category, owners unit, rental units and units built for sale are all increased over a year ago level as shown in the chart. Particularly, units built for sale recorded over 20,000 units as deliveries can be made before the tax is increased since April next year, which is seasonally unusual.

Owners units also recorded over 30,000 units for four straight months and increase for 13 consecutive months. Rental units also increased for seven consecutive months.

Wood based units were 49,113, 14.2% more out of which traditional post and beam units were 36,913, or 14.6% more. Starts in the earthquake damaged three prefectures continue brisk. Particularly rebuilding of owner's units is active.

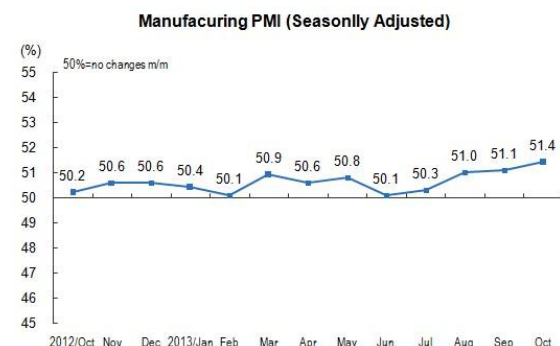
Price trends for imported Indonesian and Malaysian plywood



Report from China

China's PMI Was 51.4 Percent in October

In October, China's manufacturing purchasing managers index (PMI) was 51.4 percent, up by 0.3 percent month-on-month. The PMI has risen for four consecutive months suggesting the manufacturing sector was performing well in difficult conditions.



Source: National Bureau of Statistics of China

In terms of enterprise size, the PMI for large-sized enterprises was 52.3 percent, up by 0.2 percent month-on-month; that for medium-sized enterprises was 50.2 percent, up 0.5 percent month-on-month and above the negative threshold for the first time in 5 months.

The index for small-sized enterprises was 48.5 percent, down by 0.3 percent month-on-month and continues to be below threshold for optimism.

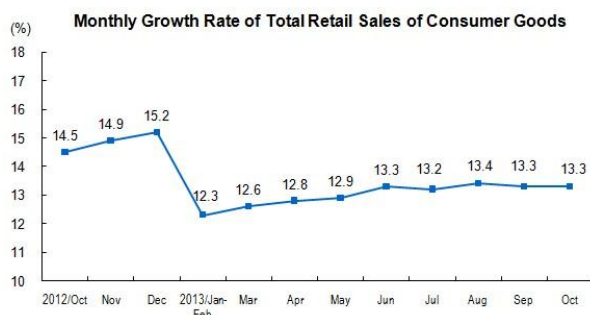
The full press release can be seen at:

http://www.stats.gov.cn/english/pressrelease/t20131101_402930857.htm

Steady expansion of retail sales in October

China's National Bureau of Statistics has issued a press release showing that October retail sales of consumer goods reached yuan 2,149.1 billion, up by 13.3 percent year-on-year. The full press release can be seen at: http://www.stats.gov.cn/english/pressrelease/t20131112_402931123.htm

Of the total, retail sales of consumer goods from industrial enterprises was yuan 1,057.9 billion, up 12.4 percent. From January to October total retail sales of consumer goods reached yuan 19,030.8 billion up by 13.0 percent year-on-year.



Source: National Bureau of Statistics of China

Between January to October, retail sales of consumer goods in urban areas grew by 12.7 percent, year-on-year; while those in rural areas grew 14.5 percent, year-on-year.

Land purchases by Chinese developers slip for first time in nine months

The total investment in real estate development in the first ten months of 2013 was yuan 6,869.3 billion, up by 19.2 percent year-on-year of which, investment in residential buildings was up 18.9 percent some 0.6 percentage points lower than that in the first nine months.

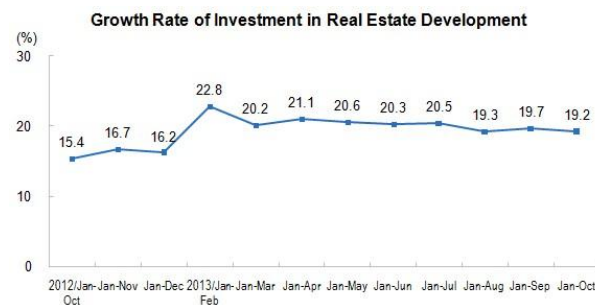
See:

http://www.stats.gov.cn/english/pressrelease/t20131112_402931122.htm

Investment in residential buildings accounted for 68.7 percent of all real estate development investment.

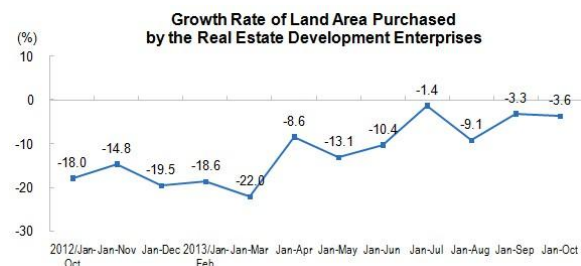
In the first ten months, real estate investment in eastern region grew by 17.1 percent year-on-year, but this was down by 0.9 percent over the first nine months. Growth in the central region stood at 20.1 percent, up by 0.1 percent while in the western region growth was up by 23.8 percent, but still slightly weaker than previously.

In the first ten months, the land area purchased by real estate development enterprises totaled 266.58 million square metres, a year-on-year decline of 3.6 percent.



Source: National Bureau of Statistics of China

The total land transactions were valued at yuan 643.4 billion yuan, but the growth rate has fallen 12.9 percent over that for the first nine months



Source: National Bureau of Statistics of China

Policy direction outlined but strategies for implementation yet to emerge

China's Communist Party leaders concluded their four day plenum on 12 November.

The communiqué issued at the end of the meeting outlined the broad policy directions but contained few particulars.

The communiqué is summarized at:

http://news.xinhuanet.com/english/china/2013-11/12/c_132882172.htm and here

http://news.xinhuanet.com/english/china/2013-11/12/c_132882325.htm

A communiqué provided an insight to the policy direction under the leadership of President Xi Jinping was clear on the need for economic reform but conservative, as expected, in other areas. The most encouraging statement picked up by all the major news agencies was the pledged to give competition a more "decisive role" in the economy.

The emphasis on the economy came as no surprise as the country struggles to reverse the recent slowing in growth. Analysts had been looking for specific decisions on the role of state owned companies but mention of this was only in the vaguest of terms as China's leaders said that while state ownership would continue to play a key role in the economy they endorsed more private ownership.

Not yet clear how far land reforms will be implemented

Details on the issue of land reform are yet to be released however, statements after the meeting suggested that farmers should have more property rights. The issue of land ownership in China is said to be holding back development in the rural areas.

All land in China is owned by the state and as such all farmers are tenants so cannot raise investment using land as collateral.

Analysts have long urged a change saying giving farmers ownership, or at least more control, would unlock immense wealth in the rural areas. One major obstacle to such a reform is that it would affect local governments which rely for revenue on land sales.

No anti-dumping charges on plywood from china

The United States International Trade Commission (USITC) has determined that the US plywood sector is neither materially injured nor threatened with material injury by reason of imports of hardwood plywood from China that the US Department of Commerce determined are subsidized.

Chairman Irving A. Williamson and Commissioners Shara L. Aranoff, Dean A. Pinkert, David S. Johanson, and Meredith M. Broadbent voted in the negative. Commissioner F. Scott Kieff did not participate in these investigations. As a result of the USITC's negative determinations, no antidumping or countervailing duty orders will be issued.

The Commission's public report Hardwood Plywood from China (Investigation Nos. 701-TA- 490 and 731-TA-1204 (Final), USITC Publication 4434, November 2013) will contain the views of the Commissioners and information developed during the investigations.

See:

http://www.usitc.gov/press_room/news_release/2013/er1105111.htm

Encouraging Green building

In order to further promote energy-efficient construction and accelerate the development of 'green building', the Chinese authorities have indicated they will promote the transformation and upgrading of urban and rural construction.

In April 27, 2012, the Ministry of Finance and the Ministry of Housing and Urban-Rural Construction jointly issued a report entitled: "Opinions On Accelerating The Implementation Of Green Building Development".

The State Council has also issued a "Green Building" Action Plan developed by the National Development And Reform Commission and the Ministry of Construction.

According to this action plan the proportion of green building will account for 30 percent of the total building area. The aim is to halve energy and resource consumption during construction to attain levels achieved in developed countries.

The Chinese government is encouraging the development of green building development model. One such approach is to combine green building and ecologically sustainable urban growth. To test the applicability of such a model a

joint project between China and Singapore called the "China-Singapore Tian Ecological City" development will be completed within 10 years over an area of 30 square kilometer home to some 350 000 people.

Imports from New Zealand exceeded those from Russia

Russia has been the largest supplier of timber to China for many years. But now China is diversifying its sources of timber imports as it expands its downstream processing industry through upgrading the applied technologies.

China's timber imports from Russia have fallen year by year and in 2012 were just 11.2 million cubic metres or 29 percent of the national total. In contrast China's timber imports from Oceania and North America have increased rapidly.

China's timber imports from New Zealand in 2012 were 8.6 million cubic metres or 23 percent of the national total but in the first half of 2013 were China's imports of timber from New Zealand were 5.14 million cubic metres, exceeding that from Russia. At the same time the share of log imports from the USA and Canada have been increasing steadily.

Zhangzhou City the largest provincial timber importing centre

According to a recent copy of the China Green Times newspaper, Zhangzhou City (Fujian Province) has become the largest supplier of fast growing plantation raw materials for industrial purposes. Some 153,000 hectares of short cycle industrial plantations have been established accounting for 60 percent of the total plantations in the province.

Fujian Province, China



Source: wikipedia

At the same time, Zhangzhou City has become the largest provincial timber importing centre, a record it has held for many years. Timber imports through Zhangzhou Ports in 2012 rose 40 percent to 2.26 million cubic metres. There are nearly 1000 timber processing and trading enterprises in the city with the total output value of RMB34.52 billion yuan. Of the total, the output value those of wooden furniture and wood-based panel enterprises have grown the fastest.

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 20-30 (cm)	3200-4800
Larch	4 m 8 cm 20-30 (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
Korean Pime	6m	30 cm	1400
	4m+		1700
Mongolian	6m+		1750
	4m	30 cm	1380
Scots Pine	4m	36 cm	1500
	6m	30 cm	1420
	6m	36 cm	1600

Report from Europe

EU wooden furniture market

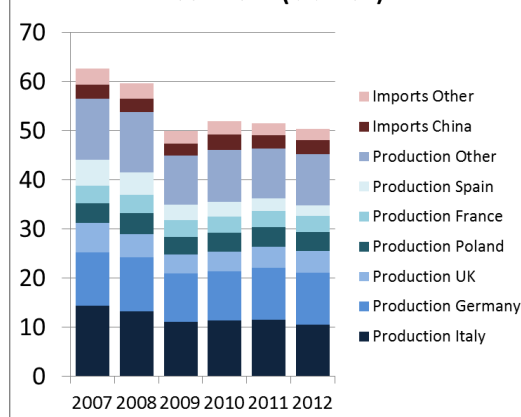
Total supply of wooden furniture into the EU27 market is estimated to have been euro50.4 billion in 2012, down 2% from euro51.5 billion in 2011 (Chart 1). EU27 production decreased 4% from euro46.45 billion to euro45.22 billion.

Imports increased 3% from 5.07 billion to 5.27 billion. In 2012, imports accounted for 11.6% of all furniture supply to the EU, up from 10.9% the previous year, but below 12.5% recorded in 2010 (Chart 2). Overall consumption is estimated to have fallen 4% in 2012 from euro43.35 billion to euro41.75 billion (Chart 3).

The Eurostat furniture production index suggests that the downward trend in EU production has continued into 2013 (Chart 4).

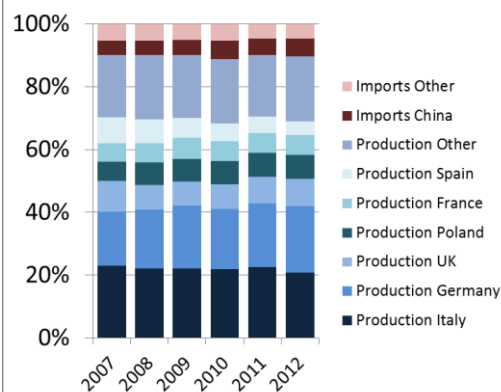
However, the rate of decline has slowed due to stabilisation in German and French production, a strong rebound in Polish production and signs of improvement in the UK. Production has continued to slide in Italy and Spain this year.

Chart 1: EU-27 wood furniture supply 2007-2012 (€ billion)



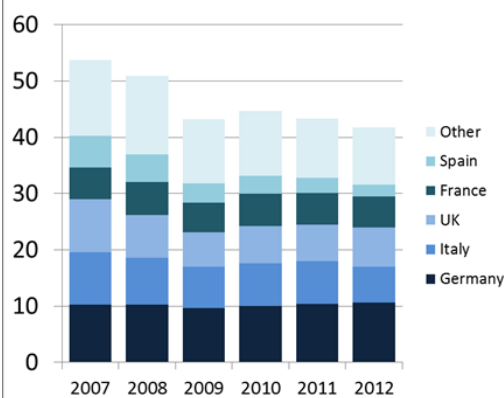
Source: FII Ltd analysis of eurostat

Chart 2: % share of value of EU-27 wood furniture supply by source



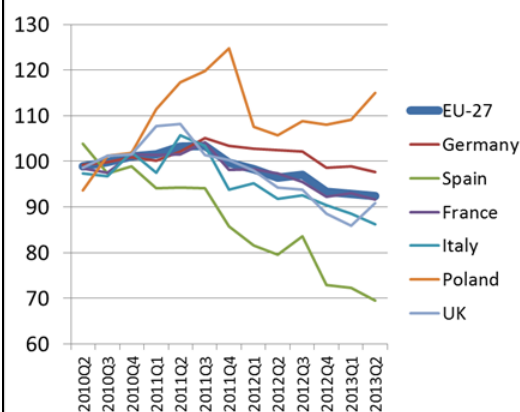
Source: FII Ltd analysis of eurostat

Chart 3: EU-27 wood furniture consumption 2007-2012 (€ billion)



Source: FII Ltd analysis of eurostat

Chart 4: Eurostat furniture production volume index (2010=100)



Source: FII Ltd analysis of eurostat

These figures for wooden furniture supply to the EU are provided by Forest Industries Intelligence (FII) Ltd drawing on a range of data derived from Eurostat and other sources. Much of the data is estimated due to the poor quality of information on wooden furniture production in most EU countries.

Uncertainty surrounding Italian furniture production data

Eurostat report that the value of wooden furniture production in Italy during 2012 increased 16% from euro11.6 billion to euro13.4 billion. This is almost certainly a statistical error.

It would imply that production last year returned to levels similar to those prior to the financial crises in 2008.

However this trend is contradicted by a wide range of other economic data and anecdotal reports which indicate that the sector is more likely to have contracted in 2012. Timber traders report low and declining consumption of hardwood in the Italian furniture sector last year.

Eurostat's own index of production volume records a continuing decline in 2012. CSIL, the Milan-based furniture industry research organisation, records a 10% decline in total Italian furniture production last year. The FII Ltd analysis aligns with the CSIL estimates and assumes that Italian wooden furniture production fell 9% from euro11.57 billion to euro10.50 billion last year.

Italian manufacturers recorded a 2% increase in export market sales during 2012, from euro4.75 billion to euro4.84 billion. However, weakness in the Italian domestic furniture market led to a sharp 14% decline in imports from euro825 million to euro713 million.

Overall wooden furniture consumption in Italy is estimated to have fallen 17% from euro7.65 billion to euro6.37 billion during 2012.

In contrast to Italy, the German wooden furniture market remained quite stable during 2012. German wooden furniture production is estimated to have increased by 1% from euro10.53 billion in 2011 to euro10.65 billion in 2012, mainly due to a 3% increase in domestic market consumption from euro10.35 billion to euro10.66 billion in 2012.

If these estimates are accurate, it means that Germany may have overtaken Italy as the largest European wooden furniture manufacturing country during 2012. Between 2011 and 2012, German wooden furniture exports decreased 2% from euro4.22 billion to euro4.14 billion, while imports increased 3% from euro3.98 billion to euro4.10 billion.

Euro value of UK furniture consumption up 6% in 2012

In terms of euro value, UK consumption of wooden furniture recorded a 6% increase from euro6.52 billion in 2011 to euro6.88 billion in 2012. UK production is estimated to have increased 2% from euro4.31 billion to euro4.40 billion, boosted both by the rising value of domestic consumption and export sales.

UK furniture exports are mainly targeted at the US and Irish markets, both of which are showing slow signs of recovery. UK exports of wooden furniture increased 5% from euro343 million in 2011 to euro359 million in 2012.

The value of UK wooden furniture imports is estimated to have increased 11% from euro2.55 billion to euro2.84 billion between 2011 and 2012.

These positive numbers for the euro value of consumption and production in the UK need to be considered in the light of the GBP being on average 10% stronger against the euro in 2012 compared to 2011.

The UK government's own Index of Production for UK furniture, which is measured in GBP and fed into the data that leads to the official GDP figures, suggested poor performance in 2012 over 2011 with a fall of over 10%.

The French wooden furniture sector suffered a 4% decline last year from euro3.35 billion to euro3.21 billion. French products came under increasing competitive pressure both at home and in export markets.

Exports of wooden furniture from France decreased 4% from euro782 million to euro749 million while imports into the country increased 2% from euro3.0 billion to euro3.1 billion.

Catastrophic collapse of Spanish furniture sector continues

The catastrophic collapse of Spain's wooden furniture sector continued during 2012. Production fell a further 16% from euro2.60 billion to only euro2.17 billion.

Concerted efforts to boost overseas sales led to a 4% increase in exports from euro606 million in 2011 to euro633 million in 2012. However this could not offset a 21% decrease in Spanish wooden furniture consumption from euro2.72 billion in 2011 to euro2.15 billion in 2012. Spain's imports of wooden furniture declined 16% from euro727 million in 2011 to euro612 million.

Meanwhile Poland, a country which has seen significant inward investment in furniture production capacity in recent years, recorded a 2% decrease in production value from euro3.92 billion in 2011 to euro3.85 billion. This was mainly due to weakening consumption in the domestic market as exports remained stable at \$3.38 billion.

Europe's smaller wooden furniture producing countries do well in 2012

Some positive trends were recorded by several of Europe's smaller wooden furniture manufacturing countries during 2012. Particularly notable is Portugal where wooden furniture production increased 48% from euro557 million in 2011 to euro825 million in 2012.

Portuguese wooden furniture exports increased 13% from euro432 million to euro487 million during the same period.

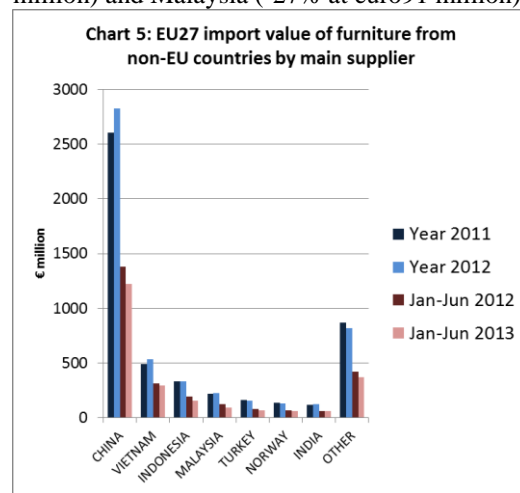
A few Eastern European countries also increased wooden furniture exports last year, including Lithuania (+23% to euro808 million), Czech Republic (+11% to euro310 million), Slovakia (+3% to euro417 million), and Romania (+4% to euro762 million).

In most of these countries imports are declining at the same time as exports are rising, indicating their growing importance in the supply of wooden furniture both inside and outside the region.

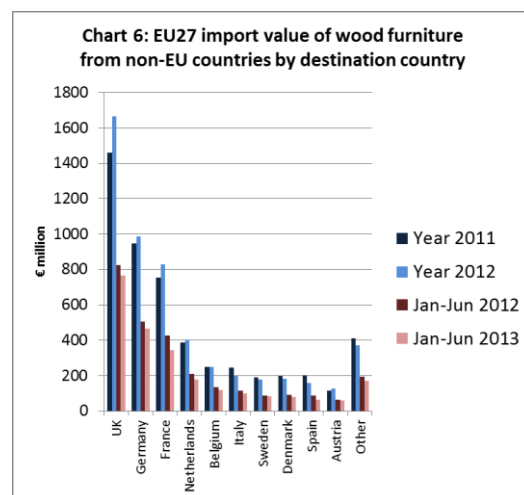
Declining EU wooden furniture imports during 2013

Imports of wooden furniture into the EU from outside the region increased 3% from euro5.07 billion in 2011 to euro5.27 billion last year. However, the rising trend in imports in 2012 has reversed in 2013 (Chart 5).

In the first 6 months of 2013, EU27 wooden furniture imports were down from all the main external suppliers including China (-11% at euro1224 million), Vietnam (-4% at euro297 million), Indonesia (-19% at euro154 million) and Malaysia (-27% at euro91 million).



Source: FII Ltd analysis of eurostat



Source: FII Ltd analysis of eurostat

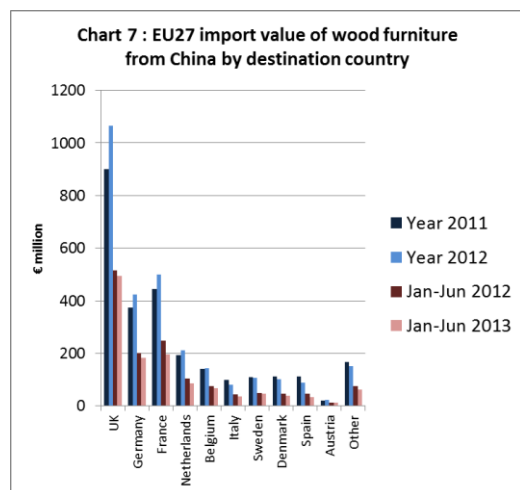
Imports of wooden furniture from outside the EU have declined into all the largest European markets this year including the UK (-7% to euro767 million), Germany (-8% to euro465 million), France (-19% to euro346 million), Netherlands (-16% to euro177 million), Belgium (-12% to euro118 million) and Italy (-14% to euro99 million) (Chart 6).

It is tempting to attribute some of the decline in EU imports of wooden furniture during 2013 to the implementation of the EU Timber Regulation (EUTR) in March 2013.

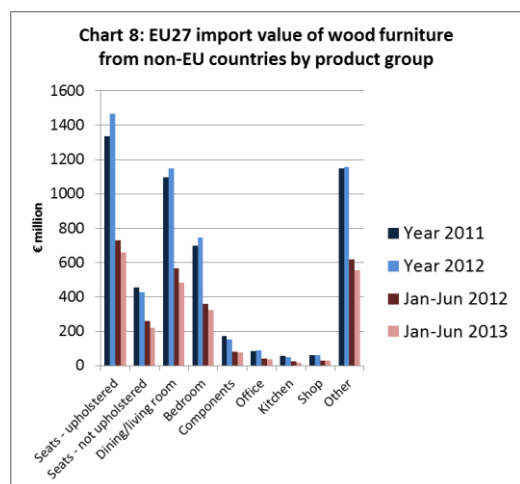
The complexity of supply chains and difficulty of providing clear evidence of legal wood harvesting required by EUTR might lead to discrimination against imported wooden furniture products.

However the evidence of the trade data suggests that, so far, other commercial factors have probably been more important.

The recent downturn is apparent in imports of all furniture products, not just those regulated under EUTR. Chart 8 indicates there has been a significant decline this year in EU imports of wooden seats – which are not EUTR regulated – as well as in products such as dining/living room furniture and bedroom furniture which are EUTR-regulated.



Source: FII Ltd analysis of eurostat



Source: FII Ltd analysis of eurostat

The downturn is also apparent in furniture manufactured in materials other than wood. Charts 9 and 10 show the recent trend in monthly import value of all furniture into the EU by material type.

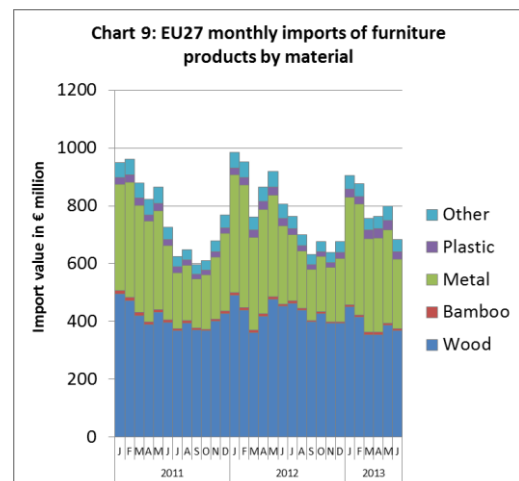
Chart 9 shows how wooden furniture imports (in blue) have been lower in the first 6 months of this year compared to the first 6 months of both previous years.

Chart 10 shows how the share of wood in all furniture imports has not changed significantly over the last 2 years. During this period, imports of metal furniture have declined as much as wooden furniture.

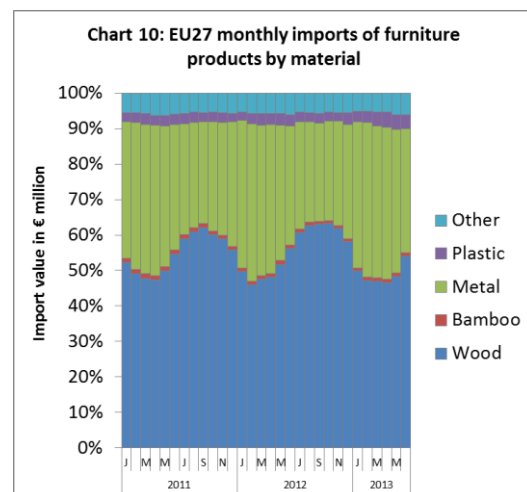
Rather than EUTR, the main driver of the decline in EU furniture imports during 2013 may be a slight improvement in the competitiveness of domestic production as labour and other costs have been rising in China.

Chart 10 also highlights the strong seasonal fluctuation in import share between wood and metal furniture types. This is due to larger volumes of wooden interior furniture being imported in the autumn months in the build-up to Christmas and the January sales.

Larger volumes of metal garden furniture are imported in the spring months in preparation for the summer season. This chart suggests that the real impact of EUTR will only become apparent when full data on wooden furniture imports in autumn 2013 becomes available.



Source: FII Ltd analysis of eurostat



Source: FII Ltd analysis of eurostat

EU authorities discuss EUTR implications for furniture sector

Chatham House, the London-based independent think-tank, hosted a workshop on “EUTR and the imported furniture sector” on 22 October.

The meeting was an invitation-only event attended by representatives of the government Competent Authorities responsible for enforcing EUTR in the EU Member States. They were joined by a small number of private sector and environmental group representatives invited to advise the Competent Authorities on issues arising from implementation of EUTR in the furniture sector.

The meeting was convened under Chatham House rules. This means that while the content of the discussion may be reported, neither the identity nor the affiliation of the participants may be revealed.

The meeting began with a review and discussion of the supply of wooden furniture into the EU. This highlighted that no more than 10% of the value of wooden furniture supplied to the EU derives from non-EU countries. Of that which is imported, 50% is sourced from China, with much of the rest sourced from Vietnam, Indonesia, and Malaysia.

However, the EU imports wooden furniture with value of over euro1 million from each of over 60 countries worldwide. It was also noted that of the euro5.3 billion euro of wooden furniture imported into the EU in 2012, nearly euro2 billion was seating, which is not regulated, and euro3.5 billion comprised regulated products.

The meeting noted the rapid rise in the share of China in supply of imported wooden furniture into the EU, from around 22% of import value in 2003 to around 50% in 2012. This rise in share has mainly been at the expense of manufacturers in South East Asia and Latin America.

The meeting highlighted that the main burden for implementing EUTR in the wooden furniture sector will lie with only three EU Member States – UK, Germany and France – which together take around 70% of wooden furniture imported into the EU.

Contrast between exterior and interior furniture sectors

Discussion at the Chatham House meeting highlighted the different characteristics of the European market for exterior and interior furniture. In the case of the former, EU supply is heavily import dependent with the vast majority of manufacturers concentrated in East Asia, notably Vietnam, China, Thailand and Indonesia.

This industry has traditionally strongly favoured natural forest teak from Myanmar, but has diversified into a range of alternative, mainly plantation grown species, in recent years. Under strong pressure from European retailers, a significant proportion of wood used for manufacture of exterior wooden furniture sold into the EU is certified.

However, supply restrictions have encouraged some Asian manufacturers to switch to alternative materials and/or to manufacture interior products instead.

It was noted that the EU market for interior furniture is much less dependent on imports, although there has been rising import penetration particularly in the bedroom furniture and dining/living room sectors over the last decade.

The use of reconstituted panels with veneers and, more recently, a broadening range of décor paper and other artificial surfaces have taken much share from solid wood in the interior furniture sector. Where solid wood is still used, oak is now strongly favoured, sourced variously from the EU, US, Ukrainian and Russian sources.

It was observed that use of tropical wood for manufacture of interior furniture in the EU is now limited and declining, probably much less than 5% of total EU consumption. The traditional “tropical redwood” look is not at all fashionable in Europe.

There has been expanding use of reconstituted veneers to replicate the exotic look of expensive tropical hardwoods.

However a range of tropical species are used occasionally for specific applications in the sector, for example rubberwood, plantation teak and acacia. In addition, a wide variety of specialist exotic hardwoods are used very occasionally, all high end and in small volumes for individual pieces.

Challenges in implementing EUTR in the furniture sector

Against this background, discussion at the Chatham House meeting turned to the numerous challenges of implementing EUTR in such a complex sector as furniture.

The highly fragmented nature of the industry was noted, both on the supply side in Asia and in the EU retailing sector. In the EU, while larger retailers have become more prominent in the market, a large proportion of product is still sold through smaller companies. Retailers may buy direct or may source product from EU importers offering ‘own-brand’ furniture manufactured under contract in Asia.

Considerable concern was expressed during the meeting that the vast majority of companies importing furniture into the EU lack the appropriate knowledge and expertise to undertake due diligence in accordance to EUTR. They do not have the skills to assess the validity of documents and claims from their suppliers of legal sourcing.

The situation has not been helped by lack of clarity and guidance on the steps EU furniture importers need to take to assess and mitigate risks. It was observed that “many overseas suppliers have not heard of EUTR, they do not understand it, and they do not want to comply”.

It was noted that “margins in the wooden furniture industry are tiny” and that “most companies do not have the resources to comply.... a lot of companies are buckling under the strain”.

Even large retailers are struggling as they are being required to assess hundreds, even thousands, of small suppliers in a short period of time. They are finding it extremely difficult to check and validate the huge quantities of data and numbers of documents returned by their suppliers.

In theory, risk assessment is meant to take place, followed by action to mitigate risk, before any product is listed for sale in the retailer’s brochure or delivered to the EU market. In practice this is almost impossible in an industry dependent on rapid turn-around times.

Limitations of certification systems

Certification systems operating globally like FSC and PEFC have occasionally been proposed as the solution to the challenges of legality verification in lengthy and complex supply chains. However the information provided at the Chatham House meeting did not provide assurance that these systems are yet of sufficient scope, capacity or rigour to address these problems.

It was noted that the “majority of European furniture retailers have upwards of 200 suppliers, each of which buys from a similar number of sub suppliers, who may in turn buy from any number of agents, and that’s before you get anyway near the forest”.

Ensuring that each supplier in the chain is chain of custody certified is an enormous challenge and very rarely achieved in the wooden furniture importing sector. Even where it is achieved, the amount of certified wood available falls far short of what is required.

Concerns were expressed about the potential abuse of chain of custody certificates in such a complex trading environment. It was suggested that supplying companies frequently misuse chain of custody certificates by claiming they provide evidence that all their wood supply is legal, rather than just that proportion from certified forest.

It was also noted that European companies often lack the leverage to encourage significant change in the supply chain. In China for example, it was noted that the whole of the EU consumes less than 10% of the \$50 billion of wooden furniture manufactured in the country each year.

Wooden furniture trade flows from China

It was acknowledged at the Chatham House meeting that “most wooden furniture shipments from China are not in the high-risk category from an EUTR compliance perspective.”

The rapid increase in log supply from China’s domestic forests and into China from countries like New Zealand, USA, Canada and Germany was noted.

However, it was also noted that some export flows from China into the EU are high risk due to the relative opacity of supply chains in the country and China’s own imports from several high risk countries. Specifically, it was claimed there is widespread abuse of sanitation permits in Russia and that timber transport documents from the country into China are regularly forged.

It was also alleged that Chinese companies are trading in *Dalbergia cochinchinensis* of Cambodian origin, a species which is protected under Cambodian forest law. It was also claimed that there is no reliable information on the legality of much of the African timber now being imported into China.

Standard trade documents such as invoices, bills of lading and certificate of origin, may all be provided by the Chinese exporter to the EU operator. However it was suggested these documents are not sufficient for EUTR due diligence because they do not deal with legality of harvest.

Vietnam’s log imports in the FLEGT agreement

Concern was also expressed at the Chatham House meeting about handling of imported wood in the Vietnamese FLEGT VPA negotiations.

It was noted that 80% of Vietnamese raw material supply is imported and that Principle 2 of the VPA, which deals with imported wood, only covers logs and only requires conformance to Vietnamese import controls.

It was claimed that there is no requirement, in the current draft of the VPA, for logs to be legally harvested in the country of origin. Therefore, if this draft were to be accepted, it was alleged that the FLEGT VPA could be used to launder wood illegally harvested in another country.

Competent authorities urged to agree “reasonable measures”

The meeting fell short of suggesting any real solutions to these numerous problems of EUTR implementation in the wooden furniture sector. Emphasis was placed on the need for Competent Authorities to “think carefully how to deal with these practicalities” and to work together to decide “what are reasonable measures”.

It was also observed that while certification had many short-comings, if applied rigorously systems like FSC and PEFC were “about the best tools we have” and from a company perspective, certified supply chains will always tend to be treated as lower risk.

It was suggested that Competent Authorities need to allow importers the ability to use certification as a tool for due diligence, while also challenging the operators of these systems to strengthen procedures and improve capacity.

Report from North America

Hardwood plywood imports from China, Indonesia up

US imports of hardwood plywood grew by 14% to 290,946 m³ in August. Higher shipments from China and Indonesia accounted for much of the growth. Year-to-date imports were 11% higher than in August 2012.

US imports of hardwood plywood

	Jun-13	Jul-13	Aug-13	Jul - Aug % change
Total Imports	200,248	255,554	290,946	14%
China	65,377	118,957	129,793	9%
Indonesia	60,315	30,494	77,255	153%
Ecuador	16,500	28,314	22,676	-20%
Canada	10,765	12,596	10,885	-14%
Russia	27,275	21,381	27,199	27%
Malaysia	6,391	22,885	6,651	-71%
Other	13,625	20,927	16,487	-21%

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

Imports from China were 129,793 m³ in August, up 9% from July. Imports from Indonesia recovered after dropping steeply in July. August shipments were 77,255 m³ and year-to-date imports were 125% higher than at the same time last year.

Ecuador's shipments fell from last month to 22,676 m³, but on a year-to-date basis US imports from Ecuador were more than four times higher than in August 2012.

More hardwood moulding from Brazil

Hardwood moulding imports fell to \$16.6 million in August, after they surpassed \$18 million in July. Despite the decline in total imports, Brazilian manufacturers increased shipments to \$4.6 million, up 3% from the previous month.

	Jun-13	Jul-13	Aug-13	Jul - Aug % change
Total Imports	16,079,575	18,432,541	16,613,009	-10%
Brazil	4,651,383	4,419,605	4,554,689	3%
China	4,818,312	5,905,907	4,551,361	-23%
Malaysia	1,253,503	1,297,630	1,171,705	-10%
Canada	1,544,863	1,502,664	1,453,275	-3%
Other	3,811,514	5,306,735	4,881,979	-8%

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

All other major suppliers shipped less than in July. Imports from China fell by 23% to \$4.6 million in August. Malaysian shipments declined by 10% to \$1.2 million.

Indonesia remains largest hardwood flooring supplier despite drop in August shipments

Imports of assembled flooring panels remained almost unchanged from the previous month at \$14.9 million, but hardwood flooring imports grew by 14% to \$3.1 million.

US imports of assembled flooring panels (US\$)

	Imports Jan - Aug	% change year on year
World Total	124,402	-3%
China	190,703,441	-16%
Canada	121,567,416	13%
Indonesia	36,453,429	14%
Brazil	7,062,471	57%
Other	9,159,191	58%

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

Hardwood flooring imports from Indonesia fell to \$861,000, down 34% from July. Malaysia shipped \$919,000, up 133% from the previous month. On a year-to-date basis Indonesia remains the largest hardwood flooring supplier, followed by Malaysia and China.

US imports of hardwood flooring (US\$)

	Imports Jan - Aug	% change year on year
World Total	52,999,937	-10%
Malaysia	12,968,208	-41%
Indonesia	17,496,882	28%
China	8,931,490	-21%
Canada	1,836,961	-13%
Other	11,766,398	-3%

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

Wooden furniture imports from Mexico and Indonesia up

US imports of wooden furniture remained around the \$1.2 billion mark in August. Year-to-date imports were 5% higher than in August 2012. Imports from China and Vietnam declined in August, while imports from Mexico and Indonesia were up.

China's furniture shipments to the US were \$585.8 million in August, down 7% from July. China's market share in total US furniture imports in 2013 remained unchanged from the previous year at 49%.

US imports of wooden furniture (US\$)

	Imports Jan - Aug	% change year on year
Total Imports	8,726,714,331	5%
China	4,238,804,874	3%
Vietnam	1,191,781,732	-5%
Canada	744,937,140	4%
Malaysia	344,130,565	-22%
Mexico	312,115,298	-7%
Indonesia	353,266,086	0%
Other	1,541,678,636	35%

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

Includes: HS 940161, 940169, 940330, 940340, 940350 and 940360

Imports from Mexico's were worth \$49.7 million (+11%). Imports from Indonesia grew to \$51.6 million (+3%) and Malaysian shipments were worth \$47.9 million (+1%).

Furniture, wood products manufacturing expanding

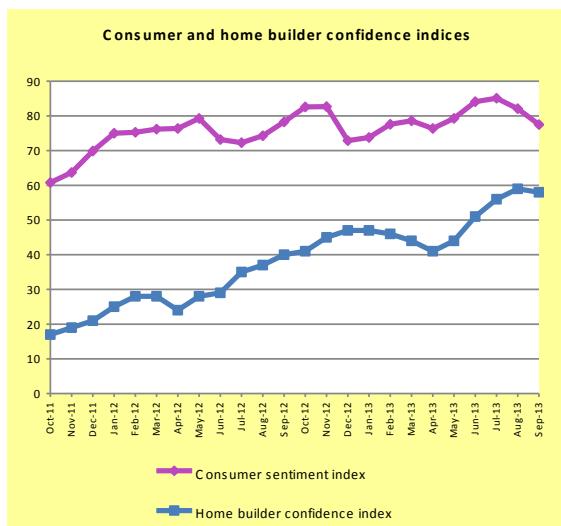
Economic activity in the manufacturing sector expanded in September for the fourth consecutive month, according to the Institute of Supply Management. Furniture manufacturing increased, while the wood products sector reported no change from August.

Raw material prices increased, and wood product companies reported the highest increase in purchasing prices of all manufacturing sectors.

The overall economy also expanded in September. Based on the Institute's survey data and past experience, GDP growth is estimated at 3.3% on an annualized basis.

Consumer confidence down

Consumer confidence in the US economy fell in September, according to the Thomson Reuters/University of Michigan consumer sentiment index. Consumers are worried about the government's economic policies and they expect interest rates to rise in 2014.



Source: Thomson Reuters/University of Michigan Surveys of Consumers, National Association of Home Builders/Wells Fargo Housing Market Index

The consumer survey was carried out before the partial US government shutdown, and according to other surveys, the government shutdown led to a steep decline in consumer confidence in early October.

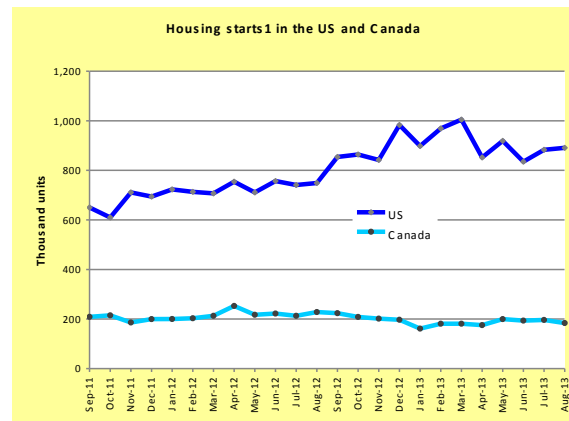
Builder confidence in the market for newly built single-family homes remained essentially unchanged in September, according to the Home Builders/Wells Fargo Housing Market Index.

Factors that deter potential home buyers are rising mortgage rates and difficulties to obtain credit. Rising labour costs contribute to higher costs of construction.

Slow recovery in housing market continues

US housing starts increased slightly in August. Construction started on 891,000 homes at a seasonally

adjusted annual rate, 0.9% above the revised July estimate of 883,000. Housing starts are 19% higher than at the same time last year.



Source: US Census Bureau, CMHC

In August, Single-family starts, which account for a larger share of wood demand than multi-family housing, increased by 7% to 628,000.

The number of building permits issued declined by 4% to 918,000 in August at a seasonally adjusted annual rate. The number of permits issued is usually an indicator of future building activity.

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 median home price is only 7.3% below its record high in July 2006, before the financial crisis.

Canadian housing market stable

Canada's housing starts declined by 6.4% in August from the previous month (seasonally adjusted annual rate). Much of the decline was in multi-family starts in urban areas.

Demand for existing homes remains strong. Sales of existing homes grew for the sixth consecutive month in August. Homes prices increased from the previous month and compared to August last year.

Growth in non-residential construction projected

Commercial/industrial building construction was the strongest non-residential sector in August. Construction of hotels has also grown, but other non-residential building types have declined, including manufacturing, offices and education.

Non-residential construction will increase in the last quarter of 2013 and continue to grow in 2014, according to surveys by the American Institute of Architects. The institute projects an overall increase of 2.3% for 2013 and 7.6% for 2014.

No duties on plywood from China

The US International Trade Commission ruled in early November that there is not enough evidence for injury to the US wood industry by imported Chinese plywood. The

unanimous ruling overturns the Commission's preliminary determination of injury in 2012. The final countervailing and antidumping duties that were announced in September will not be imposed.

The Commission acknowledged that Chinese plywood was subsidised and sold at less than fair market value. But this has not harmed the US industry enough to impose antidumping or other additional duties.

A public report of the investigation will be available after December 16. The report "Hardwood Plywood from China" can be requested by email from the International Trade Commission (pubrequest@usitc.gov).

Union calls for stronger enforcement of laws against illegal logging

The United Steelworkers union supports measures to stop illegal logging abroad to protect jobs in the US wood processing industry. The union is the largest in North America, representing workers in the pulp, paper and forestry industries, mining, metals and several other sectors.

The union has called for stronger enforcement of trade and environmental laws, such as the Lacey Act, in response to a report on illegal logging published by the Environmental Investigation Agency. The report describes the illegal logging and trade from Russia to China and after processing and manufacturing, to the US market. For example, illegally logged Russian hardwood is processed into flooring in China and then exported to the US.

The Environmental Investigation Agency report is available here: <http://eia-global.org/campaigns/forests-campaign/liquidating-the-forests>

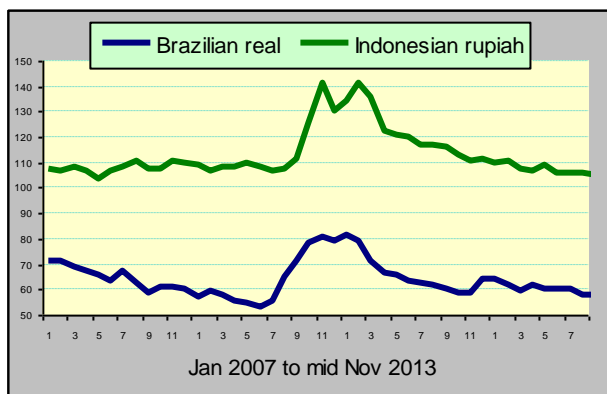
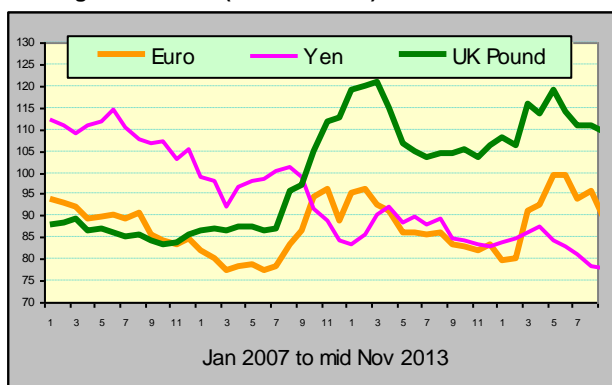
Disclaimer: *Though efforts have been made to keep prices near to accurate, these are published as a guide only. ITTO does not take responsibility for the accuracy of this information.*

Main US Dollar Exchange Rates

As of 12th November 2013

Brazil	Real	2.3320
CFA countries	CFA Franc	488.35
China	Yuan	6.0924
EU	Euro	0.7443
India	Rupee	63.9745
Indonesia	Rupiah	11495
Japan	Yen	99.64
Malaysia	Ringgit	3.2108
Peru	New Sol	2.7995
UK	Pound	0.6287
South Korea	Won	1071.66

Exchange rates index (Dec 2003=100)

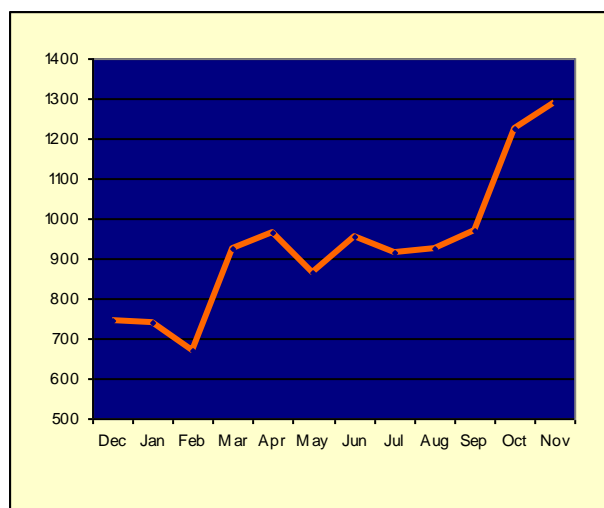


Abbreviations and Equivalences

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 December 2012 – November 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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