

# Tropical Timber Market Report

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The ITTO *Tropical Timber Market (TTM) Report*, an output of the ITTO Market Information Service (MIS), is published in English every two weeks with the aim of improving transparency in the international tropical timber market. Its contents do not necessarily reflect the views or policies of ITTO. News may be reprinted provided that the ITTO *TTM Report* is credited. A copy of the publication should be sent to [ti@itto.int](mailto:ti@itto.int).

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## Top Story

### **Indonesia to allow plantation log export but from only community forests**

The Ministry of Forestry (MoF) has said exports of logs from community forests will be permitted but that, for the time being, exports of logs from industrial plantations remain restricted.

All exports of community forest plantation logs will have to comply with Indonesia's timber legality assurance system (SVLK).

The Secretary General of the MoF said the decision to allow plantation log exports will encourage the expansion of community owned plantations.

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### EU markets offer little prospect for expansion

The remarkably calm market conditions remained through to end November and prices are unchanged. Demand is normally slow towards year end and this is expected to be the case until the end of January or February next year. W. African producers are still very dependant on markets in the EU and are not expecting a quick turn-around in business next year.

The European markets are unlikely to offer any real chance for market expansion until the governments in member states expand major infrastructure and construction projects on which there has been a lot of talk but little action.

Over past months the UK house building sector has been very active thanks to a government loan scheme to assist house buyers but recent news suggests this support for home buyers may be scaled back.

W. African exporters appear to be able to provide sufficient, comprehensive evidence to satisfy the EU timber regulation while efforts continue to implement procedures such that FLEGT licenses can be issued to ensure unrestricted access to EU markets.

### Harvesting to begin in new concessions in Congo

Log supply issues have not improved and producers expect forestry authorities to maintain the current strict control of forest operations and the monitoring of log transportation, production and export shipments. These controls now involve checks on volumes as well as species identification at the port.

Buying for the Chinese market continues at moderate levels and logs are in demand but supply problems limit opportunities for market expansion.

The news is that harvesting will begin in some new concessions in the Republic of the Congo which should help ease log supply constraints. Meanwhile, the Middle and Far East markets are active and business remains at very satisfying levels.

### Unrest and new load restrictions affecting supply of sapele

Traders report that supplies of sawn sapele from the Central African Republic are still affected by the unrest in the country and by the strict border controls. Tough new regulations on timber truck weight have been introduced for vehicles using long road journey to Douala Port.

### No change in market prospect in 2014

Forecasts for the end of the year and early months of 2014 are generally for little change in the current stable market conditions. Producers expect to be able to maintain current price levels with possibly some small increases for the few timbers favoured by European buyers and perhaps for okoume for other markets.

### International Tropical Timber Council back in Gabon after 15 years

The International Tropical Timber Council (ITTC) opened its 49th session in Libreville, Gabon on Monday, 25th November 2013, its first meeting outside the headquarters since the new international treaty to govern its work came into force in December 2011.

The session was officially opened by His Excellency, Mr. Raymond Ndong Sima, Prime Minister and Head of State of the Government of Gabon, who in his opening speech stated that the vision of the Gabonese Government for the year 2025 is to become a world leader in certified tropical timber (currently Gabon has around 2 million hectares of FSC certified forest), with an innovative forest industry and a forest under sustainable forests management. Mr. Ndong Sima, also recognized the support of ITTO in establishing the first community forest in Gabon.

In his opening speech to the Council, Mr. Emmanuel Ze Meka, Executive Director of ITTO stressed the work that is being carried out by the Organization in order to promote intra-African trade of tropical timber and timber products, the sustainable management of the protected forest areas of the Congo Basin, and on the reporting capabilities of the Congo Basin countries on forest-related indicators.

Mr. Ze Meka also highlighted the financing of a project in Cote d'Ivoire with the aim of involving refugees and displaced local populations in the restoration of degraded forest lands, thanks to the generosity of the government of Japan.

For more see: <http://www.itto.int>

### Log Export Prices

West African logs, FOB	€ per m <sup>3</sup>		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	220	220	155
Ayous/Obeche/Wawa	225	210	150
Azobe & Ekki	230	230	155
Belli	230	230	-
Bibolo/Dibétou	155	140	-
Iroko	255	225	220
Okoume (60% CI, 40% CE, 20% CS)	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 <sup>3</sup>
Ayous	FAS GMS	340
Bilinga	FAS GMS	520
Okoumé	FAS GMS	480
	Merchantable	270
	Std/Btr GMS	350
Sipo	FAS GMS	550
	FAS fixed sizes	-
	FAS scantlings	560
Padouk	FAS GMS	900
	FAS scantlings	900
	Strips	400
Sapele	FAS Spanish sizes	490
	FAS scantlings	550
Iroko	FAS GMS	570
	Scantlings	600
	Strips	445
Khaya	FAS GMS	450
	FAS fixed	470
Moabi	FAS GMS	550
	Scantlings	550
Movingui	FAS GMS	415

### Report from Ghana

#### First three quarter export data released

According to data from the Timber Industry Development Division (TIDD) of the Ghana Forestry Commission (GFC), the country earned Euro 91.35 mil. from the export of 206,603 cu.m of wood products in the first three quarters of 2013 as against Euro 68.93 mil. from the export of 179,819 cu.m in 2012.

Exports in the first three quarters of 2013 increased 32.5% in value and 4.9% in volume compared to the same period last year.

The European Union is the country's major market for wood products and, for in the period reviewed, accounted for Euro 39.45 mil. or almost 49% of all exports.

The United States imports of kiln dried sawnwood amounted to 17% of the total volume of sawnwood exports and were worth euro 5.48 mil. The main species exported as sawnwood were wawa, mahogany, cedrela, koto and sapele.

Markets in neighbouring African countries accounted for 30.4% of the value of Ghana's wood product exports in the first three quarters of 2013 as against 34.2% in the same period last year. The ECOWAS market (mainly Nigeria, Niger, Senegal, Burkina Faso, Togo, Benin and Mali) were the main destinations (70%)

Exports of primary products (poles and billets), secondary wood products (mainly sawnwood, boules, veneers and plywood) and tertiary wood products (comprising mouldings, flooring, dowels and profile boards) accounted for Euro 2.02 mil. (2.21%), Euro 83.05mil. (90.92%) and Euro 6.272 mil. (6.87%) respectively of the total export revenue. Secondary wood products comprised the bulk of the country's exports in the first three quarters of 2013

### Ghana's 2014 Budget Statement Overview

The Minister of Finance, Mr Seth Terkper, presented Ghana's Budget and economic policy for 2014 to parliament in Accra. The theme was "Rising to the Challenge: Re-aligning the budget to meet key national priorities".

Among the key initiatives proposed were the establishment of a Ghana Infrastructural Fund (GIF), a 10% salary cut for members of the Executive, debt management strategies (including a third eurobond issue and the setting up of a contingency fund).

GDP growth in 2013 is forecast to be 7.4% somewhat lower than the projected 8% growth. The fiscal deficit is projected at GH¢8 .9 bil., equivalent to 10.2 percent of GDP.

The macroeconomic targets for 2014 were summarised in the recent report to the executive as; non-oil real GDP growth of 7.4 percent; overall real GDP (including oil) growth of 8.0 percent; an end year inflation target of 9.5 percent within the band of  $\pm 2$  percent; an overall budget deficit equivalent to 8.5 percent of GDP and gross international reserves of not less than 3 months of imports of goods and services

#### Timber industry is importing logs

Mr Peter Zormelo of the TIDD has expressed concern over the likely impact of reduced raw material availability for the timber industry, saying the area of forests in Ghana has fallen from about 8.5 mil. ha to the current 1.8 million ha..

He went on to say that the timber industries in the country may be forced to import logs to remain viable in supplying even domestic demand for wood products.

Mr Zormelo expressed these views at the recently concluded National Forest Forum organised by Civic Response, a non-governmental organisation. Mr Zormelo reported that some companies are already importing small quantities of logs and that the TIDD is working with the Customs Division to regularise such imports to enable the industry import larger volumes.

### Domestic Log Prices

Ghana logs	US\$ per m <sup>3</sup>	
	Up to 80cm	80cm+
Wawa	150-160↓	164-185↓
Odum Grade A	170-175↑	180-188↑
Ceiba	115-133	138-150
Chenchen	100-112↑	118-128↑
Khaya/Mahogany (Veneer Qual.)	125-150	155-180
Sapele Grade A	152-157	161-185
Makore (Veneer Qual.) Grade A	106-116	141-166
Ofram	112-118	130-135

### Boule Export prices

	Euro per m <sup>3</sup>
Black Ofram	235↓
Black Ofram Kiln dry	333↑
Niangon	492↑
NiangonKiln dry	575↓

### Export Sawnwood Prices

Ghana Sawnwood, FOB FAS 25-100mm x 150mm up x 2.4m up	€ per m <sup>3</sup>	
	Air-dried	Kiln-dried
Afrormosia	855	945
Asanfina	480	544
Ceiba	240	269
Dahoma	284↓	342↓
Edinam (mixed redwood)	350	470
Emeri	353	542
African mahogany (Ivorensis)	593	629↓
Makore	575	650↑
Niangon	570↑	617↑
Odum	530↓	641↓
Sapele	567	645↓
Wawa 1C & Select	275	323

### Export Rotary Veneer Prices

Rotary Veneer 1-1.9mm , FOB	€ per m <sup>3</sup>	
	CORE (1-1.9mm )	FACE (2mm)
Ceiba	274↓	330
Chenchen	320	358
Ogea	298↓	350
Essa	322	330
Ofram	320	357

### Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afrormosia	1.32	0.80
Asanfina	1.20	0.47
Avodire	1.12	0.47
Chenchen	0.85	0.53
Mahogany	1.30	0.47
Makore	1.26	0.43
Odum	1.88	1.08

### Export Plywood Prices

Plywood, FOB BB/CC	€ per m <sup>3</sup>		
	Ceiba	Ofram	Asanfina
4mm	428	600	641
6mm	422	592	622
9mm	360	415	475
12mm	357↓	435	439
15mm	325	363↑	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

### Glulam, another step forward

The MTC has signed a memorandum of understanding with the Public Works Department (PWD) and an architect, Ahmad Asmadi Architecture, to promote the use of glulam in government funded projects in Malaysia.

Glulam, or glue laminated timber, is considered a versatile timber construction material which is stronger than steel, can be made fire resistant, is easy to machine and assemble and most importantly, ecologically sustainable.

Structural glued-laminated timber is manufactured by bonding assemblies of high-strength, kiln-dried lumber, with waterproof adhesives.

The laminating process in glulam allows timber to be used for much longer spans, heavier loads and more complex shapes in construction, giving engineers and architects the freedom to design a variety of shapes, from straight beams to graceful, curved arches – without compromising on structural or strength requirements.

Under the MoU, the PWD would provide engineering design, including detailing and specifications to enhance the capability to design glulam structures and monitor the project. MTC plans to engage a suitably qualified structural engineer to check, evaluate and verify the engineering details prepared for the design of a glulam *surau* (Muslim prayer house).

### Certification not the saviour of the forest says head of Sabah Forestry

In the recent international conference ‘Heart of Borneo’s Natural Capital: Unleashing their potential for sustainable growth in Sabah’, Sam Mannan, Director of Sabah Forestry, made some interesting and strong points in his speech.

Sabah is planning to increase its totally protected areas from some 20% of the total land area to 30%, or from 1.35 million hectares today to about 2.10 million hectares over the next 10 years.

Sabah will increasingly depend on planted forests including commercial tree plantations as well as agro-forestry crops for timber supply and forest revenue. Mannan made a strong point when he said: “the world could not care less about certified timber” and “this is our experience, it is price that matters”.

He said certified timber is no longer a saviour. In today’s market it is pure economics and financial decisions that drive people to buy or not buy certified timber.

### Industry anticipates stronger business with India

The general manager of Sarawak Timber Industry Development Corp (STIDC), Sarudu Hoklai, was reported by the Star newspaper as saying Sarawak timber industry will earn RM 7.8 billion from exports this year (approximately US\$ 2.4) as compared to RM 7.454 billion last year. In 2011, total exports were RM 7.075 billion.

Meanwhile, WTK Holdings Bhd, a major timber group based in Sibu, Sarawak expects Indian importers to gradually increase their orders for Sarawak’s tropical logs now that the rupee is more stable compared to three months ago. Some 73% of the group’s logs exports went to India in the third quarter of 2013.

“On a year-on-year basis, average round logs prices increased by 5.1% while sales volume decreased by 25.8%,” said WTK to The Star, adding that besides India, the group exported round logs to Taiwan, China, Vietnam and Singapore.

Some 80% of WTK's plywood exports went to Japan, 19% to Taiwan and the remaining 1% to China. As for the group's plywood division, WTK said average selling price rose by 8.9% but sales volume fell by 27.7% due to its decision to reduce production of some non-premium plywood products in anticipation of stock disposal by other companies.

#### **Plantation C&I open for public discussion**

The Malaysian Timber Certification Council (MTCC) is currently facilitating the second public discussion on the review of the Malaysian Criteria and Indicators for Forest Management Certification (Forest Plantations), referred to in short as the M C&I (Forest Plantations). The Review will be held throughout the month of December.

The M C&I (Forest Plantations) is the standard for assessing the management practices for plantation forests under the Malaysian Timber Certification Scheme (MTCS) which has been implemented by MTCC since 2009.

MTCC has received no application to certify plantation forests under this standard nevertheless the ongoing review is in line with international practices that certification standards be reviewed at least once every five years to ensure continuous improvements.

The main body to undertake the review the MC&I (Forest Plantations) and develop a revised standard will be the Standards Review Committee (SRC).

This Committee will serve as the multi-stakeholder "Forum" and its members will comprise representatives nominated by stakeholder groups representing the interests of social, environmental and economic groups. Relevant government agencies, from the three regions of Malaysia, Sabah, Sarawak and Peninsular Malaysia will also participate.

It is anticipated that the entire full review of the M C&I (Forest Plantations) will be over by end of 2014.

#### **Plywood price indications**

Plywood traders in Sarawak have reported export prices as follows:

Floor base B (11.5mm) US\$ 680 – 685 FOB;

Fromboard (3 x 6 feet UCP)

Japan (3 x 6 feet UCP) US\$ 530 – 550 FOB;

Middle East (9-18mm) US\$ 460 FOB;

South Korea (8.5 – 17.5mm) US\$ 480 – 500 C&F;

Taiwan (8.5 – 17.5mm) US\$ 450 FOB;

China/Hong Kong US\$ 460 – 480 FOB.

## **Report from Indonesia**

### **Log exports from community forests**

The Ministry of Forestry (MoF) has said exports of logs from community forests will be permitted but that, for the time being, exports of logs from industrial plantations remain restricted. All exports of community forest plantation logs must comply with Indonesia's timber legality assurance system (SVLK).

The Secretary General of the MoF, Daryanto, said exports of logs from community forests is unlikely to attract international criticism as the move will benefit community forest owners.

Daryanto also said the decision to allow plantation log exports will encourage the expansion of community owned plantations. At present most of the community forests are in Java but hopefully the change in the law allowing log exports will encourage the establishment of plantations in other regions of the country.

The move to allow plantation log exports is expected to result in a rise in plantation log prices.

### **Wood product exports may top US\$5 billion**

The Indonesia Ministry of Forestry (MoF) Director of Processing and Marketing of Forest Products, Dwi Sudharto, said that wood product exports in the first 10 months of this year are about 10% higher than in the same period last year. The value of wood product exports from January to October 2012 was US\$4.2 bil. while in the first ten months of 2013 the total was US\$4.7 bil.

Some 64,682 V-legal certificates have been issued as of November covering exports from 69 exit points in the country.

The top five export destinations were China US\$1.40 bil., Japan US\$874.8 mil., South Korea US\$378.2 mil., the United States US\$340.7 mil., and Australia US\$194.0 mil.. Exports to Asian countries totalled more than 75% of the total value of exports. Sawnwood exports to the European Union at 346,000 tons ranked second after those to Asian markets.

The main wood products exported were woodbased panels, pulp, paper, wood crafts, and furniture. The Executive Director of the Association of Indonesian Forest Concessionaires, Purwadi Soeprihanto, said prospects for Indonesian wood product exports are good now that the timber legality assurance system in Indonesia has been recognised by the European Union.

#### **Domestic Log Prices**

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



**Domestic Ex-mill Sawnwood Prices**

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

**Export Plywood Prices**

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

**Domestic Plywood Prices**

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

**Export and Domestic Other Panel Prices**

Indonesia, Other Panels, FOB		US\$ per m <sup>3</sup>
<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****Weak demand for non-teak hardwoods**

Analysts report that the pace of teak log shipments continues to increase driven by the impending log export ban set to come into force in 2014.

Teak log prices have risen compared to levels observed in October but, overall market sentiment is mixed. Demand for non-teak hardwood logs remains weak. There has been some interest in small purchases of Gurjan but, unlike the demand for teak, it will need a miracle to drive up interest in the non-teak hardwoods.

**Investments from the EU**

Myanmar President Thein Sein has urged European companies to make responsible investments in Myanmar. This was the theme of a meeting with representatives from the EU in Naypyitaw in mid November. The President said investment by EU companies would boost Myanmar's economy and provide good returns for investors.

**GSP and easing of financial restrictions a boost private sector**

According to the Irrawaddy Newspaper, the World Bank has forecast that Myanmar's economy is set to grow 6.8 % next year, placing it among Southeast Asia's fastest growing economies. However, the Bank warns of the impact of rising inflation on the poor.

The Bank review suggests economic expansion will be driven by energy and commodities exports, foreign investments, construction.

Foreign direct investment in Myanmar has so far risen to US\$2.7 bil. in fiscal 2012-13 up from US\$1.9 bil. in 2011-12. On the other hand the Asian development Bank (ADB) is forecasting stronger growth supported by investor optimism following policy reforms.

The reinstatement of Myanmar in the European Union's Generalized System of Preferences for duty free and quota free market access and the gradual easing of restrictions on financial institutions are boosts to the private sector.

**MTE announces log supply to domestic industry**

The indications are that the Myanmar Timber Enterprise (MTE) will make available some 600,000 tons of hardwood logs to the domestic industry in fiscal 2013-14. In December this year the MTE plans to sell 430 tons of teak logs to domestic millers.

This announcement was made by MOECF Union Minister Win Tun at the Amyotha Hluttaw (House of Nationalities).

The MOECF Minister, Win Tun, emphasized that the decision to provide these raw materials to the domestic mills was to stimulate job creation in the timber sector.

The Minister said that 186,650 tons of teak logs will be extracted during this fiscal year which is 80,000 tons less than last year. Similarly 787,600 tons of hardwood logs will be extracted this year compared to the previous year's 1,355,227 tons.

**November teak log tender results**

The following shows the grade, quantity and prices for teak logs during the 22 and 25 November tender conducted by the MTE.

**Teak tender prices**

Grade	Quantity (Tons)	US\$ per hoppus ton
4th Quality	10	6611
SG-1	12	5012
SG-2	24	3660
SG-4	271	3147
SG-5	57	2878
SG-6	170	2194
SG-7	130	1729

Hoppus ton=1.8m<sup>3</sup>; 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.

**MTMA seeks clarification on commodity tax after log export ban**

Under current system of sales the price of logs purchased by domestic millers from the MTE are inclusive of the commodity tax.

The Myanmar Timber Merchants' Association (MTMA) is seeking clarification on how the commodity tax will be levied after the 1 April 2014 entry into force of the log export ban.

MTMA is also seeking exemption from the commodity tax on logs purchased from MTE and those imported from neighbouring countries saying this will improve the competitiveness of the domestic industry and help stimulate investment in the sector.

### Report from India

#### **Manufacturers see positive signs in US and EU markets**

The Indian rupee exchange rate has been steady over the past weeks, moving in a narrow range of 62-63 to the US dollar. Exporters have benefited from the weaker rupee and export values have grown at the fastest pace for two years.

Export shipments rose by 13.5% to US\$27.3 billion in October while imports of gold and silver dropped precipitously by 80% which has helped narrow the trade deficit to around US\$10.5 billion, nearly half the level seen a year ago.

Factory output is said to be improving and figures for October show a 2% gain in output over the figures for September. Manufacturers see positive signs of improved demand in the US and Europe markets.

#### **Plywood industries struggle with competition from reconstituted panels**

The woodbased panel sector is still suffering from shortages of raw materials which is pushing up prices for logs, chemicals and fuel. Labour shortages are now increasingly of concern.

To add to the woes of the plywood industry, re-constituted boards such as MDF, HDF, WPC (wood plastic combination) boards and particleboards are increasingly replacing plywood.

Rising costs and competition with substitutes are eating up profitability in the plywood sector. Competition in the woodbased panel sector is shifting in favour of the composite boards as prices are very competitive and the quality of the panels now available is so much better than in the past because of improved manufacturing technologies.

The reconstituted panel manufacturers have moved downstream and are now laminating panels within their own plants thus cutting out intermediary companies which previously handled the lamination. These boards from the panel mills now go directly to manufacturers of furniture, doors etc.

These changes are bringing very competitively priced products to the consumer. Recently the Ministry of Public Works and the Military Engineering Services have

permitted the use of reconstituted boards in public sector works thus reducing the share of plywood in this market segment

Laminated boards have also affected consumption of solid wood for doors. In India today flush doors are becoming more popular in up-market homes.

Currently there are around 85 plants producing veneered flush doors, laminated flush doors and moulded flush doors with PVC membranes. Because Indian carpenters find wages better in the Gulf States Indian producers of solid doors are having to increase wages to keep carpenters but this means their products become more expensive and they find themselves priced out of the market.

India has introduced an employment scheme under which a worker when employed must be guaranteed at least 100 days employment. This has reduced labour mobility and caused a scarcity of workers. The scheme applies to unskilled and skilled workers.

This welfare measure introduced by the state is a problem for plywood mills which are more labour intensive than the sophisticated reconstituted board factories.

Because of labour shortages many plywood mills have had to limit production to one shift.

**Imports now dominated by hardwoods other than teak**  
With the conclusion of the Hindu New Year holidays the timber markets have come back to life and stocks have started to move once more. Currently, demand is stronger in the smaller towns and moffusil areas rather than in the metropolitan areas.

Analysis of species imports shows that non-teak tropical hardwood imports continue to gain over teak and analysts point to several reasons for this. The first reason is that good quality plantation teak from Africa is getting scarcer; secondly, Myanmar teak is getting more and more expensive.

African teak can be landed in India at between Rs.1200 – 1500 per cubic foot and Myanmar teak is priced between Rs.2000 – 2700 per cubic foot. In contrast Malaysian species are available in the range of Rs.700~900 per cubic foot.

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

	US\$ per cu.m
Tanzania teak, logs	350-700
Côte d'Ivoire logs	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 logs	430-535
Liberia logs	350-460
Brazil 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

Demand is steadily improving as these are most economically available good timbers for construction as also industrial uses.

Prices for air dry sawnwood per cubic Foot, ex-sawmill are shown below.

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

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

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

Sawnwood (Ex-mill)	Rs. per ft <sup>3</sup>
Myanmar Teak (AD)	
Export Grade F.E.Q.	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 still capping prices for imported sawnwood. Ex-warehouse prices for imported kiln dry (12% mc.) sawnwood per cu.ft are shown below.

Sawnwood, (Ex-warehouse) (KD)	Rs per ft <sup>3</sup>
Beech	1300-1350
Sycamore	1300-1400
Red oak	1500-1650
White Oak	1600-1800
American Walnut	2300-2400
Hemlock clear grade	1300-1400
Hemlock AB grade	1100-1200
Western Red Cedar	1600-1650
Douglas Fir	1200-1300

Price variations depend mainly on length and cross section

#### Plywood Market trends

Due to poor market conditions prevailing in the housing and furniture sectors, prices have remained steady. Many small scale plywood mills in South India are facing licensing problems and will not be operating until this situation is resolved.

#### 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	Rs70.50
5mm Flexible ply	Rs.36.00	

## Report from Brazil

### Base rate increase

Brazil's Consumer Price Index (IPCA) rose from 0.35% in September 2013 to 0.57% in October 2013 bringing the accumulated IPCA for the year to October to 4.38%. This is the same level as recorded for all of 2012.

Over the twelve months from November 2012 the index stood at 5.84%, marginally below the 5.86% registered in the previous twelve months.

At its end November meeting the Central Bank Monetary Policy Committee (Copom) increased the base interest rate to 10% a half percent an increase of 0.5% on the rate set at the last meeting.

### Even companies operating with approved management plans face huge hurdles

Brazilian tropical sawnwood production is concentrated in the states in the Amazon Region. Domestic producers, generally source logs from areas with sustainable management plans, from other concessions and from public forests such as National Forests (FLONAS – Florestas Nacionais) and/or State Forests (FLOTAS - Florestas Estaduais). Some companies purchases logs on the open market.

The recently released 2013 Sectoral Study from the Brazilian Association for Mechanically Processed Timber Industry (ABIMCI) suggests that, the intense control of logging operations by environmental agencies and the overwhelming burden of bureaucratic red tape has become a significant hurdle even to companies operating with approved management plans.

The combined impact of these problems and other factors such as seasonal weather changes, taxation issues and poor infrastructure has been a sharp reduction in the supply of logs from natural forests. This reduced supply has caused prices to rise to a level where tropical log raw materials are becoming uncompetitive.

It has been observed, says the ABIMCI report, that the supply of logs from legal sources has dropped considerably.

By way of example, the report says in the state of Pará, one of the leading states having tropical forests in Brazil, only about 324,000 cu.m of tropical sawnwood was harvested in 2011 and in 2012 the volume harvested fell to 305,000 cu.m in 2012 (-6%).

By way of contrast, mills in the state produced around 390,000 cu.m of sawnwood representative of a log input of around 5-600,000 cu.m.

In 2012, production of tropical sawnwood in Brazil totalled around 6.0 million cu.m, a 57% decline from levels in 2000. In the period 2000 - 2012, between 88% and 94% of domestic tropical sawnwood production in Brazil was consumed by the domestic market.

### African mahogany - a new plantation investment option

It has been found that the soil and climatic conditions in the state of Mato Grosso, one of the main tropical timber producing states in the Amazon region, are suitable for growing African mahogany. The plantation area in Mato Grosso is expanding as private companies invest to secure raw materials.

In October a technical guideline on the commercial establishment of African mahogany was launched. This technical guideline was drafted with support from the State Government, through the Secretariat for Rural Development and Family Agriculture (Sedraf) and the Mato Grosso agency for Research, Rural Assistance and Extension (Empaer). Support was also provided by the Center for Timber Producers and Exporters Industries of Mato Grosso (Cipem).

The Bank of Brazil is encouraging this development as it wishes to finance plantation projects which it considers a new option for investment by both the timber sector and farmers.

According to Empaer, the establishment of African mahogany plantations could become a significant investment for farmers and the timber industry as a high value timber will be produced. Through the introduction of African mahogany the state of Mato Grosso aims to bring unproductive deforested and degraded land back into productive use.

### October trade trends

In October 2013, the value of wood products exports (except pulp and paper) increased 15% over levels in October 2012, rising from US\$198.1 million to US\$ 228.4 million.

Pine sawnwood exports increased 21% in value in October 2013 compared to October 2012, from US\$13.1 million to US\$15.8 million. In terms of volume, exports rose 12.6%, from 60,500 cu.m to 68,100 cu.m over the same period.

In October this year tropical sawnwood exports fell 15% in volume, from 32,200 cu.m (October 2012) to 27,400 cu.m.

The value of these exports fell by only 1.9% from US\$16.1 million to US\$ 15.8 million over the same period.

In contrast, pine plywood exports grew 37% in value in October 2013 compared to October 2012, from US\$27.5 million to US\$37.7 million. The volume of exports increased 46.4% from 74,500 cu.m to 109,100 cu.m. during the same period.

While pine plywood exports have been performing well, tropical plywood exports fell 25.4% in October from 5,900 cu.m in October 2012 to 4,400 cu.m in October 2013. In value terms exports of tropical plywood fell 23%, from US\$3.5 million in October 2012 to US\$2.7 million in October 2013.

Exports of wooden furniture increased from US\$ 41.9 million in October 2012 to US\$ 44.3 million in October 2013, a 5.7% increase.

### Falling production undermines regional growth

The sectoral study published by ABIMCI illustrates the declining trend in Brazilian exports of tropical sawnwood in the period 2000-2012.

In terms of volume between 2000 and 2012 there was a 66% decline, (av. 8.5% per year) in tropical sawnwood exports. In the same period the value of exports dropped 37%.

Annual tropical sawnwood exports grew up until 2004, and then gradually began to decline, a trend which continues today. In the 2007 - 2008 period, there was a sharp decline in tropical sawnwood exports as trade was affected by the global economic crisis.

Analysis of export data for 2011 and 2012 reveals that the downward trend continued and had a strong negative impact on development in the production areas.

The slowdown in tropical sawnwood production had a strong impact, not only on the sector itself, but also on industrial production, job security, tax incomes socio-economic development. The report also suggests that the decline in tropical sawnwood production and export has affected the value placed on forest assets.

In 2008, the largest exporters of tropical sawnwood were located in the state of Pará (with 49%) and in the State of Mato Grosso (22%). In 2012, despite the reduction in the value of exports in relation to 2008, the state of Pará remains the largest exporter of tropical sawnwood accounting for 43% of the national total export. The state of Rondônia accounted for 10% of 2012 tropical sawnwood exports.

### Furniture and wood sector discuss exports to Italy

Possibilities of timber and furniture export to Italy, were discussed between the timber and furniture industry associations in Acre State (Sindusmad and Sindmóveis) and the Federation of Industries in the State (FIEAC). The

focus of the discussions were on what innovations and process improvements would be required to produce products suitable for the Italian market.

Representatives from the National Service for Industrial Learning (SENAI) and the Brazilian Amazonia Association (Associação Amazonia Brasile), which currently provides the link between Acre state and Italian companies, participated in the meeting.

The Brazilian Amazonia Association reported that Italian furniture companies have shown an interest in importing quality certified products from Acre. According to Sindusmad, one of the biggest obstacles reported by entrepreneurs is the high tax burden on the timber industry. Another barrier is that in Acre state most companies are small-sized and would find it difficult to satisfy large export orders.

One of the first steps recommended to allow exporters from Acre to be better known would be participation in the 1014 Milan Furniture Fair and the World furniture Exhibition in 2015.

### Price trends

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

### Domestic Log Prices

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

### Export Sawnwood Prices

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

### Domestic Veneer Prices

Rotary cut Veneer, domestic	US\$ per m <sup>3</sup>
(ex-mill Northern Mill)	Face Core
White Virola	247 202

### Export Plywood Prices

Plywood, FOB	US\$ per m <sup>3</sup>
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 <sup>3</sup>
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 <sup>3</sup>
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 <sup>3</sup>
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 <sup>3</sup>
Decking Boards	
Cambara	1,045
Ipê	2,570

## Report from Peru

### Deforestation in Cusco

According to a study conducted by the regional government, deforestation in Cusco continues at an alarming rate. The study suggests that over 70,000 ha. of forest are being lost every year.

Edwin Mansilla, the Deputy Director in the Natural Resources Department, attributed the losses to illegal logging, illegal mining and the increased incidence of forest fires.

The highest rate of deforestation was observed in Quispicanchi, bordering Madre de Dios. Quispicanchi Province is one of thirteen provinces in the Cusco Region in the southern highlands of Peru.

Location of Quispicanchi in the Cusco Region of Peru



Source [wikipedia.org/wiki/Quispicanchi\\_Province](http://wikipedia.org/wiki/Quispicanchi_Province)

Ninoska Rozas, a manager in the Natural Resources Department, said that forest loss was putting many native forest species at risk of extinction. Cusco still possesses significant biodiversity and some 40% of the region is considered as Amazonian. To date some 177 key biodiversity areas have been identified mostly in the province of La Convencion.

### US\$300 million to mitigate climate change

The environment ministry (Minam) reported that US\$300 million of international cooperation projects would be implemented in the country to mitigate the effects of climate change. Deputy Minister, Strategic Development of Natural Resources, Gabriel Quijandria, has indicated that projects would be undertaken that go beyond the issues of adaptation and mitigation of climate change.

He said "The mitigation issues are important to reduce the damage caused by climate change but that it is also important to improve forest management in the country so that Peru ceases to be a contributor to the climate change through deforestation".

#### Export Sawnwood Prices

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

Peru Sawnwood, FOB Callao Port (cont.)	US\$ per m <sup>3</sup>
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	428-487
Grade 2, Mexican market	358-404
Cumaru 4" thick, 6'-11' length KD	
Central American market	841-865↑
Asian market	851-931↑
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 <sup>3</sup>
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 <sup>3</sup>
Mahogany	867-911
Virola	128-156↑
Spanish Cedar	296-355↑
Marupa (simarouba)	108-119↑

#### Export Veneer Prices

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

#### Export Plywood Prices

Peru plywood, FOB Callao (Mexican Market)	US\$ per m <sup>3</sup>
Copaiba, 2 faces sanded, B/C, 15x4x8mm	318-347
Virola, 2 faces sanded, B/C, 5.2x4x8mm	423-439p
Cedar fissilis, 2 faces sanded 4x8x5.5mm	759-770
Lupuna, treated, 2 faces sanded, 5.2x4x8mm	363-385
Lupuna plywood B/C 15x4x8mm	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 <sup>3</sup>
122 x 244 x 4mm	444
122 x 244 x 6mm	397
122 x 244 x 8mm	415
122 x 244 x 12mm	399
(Pucallpa mills)	
122 x 244 x 4mm	463
122 x 244 x 6mm	439
122 x 244 x 8mm	430
122 x 244 x 12mm	429

### Domestic Prices for Other Panel Products

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

### Export Prices for Added Value Products

Peru, FOB strips for parquet	US\$ per m <sup>3</sup>
Cabreuva/estoraque KD12% S4S, Asian market	1287-1388
Cumaru KD, S4S Swedish market	866-981
Asian market	1289-1350
Cumaru decking, AD, S4S E4S, US market	1210-1298
Pumaquiro KD # 1, C&B, Mexican market	423-511
Quinilla KD, S4S 2x10x62cm, Asian market	493-519
2x13x75cm, Asian market	732-815

## Report from Guyana

### Purpleheart prices beat expectations

Active price movements for purpleheart logs were seen during the period reviewed. Purpleheart logs and sawnwood attracted significantly improved prices in contracts concluded over recent weeks.

Purpleheart Standard sawmill quality logs earned top end prices of US\$355 per cubic metre FOB significantly up on the price of US\$235 seen last month.

Improved prices were also achieved for Fair sawmill quality purpleheart logs where the best price was US\$280 per cubic metre FOB.

For Small sawmill quality purpleheart logs FOB prices were in the region of US\$250 per cubic metre. The principal export market for recent shipments of purpleheart logs was India.

### Demand for sawnwood firms lifting prices

Sawnwood FOB prices improved in the period under review. Undressed sawn greenheart attracted good prices for Select category and top end FOB prices moved from US\$954 to US\$1,484 per cubic metre.

Sound category Undressed sawn greenheart price moved from US\$741 to US\$804 per cubic metre FOB and the improved momentum in prices spilled over to Merchantable quality Undressed sawn greenheart where FOB prices moved up from US\$594 to US\$721 per cubic metre.

The leading markets for Undressed Greenheart timber species include the Caribbean, Europe, Middle East and North America.

Undressed Purpleheart sawnwood prices benefited from the overall firm demand and FOB prices for Prime category timbers increased from US\$1,080 to US\$1,200.

This price increase was mirrored by prices for Select category purpleheart sawnwood where FOB prices firmed from US\$1,993 to US\$2,250 per cubic metre. For Merchantable quality the price increase went from US\$640 to US\$827 per cubic metre FOB.

One end use for mora is railway sleepers and sales of sawn mora for sleeper category earned favourable prices of as much as US\$749 per cubic metre in the Caribbean market.

Additionally Dressed Greenheart maintained firm prices on the export market (US\$ 1,102 per cubic metre) during this period in comparison to the previous period. The main market was the Caribbean.

Dressed purpleheart attracted high prices on the export market, there was price activity in the prime category earning as much as US\$ 1,550 per cubic metre attracting the market of New Zealand.

However, in the standard category top end prices fell during this period from US\$ 1,230 to US\$ 1,060 per cubic metre.

There was no export of Plywood during the period reviewed.

Splitwood managed to secure noteworthy prices as much as US\$ 1,300 per cubic metre on the export market attracting the destination of the Caribbean, Middle East and North America. Roundwood (Piles and Posts) exported during this period made it way on to the Caribbean and North American market.

Greenheart Piles earned fair pricing as much as US\$ 563 per cubic metre, while Wallaba Post made an input of US\$ 663 per cubic metre.

Value added products also made a valuable contribution towards the total export earnings during this period. Many of Guyana's commercialised species were used to craft and produce these items into beautiful value added products.

### Update on Guyana's EU FLEGT VPA process

Stakeholder involvement in the EU FLEGT VPA Process is a critical component and as such efforts are continually being made to reach all stakeholders. In this regard, work on the communication and consultation strategy and the scoping of impacts has begun and should be completed by year end.

In addition, the stakeholders awareness sessions are ongoing with focus on creating awareness and providing updates on the FLEGT VPA process to stakeholders across the country.



Additionally, the scoping of impacts study has commenced with the aim of identifying the potential impacts of the VPA be and how these will vary for different stakeholder groups.

Work is still ongoing on Guyana's legality assurance system with emphasis on the legality definition. Feedback on this draft document is currently being sought from stakeholders and is available on Guyana Forestry Commission's website.

#### Export Log Prices

Logs, FOB Georgetown		SQ - US \$ Avg unit value per m <sup>3</sup>		
		Std	Fair	Small
Greenheart*		-	-	-
Purpleheart		200-355	170-280	150-250
Mora		-	-	-

\*Small SQ is used for piling in the USA and EU. Price depends on length. In the case of no price indication, there is no reported export during the period under review.

#### Export Plywood Prices

Plywood, FOB Georgetown Port			US\$ Avg unit val. per
Baromalli	BB/CC	5.5mm	m <sup>3</sup>
		12mm	584
	Utility	5.5mm	No export
		12mm	No export
			No export

#### Export Sawnwood Prices

Sawnwood, FOB Georgetown		\$ Avg unit val. per m <sup>3</sup>	
EU and US markets		-Undressed	Dressed
Greenheart	Prime	-	-
	Standard	-	650-1,102
	Select	640-1,484	
	Sound	720-804	
	Merchantable	679-721	
Purpleheart	Prime	1,200	1,480-1,550
	Standard	-	975-1,060
	Select	650-2,250	
	Sound	-	
	Merchantable	827	
Mora	Prime	-	
	Select	500	
	Sound	-	
	Merchantable	-	

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

## Report from Japan

### Assessment of the current state of the Japanese economy

The Japanese Cabinet Office has released its latest assessment of the current state of the Japanese economy saying the recovery is proceeding at a moderate pace despite some weakness in exports. The full press release can be found at: [www5.cao.go.jp/keizai3/getsurei-e/2013nov.html](http://www5.cao.go.jp/keizai3/getsurei-e/2013nov.html)

In summary the latest report says:

- Industrial production is increasing at a moderate pace
- Corporate profits continue to improve mainly among large firms
- Business investment is picking up, mainly among non-manufacturing industries
- The judgment of firms on current business conditions is further improving
- The employment situation is improving
- Private consumption is on an upward trend
- Recent price developments suggest that deflation is ending

In the short term, says the report, the recovery is expected to consolidate as household income and business investment continue to improve. A last-minute rise in consumption is expected as consumers buy items in advance of the consumption tax increase however, weak overseas demand is still a risk.

### Consumption and investment

Real GDP in the July - September quarter of 2013 increased by 0.5% on a quarterly basis (equivalent to an annual rate of 1.9%), this was the fourth consecutive quarter of growth.

Private consumption is said to be picking up and although consumer confidence has weakened recently, real household incomes are said to have held firm. Recent demand-side statistics, including the Family Income and Expenditure Survey, point to an improvement in sentiment.

Quarterly financial statements from large corporations show that investment increased in the April-June quarter by 2.9% from the previous quarter, the third consecutive quarter of increase. However, investment by manufacturers fell by 0.6% from the previous quarter but for non-manufacturers investment grew by 4.7% from the previous quarter.

According to the Business Outlook Survey by the Ministry of Finance and the Cabinet Office, planned business investment in fiscal year 2013 is expected to increase both for large manufacturers and large non-manufacturers. The figures for Orders Received for Machinery, a leading indicator, have improved.

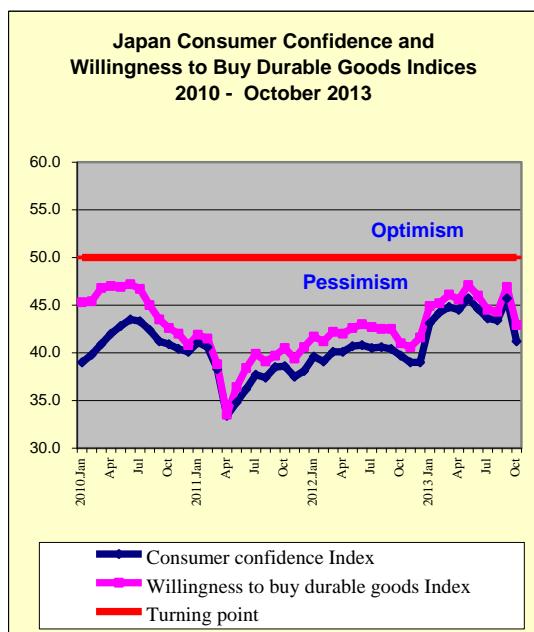


### Consumer confidence undermined

Japan's economy is showing steady signs of growth and the efforts to fight deflation seem to be having an impact as the government data shows consumer prices (excluding food and energy) rose in October however, household spending remains subdued.

The government and BoJ have a 2% inflation target to be achieved over the next two years. Analysts say most of the current consumer price increases are the result of the weaker yen which has driven up the cost of imported items, notably fuel for power generation and petrol. The higher cost of these items has spilled over into higher household costs.

In Japan household spending accounts for over 60% of the country's economic activity but spending has fallen for two months in a row. The rising cost of living and stagnant incomes is undermining consumer confidence



Source: Cabinet Office, Japan

### Monetary policy begins to turn around deflationary trend

Economic indicators released by Japan suggest that the monetary policy and stimulus strategy of the government and Bank of Japan (BoJ) are beginning to impact deflation. for the world's No. 3 economy.

Japan has not had experienced inflation since October 2008 because there has been virtually no economic growth. The Bank of Japan has set its self a target of two per cent inflation. By mid 2014.

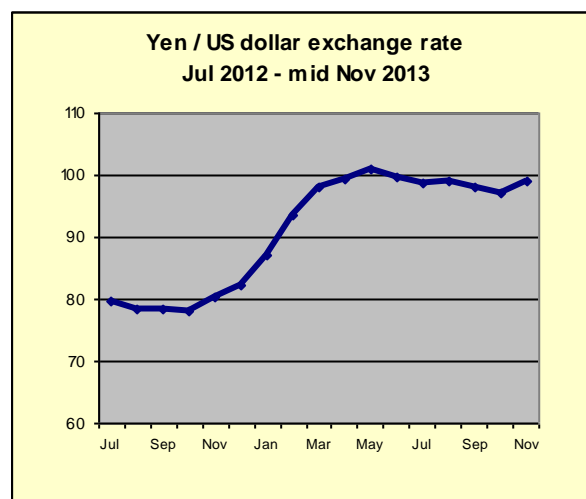
The government reported that, excluding food, the consumer price index rose almost 1% from a year earlier but much of this could be the result of the steep jump in electricity prices introduced after the nuclear power plants were shut down after the Fukushima nuclear disaster.

Household spending in Japan remains weak mainly because consumers do not have confidence that they will benefit from current economic policies and because employment situation is tough. In the face of rising inflation and stagnant incomes short term prospects are not bright.

### Yen drops to below 100 to the US dollar

The sharp decline in the yen exchange rate to below yen 100 to the US dollar resulted in a boost to the value of the Japanese stock market which is dominated by export companies.

Japan's exporters will be the biggest beneficiaries of the yen's weakness, as consumers overseas with dollars will find Japanese imports cheaper.

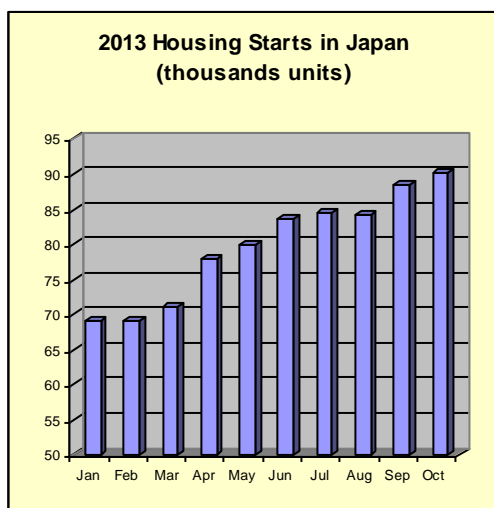


### Good short term prospects in housing sector

Housing construction has been increasing in recent months the result of a last-minute rise in demand before a consumption tax increase. Construction of privately owned houses, houses for rent and houses for sale have all increased. Also, the total number of sales of condominiums in the Tokyo metropolitan area has been increasing.

The short-term prospects for housing construction is good, supported by the improvement of the employment and income situations and a last-minute rise in demand before a consumption tax increase.

However, the availability of skilled construction workers may become a constraint on further growth in housing starts.



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

#### Trade news from the Japan Lumber Reports (JLR)

*The Japan Lumber Reports (JLR), a subscription trade journal published every two weeks in English, is generously allowing the ITTO Tropical Timber Market Report to extract and reproduce news on the Japanese market.*

*The JLR requires that ITTO reproduces newsworthy text exactly as it appears in their publication.*

For the JLR report please see:

<http://www.n-mokuzai.com/modules/general/index.php?id=7>

#### Soaring prices of domestic logs

Domestic log prices have been inflating rapidly by busy orders sawmills and plywood mills as a result of booming housing starts before consumption tax increase.

Log supply is way behind swelling demand so that log prices are soaring everywhere in Japan. With higher log prices, lumber market prices are also firming.

In Kyushu and Shikoku, prices of sill cutting cypress logs exceed 28,000 yen per cbm. In Tochigi, post cutting cedar log prices shot up to 15,800 yen, 1,500 yen up from September prices and sill cutting cypress log prices jumped up to 30,700 per cbm yen, 4,100 yen up from September.

Compared to the bottom prices in last June, they are 5,300 yen or 50.5% higher and 10,300 yen or 50.5% up. Compared to the recent low prices in May through July last year, they are 81.6% up and 98.1% up

#### South Sea (tropical) plywood market bottoming out

Market of South Sea hardwood plywood is bottoming both in supplying regions and in Japan.

In Tokyo market, where the demand should be better than other areas after Tokyo is selected as the Olympic game in 2020 but weakness remains in November.

Dumping sales by the importers and wholesalers started in mid August to dispose of excessive inventories and peaked in late September in time for book closing then the aftereffect lingered into October.

Market undertone remained unsteady even in November when the importers sold under the cost of future cargoes to DIY stores and wholesalers. Finally low priced offers disappeared in mid November.

Shipping volume from the port yards was the bottom in August then they have kept increasing and October shipment was the same as the peak month of this year. Arrivals of concrete forming panel have been declining since June.

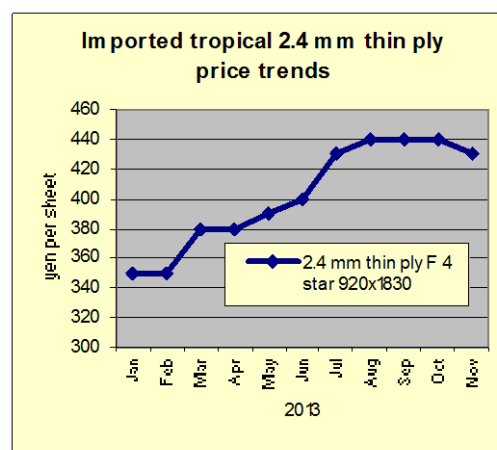
By heavy arrivals and weakening yen, many reduced future purchases so finally supply and demand are balancing.

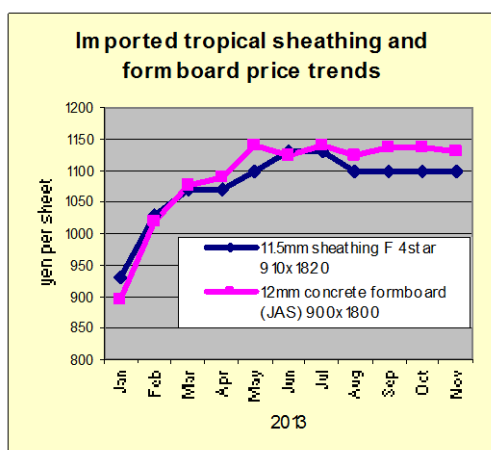
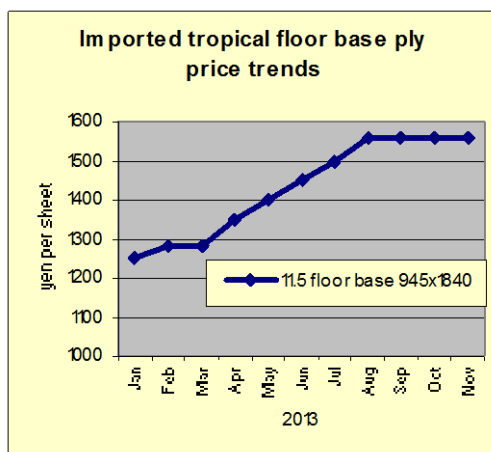
General forecast is the supply of 3x6 concrete forming for coating would get tight by late November and of green 3x6 concrete forming by late December.

Producing regions are partially in rainy season and India is aggressively purchasing. After major suppliers built up order files then the export prices bottomed out, other suppliers get aggressive and their attitude is rigid now.

Japanese buyers are puzzling to see if they should buy futures after lengthy market slump but considering dropping inventories in Japan and rush-in demand before the tax raise, it is necessary to buy futures now.

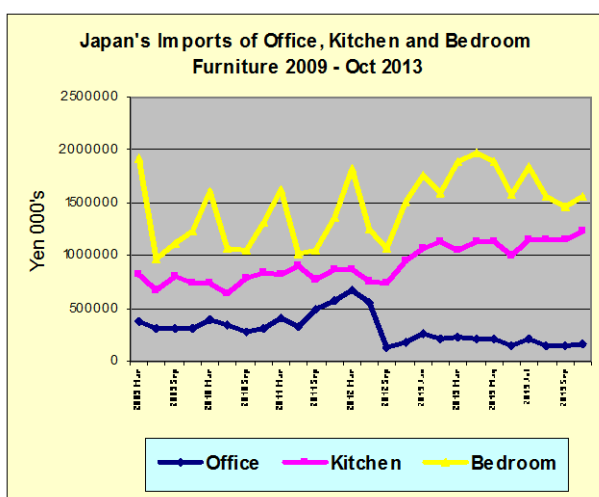
#### Price trends for imported Indonesian and Malaysian plywood





#### October 2013 furniture imports

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



Source: Ministry of Finance, Japan

#### Office furniture imports (HS 9403.30)

In October 2013 Japan's imports of office furniture increased by around 13% from levels in September. The top supplier was China which provided 52% of all office

furniture in October. Other main suppliers were Italy (7.7%) and Germany (6.5%)

Office furniture exporters in Asia provided some 66% of Japan's imports of this category of furniture in October and China's share of imports in October rose to 22%. October imports from Germany were also up on levels in September rising 5 fold.

However, the value of imports from Germany was very modest compared to the value of imports from China.

#### Office furniture imports (HS 9403.30)

	Imports Oct-13 Unit 1,000 Yen
S. Korea	1469
China	88365
Taiwan P.o.C	8453
Vietnam	-
Thailand	1143
Malaysia	7989
Philippines	-
Indonesia	5665
Sweden	216
Denmark	1944
UK	-
Belgium	-
France	-
Germany	10580
Switzerland	-
Portugal	8811
Spain	606
Italy	13255
Poland	11303
Russia	202
Austria	-
Lithuania	1857
Czech Rep.	-
Slovakia	4650
Canada	-
USA	2082
Mexico	-
Australia	-
Total	168590

Source: Ministry of Finance, Japan

#### Kitchen furniture imports (HS 9403.40)

Asian suppliers continue to supply the bulk of the kitchen furniture imports by Japan. According to figures from Japan's Ministry of Finance. October kitchen furniture imports, at yen 1,229 mil. were up slightly on levels in September (yen 1,152). Overall, suppliers in Asia provided 89% of Japan's kitchen furniture in October.

The top supplier in October was Vietnam, by a huge margin. Vietnam has maintained its position as number one supplier for the year to-date. In a reversal of ranking Indonesia became the second ranked supplier pushing the Philippines into number three position.

It is worth noting that Japan's imports of kitchen furniture in October were more than the combined imports from Indonesia and Philippines.

Of the non-Asian suppliers the US was the largest contributor to imports of kitchen furniture in October but could only secure a 2.4% share of imports of this category of furniture. The EU supplier around 2.5% of Japan's kitchen furniture imports in October with Germany being the main source.

**Kitchen furniture imports (HS 9403.40)**

	Imports Oct-13 Unit 1,000 Yen
S. Korea	-
China	166505
Taiwan P.o.C	6210
Vietnam	492722
Thailand	14689
Malaysia	38025
Philippines	211243
Indonesia	235792
Iran	-
Sweden	734
Denmark	414
UK	246
Belgium	-
France	-
Germany	22320
Switzerland	-
Spain	-
Italy	4839
Austria	-
Romania	415
Lithuania	2343
Canada	3982
USA	29054
Argentina	-
Total	1229533

Source: Ministry of Finance, Japan

**Bedroom furniture (HS 9403.50)**

Japan's October imports of bedroom furniture rose to yen 1,557 mil. in October, up on the yen 1,465 mil. in September but not too much should be read into this change as monthly imports of bedroom furniture swing from peaks to dips as illustrated in the graph above.

China's October exports of bedroom furniture to Japan accounted for 54% of Japan's total imports of bedroom furniture in the month. Asian suppliers, once more, provided the bulk of the bedroom furniture imports accounting for 88% of all bedroom furniture.

Bedroom furniture imports are almost 30% higher than imports of kitchen furniture and some nine times more than office furniture imports

**Bedroom furniture (HS 9403.50)**

	Imports 13-Oct Unit 1,000 Yen
S. Korea	-
China	837257
Taiwan P.o.C	18119
Hong Kong	-
Vietnam	387967
Thailand	71204
Singapore	-
Malaysia	142354
Philippines	-
Indonesia	33846
India	-
Sweden	-
Denmark	3020
UK	-
Belgium	-
France	394
Germany	1058
Switzerland	-
Spain	348
Italy	11468
Finland	-
Poland	30269
Austria	-
Romania	3121
Turkey	-
Lithuania	3924
Croatia	-
Bosnia	-
Slovakia	1422
USA	11184
Mexico	-
Total	1556955

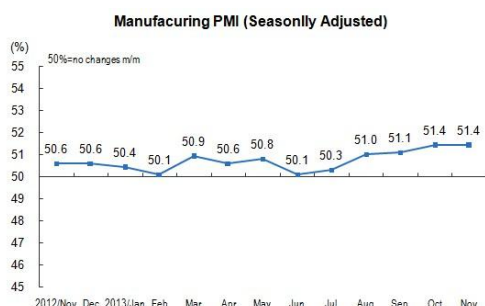
Source: Ministry of Finance, Japan

**Report from China**

**Manufacturing PMI stable**

The National Bureau of Statistics in a recent press release ([www.stats.gov.cn/english/pressrelease/t20131202\\_402931634.htm](http://www.stats.gov.cn/english/pressrelease/t20131202_402931634.htm)) has shown that in November, China's manufacturing purchasing managers index (PMI) was 51.4, remaining steady at the same level as in October.

The October PMI represented the highest point since May 2012. The PMI has stayed above the threshold (50) for 14 consecutive months adding weight to claims that the manufacturing economy of China is stable.



In terms of size of enterprises, the PMI of large-sized enterprises was 52.4, slightly up month-on-month as has remained above the threshold (50) for 19 months. The PMI for medium-sized enterprises was 50.2 the same level as last month when, for the first time the index topped above 50.

The PMI for small-sized enterprises at 48.3 in November was down by 0.2 points month-on-month and has been below 50 for four months. In November, of the five sub-indices comprising the PMI, two increased, while that of the other three fell.

#### **Spot trading platform for wood products launched**

The Chinese Ministry of Industry and Information Technology has announced the establishment of a Timber and Wood Products Spot Trading Platform. This development has been jointly sponsored by the China Timber and Wood Products Distribution Association (CTWPDA) and the China Forestry Property Exchange Co., Ltd.

This trading platform will be open nationally and will provide a comprehensive timber industry service platform integrated with logistics and information trade flows. The platform will also encompass and a trading centre, an information centre and a pricing centre to promote domestic and international market development.

It is anticipated that the new trading platform will reduce transaction costs in the industry. The objective is that the platform will promote the rapid and orderly development of the timber industry across the country.

The platform provides the opportunity for Chinese timber importers to form purchasing alliances to enhance their bargaining abilities so that Chinese companies will have a better negotiating position in the international timber trade.

#### **Fibreboard and plywood futures market at Dalian Commodity Exchange**

The China Securities Regulatory Commission has approved the development of a fibreboard and plywood futures trading market within the Dalian Commodity Exchange. China is one of the largest fibreboard and plywood producers and consumers in the world. The output and consumption of fibreboard in 2012 was 55.54 million cubic metres and the output and consumption of plywood in 2012 was 140 million cubic metres.

Prices for fibreboard and plywood have been fluctuating over the past years as raw material costs increase and demand has been volatile. This volatility has had a significant impact on the production and management of upstream and downstream enterprises.

The development of the fibreboard and plywood futures trading platform will provide for the formation of a transparent fibreboard and plywood pricing mechanism will eliminate some price fluctuation risks and will facilitate better forest resource management to promote the steady development of the forest products industry.

#### **Log imports dramatically up in first three quarters of 2013**

China's demand for timber has been increasing since the beginning of 2013 after a quiet period in 2012 and the increase is largely the result of demand from the housing market.

Log imports increased dramatically in the first three quarters of 2013 growing to 33.26 mil. cubic metres valued at US\$6.83 bil., up 16 percent in volume and 23 percent in value over the same period in 2012. The average price for imported logs rose 5 percent to US\$205.4 per cubic metre.

The top log suppliers in the first quarter of this year were New Zealand (up 34%), Russia (down 8%) and the USA (up 48%) at 8.31 mil. cubic metres, 7.78mil. cubic metres and 4.04 mil. cubic metres respectively.

In the first quarter of the year imports from New Zealand exceeded those from Russia for the first time.

#### **Weakening international demand for China's plywood**

Between January and September this year China's plywood exports rose by just 4% to 7.75 mil. cubic metres. But, international demand for Chinese manufactured plywood has weakened. For example, the USA is the largest market for China's plywood but Indonesian and Russian suppliers have captured market share from China in this market.

China's plywood exports to the USA fell 15% to around 1 mil. cubic metres between January and September 2013 and China's market share in the US declined to 13% in the first three quarters of 2013 from 16% in the same period in 2012. In addition, China's plywood exports to Saudi Arabia and the Emirates in the first three quarters of this year also declined.

However, in many provinces plywood production for export has been increasing resulting in bitter competition amongst domestic enterprises. There are significant differences in output and exports of plywood in the various provinces. Shandong Province and Jiangsu Province dominate the plywood export trade.

In the first three quarters of 2013, plywood exports from Shandong Province rose 8% to 3.60 million cubic metres, accounting for 46% of national exports.



Plywood exports from Jiangsu Province grew 6% over the same period and accounted for 28 percent of national exports. In addition, plywood exports trends in Guangdong Province and Guangxi Province is still positive. Plywood exports from Guangxi Province rose 44% to 455 700 cubic metres and exports from Guangdong Province grew 8% to 412 300 cubic metres.

#### Consignment of plywood from Japan fails formaldehyde emission standard

Recently, a consignment of imported eight layer plywood was seized by the Ningbo Port Inspection and Quarantine Authorities.

The consignment of plywood was imported from Japan and seized because formaldehyde emissions, at 13.0mg/L, exceeded the Chinese national standard of 5.0mg/L. The Inspection and Quarantine Authorities ordered the company importing this plywood to arrange incineration of the entire consignment.

The Inspection and Quarantine Authorities have urged importers to strengthening management and purchasing specifications to ensure imported goods meet Chinese standards.

#### US lifts ban on China's wooden craft imports

A ban in the US on wooden craft imports from China introduced in 2005 has recently been lifted. Some 25 wood products enterprises in Jiangxi Province filed an objection to continuation of the ban and were successful so can now resume trade with the US.

The ban by the US was put in place as longhorn beetle (*Callidium villosulum* Fairmaire) infestations were discovered in China's wood products. Chinese enterprises have reportedly introduced strict monitoring of production raw materials to avoid infestation.

#### Price trends across China

##### Guangzhou Yuzhu International Timber Market

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

##### Shanghai Furen Forest Products Wholesale Market

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

##### Hangzhou Timber Trading Market

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

##### Wenzhou Timber Trading Market

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

##### Shandong De Zhou Timber Market

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

### Changes in European flooring sector

The European flooring sector is going through a major period of change, and is also a good indicator of what is happening in the wider European timber industry.

It's a valuable source of information on the latest economic and fashion trends, and one of the few sectors where it is possible to analyse directly the competitive position of wood in relation to non-wood materials.

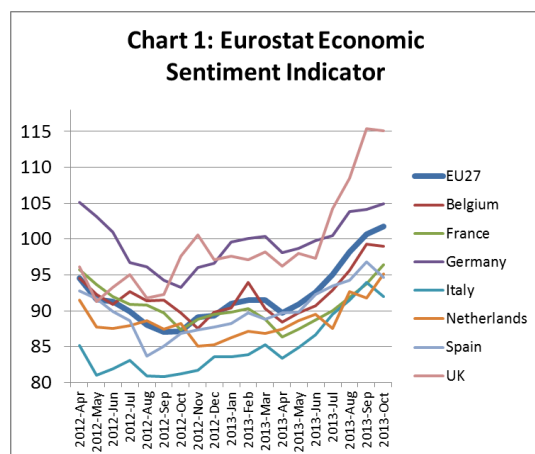
On this last issue, the flooring sector clearly demonstrates how technological innovation in other material sectors continues to put enormous pressure on wood's market position. It shows how the European wood sector is fighting back with initiatives focusing heavily on high product quality and strong environmental performance.

It also shows how the European wood sector is responding to weak and negative growth in domestic markets by targeting export markets in other parts of the world, notably China. In doing so, it is seeking to exploit its particular strengths in the fields of design, technical innovation, product quality, and environmental performance.

### More positive news for wood flooring in Europe

The Board of Directors of FEP, the European wood flooring association, met recently to discuss the market situation and recent economic indicators. There was some positive news: the latest Economic Sentiment Indicator of the EC continued its upward trend, increasing sharply both in the euro area and in the EU.

In October 2013, the indicator rose for the sixth successive month in both regions, marking a two-year high in the EU (Chart 1).



Source: FII Ltd analysis of eurostat

Information provided by individual country representatives at the meeting indicated wide variations in market conditions at country level. However, overall they suggested that production fell further in the first half of 2013. Market conditions have also remained difficult in the second half of the year. Only slow recovery is expected in 2014.

The situation in individual European markets is as follows:

- **Austria** - harsh weather conditions in Austria led to a 2% decline in wood flooring consumption in the first half of 2013 compared to the same period in 2012.
- **Belgium**: wood flooring consumption contracted by more than 5% year-on-year in the first six months of 2013. However there are some early signs of economic improvement.
- **Denmark**: after a stable first quarter, wood flooring sales have been declining in recent months. Sales in the first six months of 2013 were 4% behind the same period in 2012.
- **Finland**: wood flooring consumption decreased by 3% in the first half of 2013 compared to the same period in 2012.
- **France**: wood flooring sales in the first half of 2013 were 10% less than the same period in 2012. French manufacturers blame weak consumer confidence and lack of political action to solve underlying economic issues such as declining competitiveness and high debt.
- **Germany**: wood flooring sales in the first half of 2013 were similar to the same period the previous year. Prospects are improving as the construction sector is now performing well. The number of building permits issued has been rising this year.
- **Italy**: after a poor year in 2012, wood flooring sales fell a further 11% in the first six months of 2013 compared to the same period in 2012. The Italian woodworking industries as a whole are going through an extremely difficult time, losing up to 25% of sales this year. Italian manufacturers are losing competitiveness, partly due to high taxes and labour costs. Imported products have also benefited from a more favourable EUR/USD exchange rate.
- **The Netherlands**: having fallen heavily in previous years, the wood flooring market has stabilised at a low level. Sales in the first half of 2013 were similar to the same period in 2012. The renovation market is now performing well but this has not yet led to a significant rebound in wood flooring demand.
- **Norway**: although construction of new buildings has weakened slightly this year, demand for wood flooring has been growing slowly this year. Sales in the first half of 2013 are estimated to

have been 2% higher than the same period in 2012.

- **Spain:** there's still no sign of any improvement in the Spanish market for wood flooring. Sales were down a further 10% in the first half of 2013 compared to the same period in 2012.
- **Sweden:** wood flooring sales were 3% down in the first six months of 2013 compared to the same period in 2012.
- **Switzerland:** wood flooring sales were slow in the first quarter of 2013, but recovered well in the spring. Sales for the first half of 2013 were 2% higher than the same period the previous year. However manufacturers claim the market is increasingly flooded by products "of dubious quality" which is undermining the image of real wood flooring.

#### **Slow recovery forecast in the UK wood flooring sector**

In the absence of a large domestic wood floor manufacturing sector, the UK is not represented at the FEP meetings.

However it is a large consuming market for imported wood flooring. Insights into recent trends and future prospects in the market are provided in a new report by AMA Research entitled "Wood and Laminate Floorcoverings Market Report – UK 2013-2017 Analysis".

According to the report, in 2012 the wood flooring sector (solid wood, engineered wood and laminates) accounted for 16% value share of the total UK floor coverings sector, estimated to be worth some £1.7 billion. At around £284 million in 2012, market value has risen marginally since the low of £281 million in 2011. However, market value last year was still 26% lower than the peak of £385 million achieved in 2007.

The report suggests that sales of wood laminates fell by 30% in value terms 2007-2011. However sales of laminates were still worth around £166 million in 2012 and accounted for 58% of the total UK wood flooring market. Wood laminates remain one of the most popular products in the DIY flooring sector.

In recent years, there has been a shift in focus from cut-price, bargain-basement laminated wood flooring products to higher-quality products. Sales of higher-margin and more desirable products have helped to offset some of the decline in DIY flooring sales in recent years.

There are indications that the UK laminate market has now 'stabilised', with suppliers reporting a rise in sales during 2013 for the first time in many years.

In 2012, sales of solid and engineered wood floors in the UK were worth £104 million. Although still holding a

smaller share of the overall UK market, these products have outperformed laminates in the UK in recent years.

Solid and engineered wood flooring is more focused on the middle to upper sectors of the market which has been less volatile than the low end of the market. Sales of solid and engineered wood flooring declined 16% in the 2007 to 2011 period and the market returned to growth in 2012.

The report notes that imports dominate the UK wood floor coverings market, with the value of imports reaching a seven-year peak in 2010 before falling again 2011-12. China remains the key source country, accounting for over half (53%) of imports, in value terms, in 2012.

The contract sector accounts for around 44% of the market for wood floors in the UK. This sector has been less volatile than the domestic sector since the start of the recession.

The contract sector recovered well in 2012 when it was estimated to be worth around £124 million. The domestic sector accounts for an estimated 56% value share of the total UK wood floors market and was worth £160 million in 2012.

Looking ahead, the total value of the UK wood flooring market is expected to rise by 1% in 2013 to reach £286 million. The market is forecast to experience 1-2% annual sales growth between 2013 and 2016 when value is expected to reach around £305 million. That is still 21% below the pre-recession peak of £385 million in 2007.

Growth in the domestic sector continues to be constrained by the slow pace of recovery in the housing sector. However demand should be positively influenced by government incentives aimed at stimulating home buying and housing output.

Recovery for key commercial sectors is likely to be moderate, at best, in the short to medium term. Rising demand from commercial buyers will be offset, to some extent, by lower demand in the public sector.

#### **European laminate producers report on new-season fashion trends**

According to the Association of European Producers of Laminate Flooring (EPLF), manufacturers are preparing for the 2014 laminate flooring season with a range of creative decoration ideas. The wood look is still very dominant and there continues to be a strong fashion for longer and wider plank sizes.

Oak continues to dominate wood decors with its almost inexhaustible decorative potential. Yet floors with the appearance of delicately-grained ash or elm, or rich softwoods such as spruce and larch, are also rapidly gaining in popularity. In general, demand for decor that resembles elegant wood varieties is on the rise.

Dark colours have seen a slight decline, with the collections of European manufacturers instead presenting

a varied spectrum of natural grey and beige tones – a trend that originated in the field of interior decor and which is now being adopted by the laminate flooring sector. A considerable amount of wood decor in the laminate sector no longer appears in its "natural" version, but rather with a discreet white or grey haze.

Laminate producers have also invested heavily in so-called "synchronisation technology" which matches surface structures with the relevant decor image. This allows production of rustic boards which not only look authentic but also feel like the real thing.

Modern synchro-pore printing enables the authentic transfer of a wide variety of surface structures, from fine veins and pores to deep, distinctive knots.

Building on this technology, the rustic "used look" remains the key theme in European laminate flooring ranges. This appears in several varieties of commercial products, from construction timber styles with imitation cement traces, to laminate flooring that feels brushed, planed or freshly sanded.

This rustic nature particularly comes into its own in the new rural-style wooden floorboard collections, which are increasingly being offered in longer and wider floorboard sizes.

#### **European laminates industry emphasise premium quality in product promotion**

Members of the EPLF are to be encouraged to use an assertive new slogan - *'Quality and Innovation made in Europe'* - as a common foundation for their marketing efforts. The new slogan highlights the various core values that EPLF believes are inherent to European laminate flooring products.

According to EPLF, these values are *"certified quality, mature technology, excellent usage characteristics, eco-friendliness, and products that are pleasing to the eye and the touch – combined with ever new and creative designs"*.

According to Volkmar Halbe, Chairman of the EPLF's Market and Image Committee, *"among wholesalers, the EPLF registered trademark has already established itself as a mark of quality in laminate flooring. The new slogan now conveys a clear statement of quality to the customer. The same quality implied by the label is what you'll find inside the product. We are the world's quality and technology leaders. That's our USP. The new slogan enables EPLF members to communicate this pithily and effectively."*

The slogan is intended to identify the quality of EPLF members, especially in the growing export markets outside Europe.

Volkmar Halbe says *"in some foreign markets, especially China, more and more products are appearing that purport to satisfy load classes specified by the EN-13329 standard – but testing proves that this is not the case."*

*Cheap imitations put the reputation of the whole laminate flooring industry at risk. We simply will not tolerate this. The EPLF is actively working to counter fake labelling. We hope that the new logo will help to support legal action taken by our members in cases of fake labelling by third parties."*

#### **European laminate flooring producers target Chinese domestic market**

Much of the dialogue in the European wood flooring sector in recent years has focused on the rising tide of competition from Chinese manufacturers in their domestic markets. However, judging by recent reports from the EPLF, there is a growing focus by European manufacturers seeking to capture a larger share of the Chinese market.

Europe's flooring manufacturers have recognised that their domestic markets are unlikely ever to recover the ground lost during the recession. Future opportunities for market development are now seen as heavily concentrated in other regions.

China is seen as a particularly attractive target. US market research organisation Catalina Research estimate that total flooring sales throughout China amounted to 3.9 billion m<sup>2</sup> in 2011 and forecast that demand for new floors will increase by 149 to 177 million m<sup>2</sup> per year at least until 2025.

In addition to the growth of China's overall market, European manufacturers reckon that there is significant potential for high-end laminated products to capture more market share. According to Catalina Research, in 2011 laminate flooring made up just 4% of China's market (156 million m<sup>2</sup>), with solid wood and bamboo floors accounting for 4% (156 million m<sup>2</sup>).

This compares to tiles, which represented a massive 75% (2.93 billion m<sup>2</sup>) of all flooring products sold in China in 2011, carpets with 9% (351 million m<sup>2</sup>), and elastic floors with 5% (195 million m<sup>2</sup>).

Several years ago laminate flooring began to be manufactured in China, causing the import market for European manufacturers to collapse. In 2012 China produced 28% of the world's laminate flooring, moving into the top spot for the first time (with Germany accounting for 27%).

However, European manufacturers report that sales of their branded products in China also began to recover in 2012. Imports into China and Hong Kong of high-quality, specialist brand-name goods manufactured by European companies once again exceeded 3 million m<sup>2</sup>, after having fallen to 2.3 million m<sup>2</sup> in 2011.

Several European manufacturers, such as Pergo, Skema and Unilin, are already active on the Chinese market, and they could soon be joined by other names.

European manufacturers believe the high-end segment of the Chinese market offers particular potential for



European-made quality laminate flooring. European manufacturers are seeking to position themselves unambiguously in the premium segment, for example through widespread of their new slogan (see above).

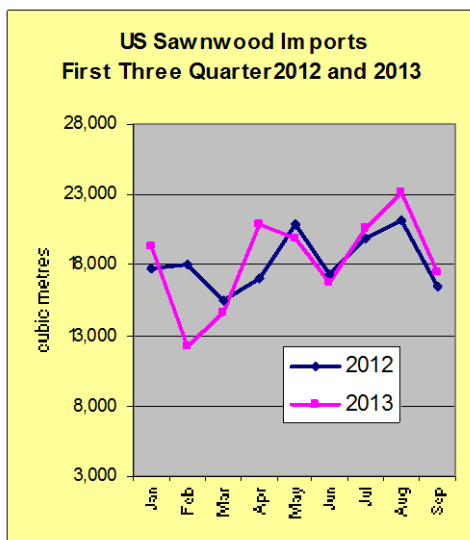
EPLF believes there is a growing demand in China for genuine European-made flooring which is subject to strict EU norms, meeting very high standards of product quality, sustainability and eco-friendliness. According to Volkmar Halbe, Chairman of the EPLF's Market and Image Committee, *"because Chinese customers are increasingly demanding these qualities, Chinese manufacturers will quickly attempt to catch up. But the EPLF is convinced that European manufacturers, with their production expertise, are well positioned to maintain the lead over Chinese competitors"*.

Particular efforts are being made to influence interior designers for commercial premises and affluent private clients in China. For example, according to Raffaele Ferrara of Italian manufacturer Skema, *"interior designers are focusing on Western style and importing European tastes into the Chinese market. Grey and beige decors, in vogue in Europe for the past couple of years, are also doing very well in Chinese cities. In general, light and mid tones are very popular, while walnut and smoked oak are the dark decors of choice. Recently we have also seen a rise in demand for high-quality synchro-pore finishes. Formats are changing too: in addition to standard boards the Chinese market is slowly but steadily acquiring a taste for long board and tile formats."*

## Report from North America

### Tropical sawnwood imports down in September

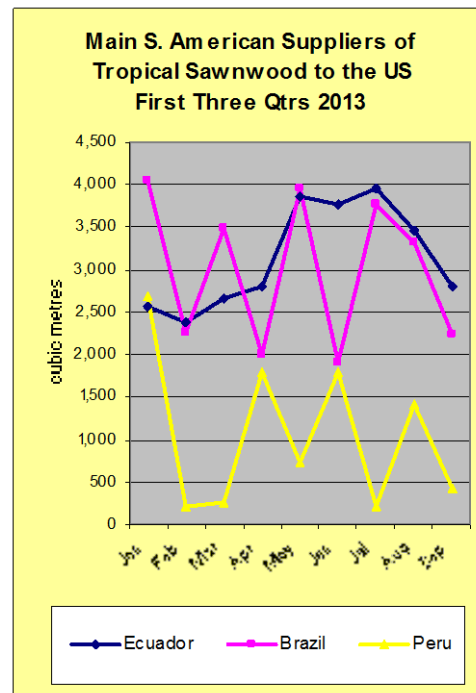
Total US sawn hardwood imports increased by 28% from August to September, but tropical imports fell by 25% from the previous month.



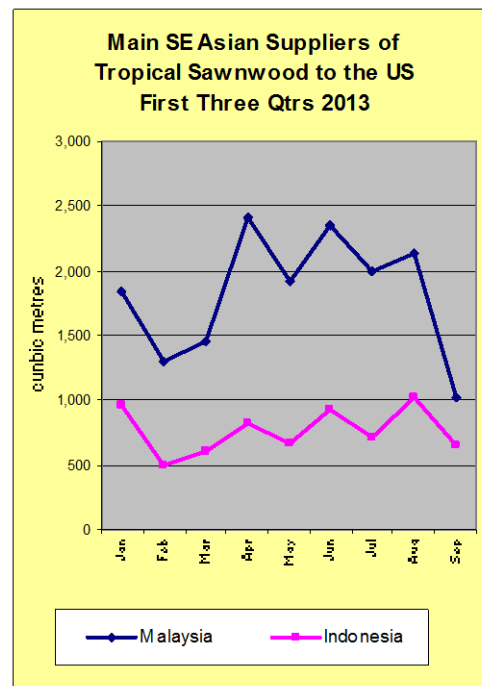
Data source: US Department of Commerce, US Census Bureau, Foreign Trade Statistics

Tropical sawn hardwood imports were 17,443 cu.m. in September, with year-to-date imports just 1% higher than in September 2012.

Imports from almost all tropical suppliers declined, with the exception of Ghana. Ghana's exports to the US were 1,316 cu.m. in September, mainly due to higher shipments of acajou d'Afrique (855 cu.m.) and cedro (349 cu.m.).



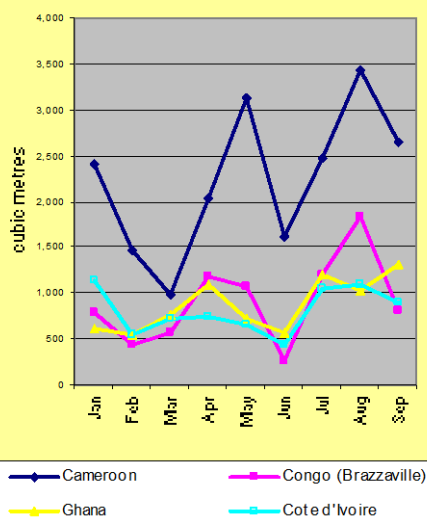
Data source: US Department of Commerce, US Census Bureau, Foreign Trade Statistics



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



### Main W. African Suppliers of Tropical Sawnwood to the US First Three Qtrs 2013



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

Overall acajou d'Afrique imports decreased in September because of lower imports from Cameroon (361 cu.m.) and Cote d'Ivoire (486 cu.m.).

Mahogany sawnwood imports were 1,639 cu.m., up 55% from August and almost a quarter higher than at the same time in 2012. Guatemala is the largest supplier and shipped 945 cu.m. to the US in August.

### Jan-Sep2013 Sawnwood Imports

	cubic metres	% change 2012-2013
Balsa	29,612	-20%
Sapelli	19,963	5%
Acajou	19,855	6%
Keruing	14,839	8%
Ipe	17,534	-15%
Mahogany	11,426	23%
Virola	9,307	-1%
Meranti	3,888	-16%
Cedro	6,558	52%
Jatoba	3,857	-4%
Teak	8,317	102%
Iroko	365	21%
Padauk	394	-53%
Aningre	914	245%
Other tropical	17,947	2%
<b>Total</b>	<b>164,776</b>	<b>1%</b>

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

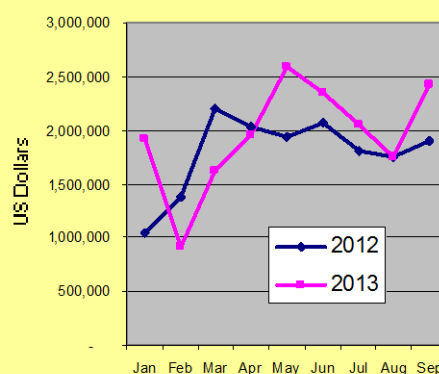
Year-to-date mahogany imports from Guatemala more than doubled from 2012.

Other Pacific Islands and Mexico also supply mahogany to the US market, although volumes from Mexico have dropped by 28% compared to last year.

### Canadian tropical imports up 9% from 2012

Canadian imports of tropical sawn hardwood increased by 9% from 2012, based on year-to-date imports in September. The total value of 2013 imports were US\$17.6 million.

### Canadian Sawnwood Imports First Three Quarter 2012 and 2013



Source: Statistics Canada

The Canadian market is close to one-tenth the size of the US market for tropical sawnwood, based on 2013 import figures. This is slightly lower than the population ratio of the two countries. Flooring, furniture and other hardwood processing industries are predominantly located in the US.

On the end use side, Canada's average home size is smaller because multi-family housing is more common than in the US, which reduces consumption of wood products in both construction and interior finish.

During the recent recession, however, Canada's market was more stable than the US and Canadian imports of tropical sawnwood has remained remarkably constant in the last ten years with only a relatively small decline in 2009 at the height of the recession.

Brazil has been the largest supplier of sawn hardwood to Canada in 2013, followed by Cameroon, Ecuador and Congo/Brazzaville. About 4% of total tropical imports come into Canada from the US.

Imports from Ecuador have grown tenfold from the previous year to US\$1.4 million year-to-date in September. Imports from Ghana have more than doubled to US\$948,000 year-to-date.

Imports are mainly sapeli (US\$2.8 million year-to-date September 2013) and virola, imbuia and balsa (US\$1.8 million year-to-date September 2013).

**National building standards to be changed because of damage from recent storms**

The National Institute of Standards and Technology recommends developing standards that better protect people and buildings from the powerful wind speeds of tornados. Current US building codes take into consideration hurricanes, floods and earthquakes, but not tornados.

Some cities have made changes to their local building code after experiencing devastating tornados, but there is no basic minimum code on the national level for buildings exposed to extreme wind speeds.

The Institute estimates that making buildings more resistant to tornado damage would add 5-15% to the construction cost of residential buildings and more for commercial buildings. This month tornadoes in the US Midwest caused US\$1 billion in damage and killed eight people.

**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.*

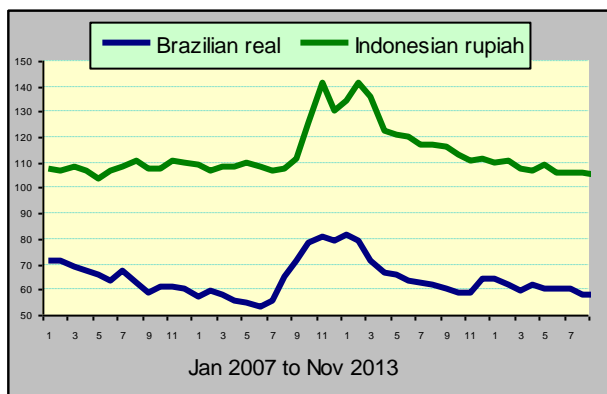
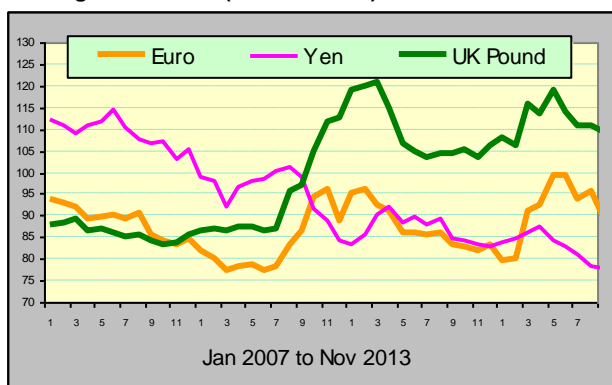
*The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.*

## Main US Dollar Exchange Rates

As of 20th November 2013

Brazil	Real	2.2707
CFA countries	CFA Franc	484.6
China	Yuan	6.0922
EU	Euro	0.7441
India	Rupee	62.6925
Indonesia	Rupiah	11445
Japan	Yen	100.02
Malaysia	Ringgit	3.1804
Peru	New Sol	2.8040
UK	Pound	0.6209
South Korea	Won	1057.05

Exchange rates index (Dec 2003=100)

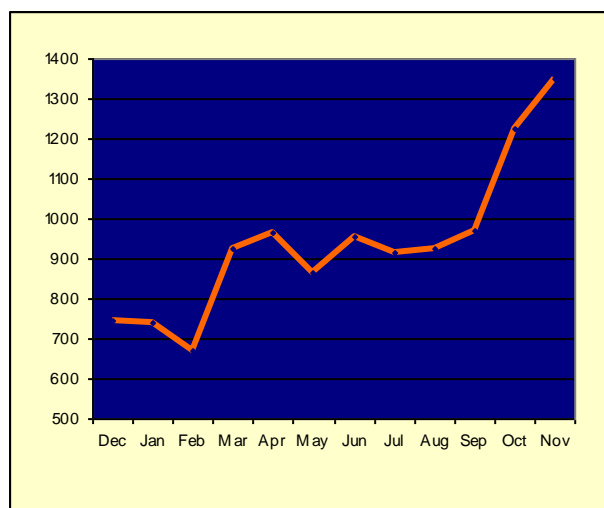


## Abbreviations and Equivalences

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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