

Tropical Timber Market Report

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Top Story

European Parliament ratifies Voluntary Partnership Agreement with Indonesia

On 27 February 2014 the European Parliament gave its consent for the conclusion by the Council of the EU of the VPA with Indonesia.

Ratification by Indonesia and the EU is the final step to make the bilateral treaty legally binding.

In Indonesia the Office of the President is preparing for ratification by the national legislature.

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Headlines

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Report from Central/West Africa

Just a few popular timbers dominating the trade

While West and Central African exporters report good order book positions, demand levels are flat providing no opportunity for price increases. Analysts say there is little chance of a significant change in the second quarter as European demand has not picked up to any notable extent in spite of a generally mild winter which allowed construction companies to continue working.

Business with buyers for the Chinese market is reported as brisk and there is strong demand for okoume logs and other species suitable for peeling. Demand for ayous in Italy stands out as one success and producers say orders have expanded and that prices are favourable.

The indications are that pale coloured temperate hardwoods are the current favourites of architects and the general consumer in Europe. Producers note with concern the market penetration of non-wood substitutes for enduses once the domain of tropical timber.

One obvious weakness in the tropical timber sector is the lack of any cohesive, cooperative, joint market promotion by tropical timber exporting countries.

The reality is that just a handful of popular species dominate the trade as their properties and processing characteristics are well understood. While there is a huge volume of technical information available on hundreds of tropical timbers this is scattered throughout many different and uncoordinated publications and not in a format suitable for promotion.

Exporters test Mid East market with mixed red species

Keen competition continues for market share in the Middle East where demand is high. Okoume sales are reported as very good, although there is strong competition from meranti. Some markets, such as Oman, appear to prefer meranti over African species because of the lower cost.

Some West and Central African exporters are now shipping larger volumes of mixed red species which are more directly price competitive with the lower priced meranti. Most Middle East importers deal in large volumes of mainly European softwoods as well as tropical hardwoods so the entire market is very price conscious.

Côte d'Ivoire prepares for second round of VPA negotiations

The most recent FLEGT newsletter reports that "Côte d'Ivoire has begun preparations for the second round of VPA negotiations with the EU after a technical session held in Abidjan. Thirteen Ivorian members of the technical negotiation committee attended representing government, industry associations, civil society organisations and traditional chiefdoms.

During the technical session, participants developed an initial list of the timber and timber products that the VPA is to cover. They also discussed a process to decide

whether the VPA would cover timber sold on the domestic market as well as timber intended for export. The group made progress in reviewing draft principles, criteria and indicators for the legality definition.

The second VPA negotiation session is planned to take place in Brussels in May or June this year.

Log Export Prices

West African logs, FOB	€ per m ³		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	220	220	155
Ayous/Obeche/Wawa	225	210	150
Azobe & Ekki	235	230	150
Belli	230	230	-
Bibolo/Dibétou	150	145	-
Iroko	250	225	210
Okoume (60% CI, 40% CE, 20% CS) (China only)	335	330	250
Moabi	280	270	-
Movingui	215	215	175
Niove	165	165	-
Okan	250	250	-
Padouk	310	280	210
Sapele	280	270	180
Sipo/Utile	310	285	190
Tali	300	300	-

Sawnwood Export Prices

West African sawnwood, FOB	€ per m ³
Ayous FAS GMS	340
Bilinga FAS GMS	520
Okoumé FAS GMS	480
Merchantable	255
Std/Btr GMS	350
Sipo FAS GMS	550
FAS fixed sizes	-
FAS scantlings	550
Padouk FAS GMS	790
FAS scantlings	790
Strips	400
Sapele FAS Spanish sizes	535
FAS scantlings	555
Iroko FAS GMS	565
Scantlings	590
Strips	440
Khaya FAS GMS	450
FAS fixed	470
Moabi FAS GMS	550
Scantlings	550
Movingui FAS GMS	410

Report from Ghana

Fuel prices reviewed upwards

Fuel prices were adjusted upwards in the first half of March and petrol prices have been raised by 2-6%. The increase in fuel costs is the result of the depreciation of the cedi and the higher price of crude oil on the world market.

Luckily for the public, the current fuel price increases have not yet translated into increases in transport fares however, analysts point out that the price increase on petrol and diesel will have an effect on timber companies.

VAT on financial services to generate much need resources

A Value Added Tax (VAT) on financial services in Ghana, will take effect as soon as on-going talks with the banking community to identify the chargeable products

and reconfigure their systems are concluded, George Blankson, Commissioner-General of the Ghana Revenue Authority (GRA), has said.

The Finance Ministry expects this to boost VAT revenues by GHS745 million this year and it has promised to spend the extra money exclusively on infrastructure.

Cedi stabilises after BoG directive

Following directives on foreign exchange transactions from the Bank of Ghana (BoG) the value of the Ghana cedi is beginning to stabilise.

Before the BoG measures, the average exchange rate was GHc 2.40 to the US dollar up from the GHc 2.23 to the dollar in Jan.2014. The cedi depreciated 7.7% in the month of January.

VPA conference hosted by GFC in London

The latest FLEGT newsletter has reported that “Business operators and NGOs from Europe attended a conference in London in February to be briefed on Ghana’s progress in preparing for the VPA.

Officials from the Ghana Forestry Commission (GFC) made presentations on the country’s experiences and lessons learnt from implementation of the VPA. Participants also discussed challenges for small-scale forest enterprises in meeting legality requirements and the readiness of Ghana’s timber industry to obtain FLEGT licences. Another presentation updated participants on Ghana’s progress in developing its electronic timber-tracking system.

In their presentations, Raphael Yeboah and Chris Beeko of the GFC reiterated the value of the VPA as a powerful tool for strengthening domestic forest governance.

Domestic Log Prices

Ghana logs	US\$ per m ³	
	Up to 80cm	80cm+
Wawa	153-160	167-185
Odum Grade A	170-175	138-150
Ceiba	115-133	122-135
Chenchen	105-122	155-180
Khaya/Mahogany (Veneer Qual.)	125-150	161-185
Sapele Grade A	152-157	141-166
Makore (Veneer Qual.) Grade A	116-122	130-135
Ofram	112-118	

Boule Export prices

	Euro per m ³
Black Ofram	240
Black Ofram Kiln dry	333
Niangon	492
NiangonKiln dry	575

Export Sawnwood Prices

Ghana Sawnwood, FOB	€ per m ³	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afromosia	855	945
Asanfina	480	560
Ceiba	251	272
Dahoma	292	350
Edinam (mixed redwood)	362	470
Emeri	353	542
African mahogany (Ivorensis)	593	650
Makore	575	650
Niangon	570	625
Odum	540	641
Sapele	567	645
Wawa 1C & Select	275	323

Export Rotary Veneer Prices

Rotary Veneer 1-1.9mm , FOB	€ per m ³	
	CORE (1-1.9 mm)	FACE (2mm)
Ceiba	280	330
Chenchen	320	358
Ogea	298	340
Essa	322	330
Ofram	328	365

Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afromosia	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	1.30	0.60
Odum	1.88	1.08

Export Plywood Prices

Plywood, FOB	€ per m ³		
BB/CC	Ceiba	Ofram	Asanfina
4mm	428	600	641
6mm	422	592	622
9mm	360	415	490
12mm	357	435	445
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	11.20	11.80	12.40
Hyedua	14.08	14.00	18.45
Afromosia	14.30	18.65	18.55

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

Report from Malaysia

2013 furniture exports top US\$2.2 billion

Furniture is very much in the news this month in Malaysia as two annual furniture fairs were held in Kuala Lumpur. The Malaysian furniture industry has come a long way since its early days when it developed its trade in rubberwood products.

International demand for Malaysian furniture is strong and 2013 exports were worth RM7.4 billion (approx. US\$2.2

billion), the US, Japan, Australia, Singapore and UK were the top buyers in 2013. Malaysia is the eighth ranked global furniture exporter.

In recent years Malaysian exporters have been facing growing competition from Chinese furniture exporters as well as exporters in Vietnam where, in 2013, furniture exports were worth US\$4.5 billion.

The Malaysian International Furniture Fair (MIFF) was held over five days and featured over 500 manufacturers from 13 countries including China, Hong Kong, India, Indonesia, Singapore, South Korea, Spain, Taiwan, United Kingdom, the United States, Vietnam, Iran and the host country.

Sales during the five days of MIFF 2013 have been estimated at RM2.8 billion (approx. US\$854 million), up by about 5% on last year.

One of the highlights of the latest MIFF were the industry seminars with topics such as ‘shaping of Malaysian designs for the global market’, ‘Intellectual property for the furniture industry’, and ‘Award-winning US-patented high temperature drying technology for rubberwood’, a technology developed by the Forest Research Institute Malaysia.

“MIFF provides a strategic platform for furniture businesses, contract buyers, international chain stores, hoteliers, architects and interior decorators to meet and source for their requirements and establish business networks,” said Mohd Ridzal, Deputy Secretary-General of the Ministry of International Trade and Industry.

An Export Furniture Exhibition (EFE) 2014 was also held in Kuala Lumpur together with MIFF. The EFE fair had 110 exhibitors displaying a wide range of furniture from Malaysia as well as overseas. The EFE 2014 is not exclusively a trade only fair but also caters to consumers with local visitors making purchases on the spot.

During the 2013 EFE, in-fair sales are said to have totalled around RM2.2 billion (approx. US\$ 680 million). EFE exhibitors are that a 10 – 20% increase in sales was achieved during the EFE 2014.

Industry analysts speculate that the furniture industry in Malaysia will expand to meet growing demand and as manufacturers in China face increasing production costs, especially rising wages. Currently, Malaysian production costs are about the same as those in China but are not expected to increase significantly in the short term.

Analysts also point out the success of Malaysian producers in meeting international quality and delivery requirements. The Malaysian government is making a determined effort to get manufacturers to move up the value chain and become ‘brand manufacturers’.

Demand changes in Japan and India have strong impact on export performance

For exporters in Sarawak, India and Japan are the most important markets for logs and plywood so developments in these two markets are carefully assessed as they have a huge impact on export manufacturers.

WTK Holdings Bhd, one of the top producers in Sarawak, released its financial results for 2013 and these show how demand in India and Japan drove the group’s earnings last year.

In the financial year ending 31 December 2013, WTK’s timber division reported a 6.7% growth in pre-tax profit to RM41.6 million from RM39 million in 2012, this was despite having sold lower volumes than in the previous year.

The reduced log lower availability in 2013 pushed up average selling prices on the back of the firm demand in the main markets. Average log prices increased by 13.6% in the final quarter of 2013 year on year while the sales volume fell 8.7%. In addition to India and Japan the group exported to Vietnam, Taiwan P.o.C and China.

WTK indicated the average selling price of plywood in the final quarter jumped by almost 9% while sales volumes dipped by 5.8% during the same period. Japan was the group’s key market, absorbing 88% of its total plywood exports while Taiwan P.o.C and ASEAN countries accounted for 10% and 2% respectively.

Log traders in Sarawak report current FOB log export prices as follows:

meranti SQ US\$270 – 290/cu.m
kapur SQ US\$340 – 360/cu.m
keruing SQ US\$310 – 335/cu.m
selangan batu regular US\$515 – 535/cu.m

Plywood traders in Sarawak report current FOB export prices as follows:

Floor base panels (11.5mm) US\$690 – 695/cu.m.
Formboard US\$555/cu.m
Middle East (9 – 18mm) US\$470/cu.m
Taiwan (8.5 – 17.5mm) US\$470 – 480/cu.m
Exports to South Korea (8.5 – 17.5mm) were reportedly at US\$490 – 510/cu.m. C&F.

Report from Indonesia

Indonesia the first to secure VPA ratification

On 27 February the European parliament ratified the EU-Indonesia Forest Law Enforcement, Governance and Trade (FLEGT) Voluntary Partnership Agreement (VPA).

This agreement acknowledges that Indonesian timber and wood products are being certified through the domestic timber legality verification system (SVLK) as legally harvested and processed, thus complying with the EU Timber Regulation, which became effective in March last year.

With this ratification by the EU, Indonesian timber producers and exporters have gained a competitive edge in the EU market said Bayu Krisnamurti, Indonesia's Deputy Trade Minister.

Indonesia is one of the world's biggest timber producers and is set to be the first country to have a VPA ratified by the European Parliament.

The ratification of the VPA means Indonesian timber and wood products exported to the EU member states are exempt from the mandatory due diligence requirements applied to exports from countries which have not yet concluded VPA negotiations.

Analysts suggest there will likely be a significant jump in Indonesian wood product exports to the EU and Bayu Krisnamurthi has said Indonesia expects to increase timber and wood product shipments to the EU by 5-10 percent this year.

Indonesia and EU hold first review of VPA implementation plans

The FLEGT Newsletter has reported that "representatives of Indonesia, the EU Delegation to Indonesia and the EU FLEGT Facility met in Jakarta at the end of January to assess progress on VPA implementation. Indonesia's representatives included officials from the ministries of Forestry, Trade and Foreign Affairs and leaders from civil society and the private sector.

Participants reviewed the joint Indonesia-EU action plan on VPA implementation, an outcome of the 2013 joint assessment of Indonesia's timber legality assurance system, SVLK.

Indonesian officials reported progress on the critical issue and released two new regulations on the SVLK and a third on imports. Acknowledging the complexity of the remaining issues in the action plan and the work needed to maintain stakeholder participation, the two parties extended the timeframes outlined in the action plan.

Indonesia and the EU also discussed the next joint SVLK assessment, which they agreed to begin in the second half of 2014, after the first meeting of the joint implementation committee.

After the meeting, the Ministry of Forestry organised two regional multi-stakeholder consultation workshops in Makassar and Yogyakarta in February on the draft regulations. A national consultation workshop is planned for 19 March."

Domestic Log Prices

Indonesia logs, domestic prices	US\$ per m ³
Plywood logs	
core logs	195-220
Sawlogs (Meranti)	200-220
Falcata logs	170-190
Rubberwood	95-110
Pine	125-140
Mahoni (plantation mahogany)	130-150

Domestic Ex-mill Sawwood Prices

Indonesia, construction material, domestic	US\$ per m ³
Kampar (Ex-mill)	
AD 3x12-15x400cm	390-410
KD	-
AD 3x20x400cm	565-600
KD	-
Keruing (Ex-mill)	
AD 3x12-15x400cm	345-370
AD 2x20x400cm	455-500
AD 3x30x400cm	390-420

Export Plywood Prices

Indonesia ply MR BB/CC, export FOB	US\$ per m ³
2.7mm	620-650
3mm	650-670
6mm	-

Domestic Plywood Prices

MR Plywood (Jakarta), domestic	US\$ per m ³
9mm	370-390
12mm	345-360
15mm	285-315

Export and Domestic Other Panel Prices

Indonesia, Other Panels, FOB	US\$ per m ³
<i>Particleboard</i>	
Export 9-18mm	680-720
Domestic 9mm	960-1020
12-15mm	585-610
18mm	400-450
<i>MDF</i>	
Export 12-18mm	720-755
Domestic 12-18mm	325-450

Report from Myanmar

February export shipments the highest in twelve months

Log exports from April 2013 to the end of February 2014 are estimated to have been 476,000 cu.m of teak logs and 1,530,070 cu.m of other hardwoods. Some 556,300 cu.m of teak logs and 1,567,900 cu.m of other hardwoods were shipped during the 2012-13 financial year.

Teak and other hardwood log shipments in February were the highest for the year to date at 123,875 cu.m of teak and 222,975 cu.m of other hardwoods. As 31 March is the last date for log exports both sellers and buyers are anxious to ship as much as possible before the deadline.

Directive on hewn teak, baulks and boule exports

On 26 February, following a directive from the Ministry of Environment Conservation and Forestry, the Myanma Timber Enterprise (MTE) announced that, from 1 April this year all hewn (half squared or roughly squared hand-sawn) teak and hardwoods must be further processed domestically before export.

Similarly, baulks, and logs cut into boules must also be further manufactured into processed wood products to qualify for shipment.

FDI in wood processing tops US\$51 mil. - India the biggest investor

The Irrawaddy News Journal of 5 March has quoted Directorate of Investment and Company Administration sources saying that 8 timber processing licenses were granted to foreign firms in the 2013-14 financial year.

Five companies from India were granted licenses valued US\$26 million, two companies from Singapore received licenses valued US\$24 million and one Korean company obtained a license valued at almost US\$1 million.

3rd BIMSTEC Summit

The Third Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) summit, with participation from Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka, and Thailand was held at Naypyitaw on 4 March.

Member states signed two MOAs and one MOU including the establishment of a Centre for Weather and Climate. A Centre for Weather and Climate is to be set up near New Delhi and India agreed to provide 35% of the budget.

The summit also laid out plans to enhance cooperation in expanding skill and technology base of member states through collaboration and partnerships in 14 sectors: trade and investment, technology, energy, transport and communications, tourism, fisheries, agriculture, cultural cooperation, environment and disaster management, public health, counter terrorism and transnational crime, and climate change. A BIMSTEC secretariat will be established in Dhaka, Bangladesh.

Teak open tender prices

The following regular items were sold by competitive bidding on 7 March 2014 at the Myanma Timber Enterprise (MTE) tender hall.

Teak logs sales by Special Open Tender, 7 March 2014 (Ex-site Bamaw Area) Upper Myanmar

Grade	H.tons	Avg. US\$/ ton Ex-site	Location-
SG-4	9	2419	Sinn Khan
SG-5	61	1802	Sinn Khan
SG-6	191	1113	Sinn Khan
SG-7	172	828	Sinn Khan & Bamaw
SG-8	58	580	Sinn Khan

Teak logs sales by Special Open Tender, 7 March 2014

Grade	H. tons	Avg. US\$ / ton FOB	Location
SG-7	1548	US\$ 870	Yangon

Note: Can be shipped out in log form.

Teak logs Special Open Tender, 7 March 2014

Grade	H.tons	Avg Price / ton	Location
SG-7	182	US\$ 794	Bae Goan
SG-8	32	US\$ 404	Bae Goan

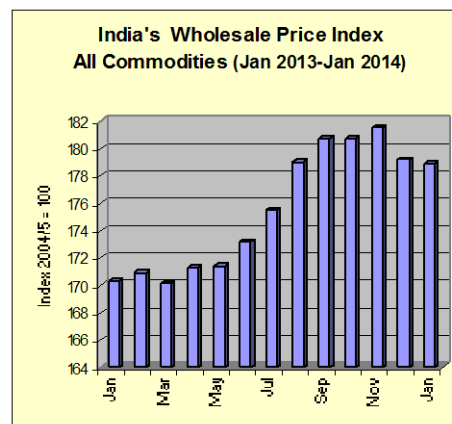
Note: Sold as industrial raw material for the domestic industry.

Analysts point out that the SG-7 and SG-8 teak logs sold in special open tenders were of lower quality than those usually sold in the tender sales and because of this prices were much lower than usual.

Report from India

Wholesale price index down

The Office of the Economic Adviser to the Indian government provides details of trend in the Wholesale Price Index (WPI). The official Wholesale Price Index for 'All Commodities' (Base: 2004-05 = 100) for the month of January 2014 declined to 178.9 from 179.2 in December 2013.



Data source: Office of the Economic Adviser to the Indian government

It has been estimated that February inflation was up by around 8 percent year on year, this compares to the almost 9% increase from December 2013 to January 2014.

Slightly lower food prices are suggested as one of the main reasons for the decline in inflation. The decline seems less to do with the actions of the Reserve Bank in raising interest rates than changes in seasonal agricultural output.

Weak February export data undermines optimism

Improved domestic consumption and increased exports have been providing support to the economy and India's PMI, for the manufacturing sector moved to a twelve month high of 52.5 in February. The consumer goods segment was again the best performing sub-sector, leading to a rise in both output and new orders. However capital investment remains stalled.

Export orders in the final quarter of 2013 rose 7.5% compared to the previous quarter topping US\$78.9 billion and this generated optimism, boosted manufacturing output and created more employment opportunities.

The last quarter 2103 export performance, coupled with the slowing of gold imports, lowered India's current account deficit to a four year low of US\$4.2 billion or 0.9% of GDP at the end of 2013.

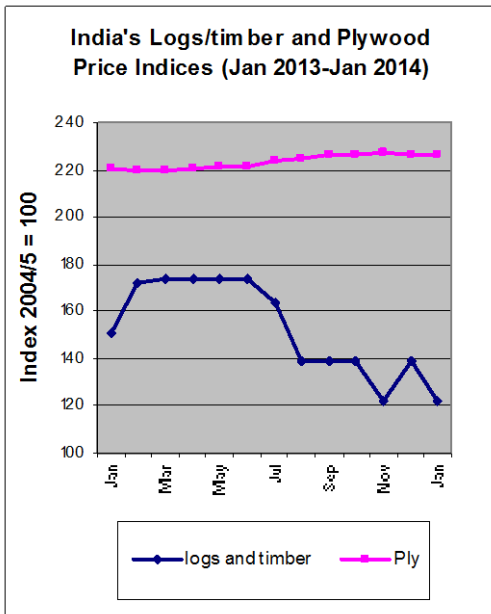
However, data from the ministry of trade has revealed that exports fell in February, the first decline in eight months. If this downward trend continues then expectations for an export led recovery would fade.

The statistics show that February exports fell 3.7% from a year earlier to around US\$26 billion and analysts blame weakening demand in the US and EU.

Timber and plywood wholesale price indices

In addition to data on the Wholesale Price Index for all commodities, the Office of the Economic Adviser to the Indian government also reports data on wholesale price movements for a variety of wood products.

The Wholesale Price Indices for Logs/timber and plywood are shown below. The logs/timber index continues to show considerable volatility.



Data source: Office of the Economic Adviser to the Indian government

Rs 30 billion project to increase forest cover

The government of India has finally approved as a "centrally sponsored scheme" a much awaited 'Green India Mission' proposal of the Ministry of Environment and Forests to increase forest cover in the country.

An official press release says: "Of the total expenditure of Rs130 billion envisaged, the initial phase will require some Rs 20 billion and that funding will come from the Mahatma Gandhi National Rural Employment Guarantee Act, the Compensatory Afforestation Fund Management and Planning and the National Authority for Plantations".

The objectives of the programme include increasing forest/tree include improving the quality of this forest cover, improving the ecosystem services including biodiversity, hydrological services and increasing opportunities for forest-based livelihood income generation by households and sequestration of carbon.

A multidisciplinary team, from the government and NGOs will be mandated to facilitate planning and implementation at cluster/landscape unit level", said the official release.

Sweet smell of sandalwood prices drives interest in planting

The ever increasing prices for sandalwood and its oil is stimulating investment in plantations by the government and the private sectors.

Analysts point out that legislative amendments are urgently required to allow private individuals and farmers to take up sandalwood cultivation. Suitable growing conditions exist in the four southern states and elsewhere in the country and efforts are required to increase the area under plantations.

Experts have pointed out that as against 3,000 tons of this wood was produced annually in 1960s and 70s, but this has now fallen to a mere 400 tons. Similarly sandalwood oil production has also declined from 150 tons in 1970s to just about 20 tons currently, necessitating imports of the oil to meet the needs of local industries.

Currently the prices for sandalwood is around US\$1,25,000 per ton of wood and oil prices are about US\$2,200 per kg.

Plantation teak import prices

India's total imports of wood and wood products under HS chapter 44 for the month of February 2014 were US\$207.51 million and exports under the same chapter were US\$23,04 million. Domestic demand continues to be firm.

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

	US\$ per cu.m
Tanzania teak, sawn	350-885
Côte d'Ivoire logs	390-750
PNG logs	400-575
El-Salvador logs	340-695
Guatemala logs	400-550
Nigeria squares	370-450
Ghana logs	375-650
Guyana logs	300-450
Benin logs	340-650
Benin sawn	435-800
Brazil squares	360-680
Brazil logs	350-750
Cameroon logs	350-510
Togo logs	380-715
Ecuador squares	330-540
Costa Rica logs	355-700

Panama logs	360-550
Sudan logs	480-700
Congo logs	450-550
Kenya logs	390-600
Thailand logs	460-700
Trinidad and Tobago logs	420-680
Uganda logs	440-780
Uganda Teak sawn	680-800
Laos logs	300-605
Malaysian teak logs	325-525
Nicaragua logs	370-535
Liberia logs	350-460
Colombia logs	400-685

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

Prices for domestically sawn imported logs

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

Sawnwood,(Ex-mill) (AD)	Rs. per ft ³
Merbau	1550-1650
Balau	1550-1750
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

Myanmar teak processed in India

Sawnwood (Ex-mill)	Rs. per ft ³
Myanmar Teak (AD)	
Export Grade F.E.Q.	6000-15000
Plantation Teak A grade	5500-6000
Plantation Teak B grade	3500-4250
Plantation Teak FAS grade	3000-3500

Price variations depend mainly on length and cross section

Imported sawnwood prices

Ex-warehouse prices for imported kiln dry (12% mc.) sawnwood per cu.ft are shown below.

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

Price variations depend mainly on length and cross section

Plywood market slow to revive

Domestic manufacturers continue to report slow market conditions and put this down to the subdued housing sector. Prices remain unchanged.

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
9mm	59.5
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

Recovery of Brazilian pine plywood exports

In 2013, there was a 24% increase in pine plywood exports, the first increase in five years. The main markets were Europe (71%) and North America (13%). Before the 2008/9 financial crisis the US was the main international market for pine plywood.

According to the Brazilian Association of Mechanically Processed Timber Industry (ABIMCI), the increase in exports is the result of promotional efforts by the pine plywood industry and the recent favorable exchange rate which also helped the recovery.

However, ABIMCI warns it is necessary to continue with the promotional efforts to secure better prices in international markets.

In 2013, Brazilian pine plywood exports were 1.164 million cubic metres but in 2007, before the financial crisis Brazil exported 1.536 million cubic metres.

Paraná state is the main pine plywood producer but exports transaction costs are high because of taxes and container handling fees at the Port of Paranaguá. These problems are compounded by the higher than average minimum wage paid by companies in the state.

Earnings in the furniture industry drop

Despite an overall improvement in output and revenue in the timber sector in 2013 the Brazilian wooden furniture manufacturing sub-sector did not perform as well. In 2103 output from the furniture sector rose slightly but sector revenues fell by approximately 2.5%.

According to the Brazilian Institute of Geography and Statistics (IBGE) in 2013 furniture production increased 2.1% compared to 2012 but production by the whole timber sector rose 4.6%,

The National Confederation of Industry has reported that the utilisation of installed capacity in the furniture sector increased 0.7% while that for the whole timber sector increased by 2.3%.

Overall, the Brazilian wood processing industry achieved a 3.8% growth in 2013, partially recovering the losses of 2012. Analysts say continued growth into 2014 could be affected by a strengthening of the Brazilian currency and a reigning in of credit as the central bank introduces further monetary tightening.

Mato Grosso is the largest teak producer in Brazil

According to the Brazilian Association of Planted Forest Producers (ABRAFLOR) the state of Mato Grosso is the largest plantation teak producer in Brazil, with some 65,000 hectares of plantations. However, teak plantations represent only 4% of the 5.1 mil. ha. of plantations in Brazil, the majority being eucalyptus.

The Federation of Agriculture and Livestock in Mato Grosso (FAMATO) has said the state has an opportunity to expand the area of plantations but the lack of skilled labour is a major constraint.

Teak is suited to the environmental conditions in Mato Grosso but forestry companies in the state claim that, even though there is a strong demand for teak in international markets, the poor infrastructure in the state is holding back development of the plantation sector.

São Paulo Furniture and Decoration Fair a success

The 17th Furniture and Decoration Accessories Fair, the leading furniture and decoration accessories trade fair in Latin America, was held in mid-February in São Paulo and exceeded expectations.

The fair attracted 22,400 visitors including retailers and professionals in the furniture and interior design industry as well as importers from countries such as Bolivia, Chile,

Colombia, Dominican Republic, Ecuador, Guatemala, Mexico, Panama, Paraguay, Peru, Puerto Rico, Uruguay and Venezuela.

The fair generated business worth around R\$200 mil. and post-fair sales have been estimated at around R\$300 mil. The 18th Furniture and Decoration Accessories Fair will take place in August, this year and will be held again in São Paulo.

Price trends

Brazilian prices remain unchanged.

Domestic Log Prices

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

Export Sawwood Prices

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

Domestic Sawwood Prices

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

Export Veneer Prices

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

Domestic Veneer Prices

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

Export Plywood Prices

	US\$ per m ³
Plywood, FOB	
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

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

Domestic Plywood Prices

	US\$ per m ³
Plywood, domestic (ex-mill Southern mill)	
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

	US\$ per m ³
Belem/Paranagua Ports, FOB	
Blockboard Pine 18mm 5 ply (B/C)	422
<i>Domestic Prices</i> , Ex-mill Southern Region	
Blockboard White Virola faced 15mm	506
Particleboard 15mm	331

Export Prices For Added Value Products

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

Report from Peru

Disappointing export data from ADEX

According to statistics from the Exporters Association of Peru (ADEX), 2013 exports of wood products were valued at US\$159.7 million FOB in contrast to the US\$166.27 million in 2012, a decline of 3.9%.

In 2013 the three main markets for wood products from Peru were China, United States and Mexico. Together these three countries accounted for 74% of all wood product exports.

The main items exported to China were strips and friezes for flooring while the US market took mostly builders woodwork and carpentry as well as blockboard. Demand from China expanded 5% in 2013 while demand in the US increased by 11%. In contrast, Mexican imports in 2013 fell 24%.

During 2013 exports of sawnwood were the second most important category of exports accounting for around 36% of all exports in value terms. 2013 exports of sawnwood totalled US\$57.2 million FOB compared to the US\$66.4 million in 2012; a decline of almost 14%. The main market for Peru's sawnwood in 2013 was China.

Exports of semi-manufactured products in 2013 were valued at US\$59.4 million FOB, up around 4% on levels in 2012. China was the main buyer of semi-manufactured products from Peru and accounted for 61% of all exports of this category of product.

Encouragingly, demand for Peru's semi-manufactured products from the US and Sweden expanded in 2013. Exports of plywood and veneered panels in 2013 were worth US\$17.9 million FOB and Mexico was the main market. However, 2013 exports of plywood and veneered panels were down 19% compared to 2012.

Peru's 2013 exports of furniture and parts were valued at US\$7.9 million FOB, up 4.5% on 2012. The US market accounted for over 60% of exports of furniture and parts followed by Italy (13.5%).

Finland and IICA presented results forestry innovations forum

At a Regional Forum in Lima from 5 to 7 March, progress on the first phase some 24 projects promoting Sustainable Forest Management Programme in the Andean Region was assessed.

The Forum focused on highlighting innovations and lessons learned from each of the four participating countries Bolivia, Colombia, Ecuador and Peru. The Forum provided the opportunity to validate innovations

and prepare strategies for replication and scaling of these innovations such that they will be translated into expanded investment and government policies.

A set of innovations, best practices and guidelines for replication and scaling have been analyzed under the umbrella of four themes related to sustainable forest management in the region : the formation of multi-stakeholder partnerships, compensation schemes for environmental services, forest management Community and diversification and value addition of forest products.

For more see:

<http://forestalsostenibleandina.net/Noticias/noticias-forestales/Finlandia-e-IICA-presentaron-innovaciones-forestal.aspx>

Export Sawnwood Prices

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

Peru Sawnwood, FOB Callao Port (cont.)		US\$ per m ³
Virola 1-2" thick, length 6'-12' KD		
Grade 1, Mexican market		431-496
Grade 2, Mexican market		372-415
Cumaru 4" thick, 6'-11' length KD		
Central American market		841-865
Asian market		866-939
Ishpingo (oak) 2" thick, 6'-8' length		
Spanish market		509-549
Dominican Republic		592-611
Marupa (simarouba) 1", 6-11 length	Asian market	421-482

Peru Sawnwood, FOB Iquitos		US\$ per m ³
Spanish Cedar AD Select Mexican market		911-931
Virola 1-2" thick, length 6'-13' KD		
Grade 1, Mexican market		429-467
Grade 2, Mexican market		332-377
Grade 3, Mexican market		161-176
Marupa (simarouba) 1", 6-13 length KD		
Grade 1, Mexican market		349-398

Domestic Sawnwood Prices

Peru sawnwood, domestic		US\$ per m ³
Mahogany		867-911
Virola		142-166
Spanish Cedar		296-355
Marupa (simarouba)		110-121

Export Veneer Prices

Veneer FOB Callao port		US\$ per m ³
Lupuna 3/Btr 2.5mm		207-239
Lupuna 2/Btr 4.2mm		212-222
Lupuna 3/Btr 1.5mm		211-221

Export Plywood Prices

Peru plywood, FOB Callao (Mexican Market)		US\$ per m ³
Copaiba, 2 faces sanded, B/C, 15x4x8mm		328-365
Virola, 2 faces sanded, B/C, 5.2x4x8mm		466-489
Cedar fissilis, 2 faces sanded 4x8x5.5mm		759-770
Lupuna, treated, 2 faces sanded, 5.2x4x8mm		373-399▲
Lupuna plywood	B/C 15x4x8mm	407-439
	B/C 9x4x8mm	366-385
	B/C 12x4x8mm	350-360
	B/C 8x4x15mm	424-446
	C/C 4x8x4mm	389-425
Lupuna plywood B/C 8x4x4mm	Central Am.	370-393

Domestic Plywood Prices

	US\$ per m ³
Lupuna Plywood BB/CC, domestic (Iquitos mills)	
122 x 244 x 4mm	467▲
122 x 244 x 6mm	397
122 x 244 x 8mm	415
122 x 244 x 12mm	399
(Pucallpa mills)	
122 x 244 x 4mm	463
122 x 244 x 6mm	439
122 x 244 x 8mm	430
122 x 244 x 12mm	429

Domestic Prices for Other Panel Products

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

Export Prices for Added Value Products

	US\$ per m ³
Peru, FOB strips for parquet	
Cabreuva/estoraque KD12% S4S, Asian market	1293-1351▲
Cumaru KD, S4S Swedish market	897-1025
Asian market	1255-1345
Cumaru decking, AD, S4S E4S, US market	1215-1311
Pumaquiro KD # 1, C&B, Mexican market	464-534
Quinilla KD, S4S 2x10x62cm, Asian market	493-519
2x13x75cm, Asian market	732-815

Report from Guyana

Mora log prices ease

In the period reviewed there were no exports of greenheart logs. Purpleheart logs were exported however, but FOB prices eased slightly.

For Standard sawmill quality purpleheart logs the top end price fell from US\$385 to US\$235 per cubic metre FOB. Similarly, there was a decline in price of Fair sawmill quality purpleheart logs from US\$300 to US\$200 per cubic metre FOB. However, for Small sawmill quality purpleheart logs prices held firm at US\$150 per cubic metre FOB.

Mora log prices have also eased in recent weeks. Standard sawmill quality mora FOB prices dipped from US\$160 to US\$120 per cubic metre. Similarly for Fair sawmill quality the price fell from US\$140 to US\$115 per cubic metre FOB. Other logs, especially the lesser used but commercial, species were exported.

Sawnwood prices remain firm

Despite the easing of log prices, sawnwood prices remained firm. Undressed greenheart (Prime quality) saw a significant increase in FOB prices from US\$1,058 to US\$1,657 per cubic metre.

However, Select quality greenheart sawn prices fell from a top end price of US\$1,060 to US\$848 per cubic metre FOB. Sound quality greenheart sawnwood FOB prices were fair at US\$784 per cubic metre.

Undressed purpleheart sawnwood prices were largely steady but Select quality sawnwood recorded a slight increase in its top end price from US\$1,000 to US\$1,080 per cubic metre.

On the other hand, Undressed mora (Select quality) prices surged from US\$785 to US\$976 per cubic metre FOB but Merchantable quality mora sawnwood prices held firm at US\$500 per cubic metre FOB.

The main markets for sawn greenheart, purpleheart and mora were the Caribbean, Europe, Middle East Oceanic Region and North America.

Competition drives down dressed sawnwood prices

In contrast to the price movements of rough sawn timbers, export prices for dressed sawnwood fell in the period reviewed.

Dressed greenheart export prices fell from US\$1,272 to US\$1,060 per cubic metre while Dressed purpleheart FOB prices slipped from US\$1,160 to US\$869 per cubic metre. The Caribbean and the Middle East market of U.A.E absorbed most of these products.

Many of Guyana's lesser known species made their way onto the international market at prices which were attractive for producers. Guyana's washiba (ipe) continued to rank high in terms of export market prices earning as much as US\$2,450 per cubic metre FOB in the US market.

Plywood prices remained firm at US\$584 per cubic metre FOB in the Caribbean and South American markets.

Greenheart pile prices were favourable. Select quality piling earned as much as US\$718 per cubic metre FOB and Sound quality piling attracted prices as high as US\$388 per cubic metre. Europe and North America were the top buyers of this durable timber product from Guyana.

Similarly, wallaba poles of Select quality also attracted favourable market prices as much as US\$824 per cubic metre FOB with the Caribbean being the foundation of this market. During this period Splitwood (shingles) maintained a strong presence in the Caribbean, Central American and North American markets earning as much as US\$1,091 per cubic metre FOB.

Guyana's value added products made their way onto export markets in the form of doors, indoor furniture, crafts and wooden ornaments and utensils.

Increased demand in the domestic utilities sector

Guyana is currently experiencing a building boom and this has resulted in increased domestic consumption of sawnwood, plywood, joinery as well as poles and posts.

Recently, the Guyana Power and Light Inc. has been expanding its electrification programme in areas not served by the existing power grid such as in the new housing schemes being established across Guyana. This expansion of the power grid has created an extra demand for transmission poles.

In addition, many large buildings are being constructed and this has led to increased demand for piles for foundations purposes.

Wallaba is recognised both locally and internationally as a leading highly durable tropical timber suitable for transmission poles. Similarly Greenheart is also known internationally as a leading species for construction piling.

Apart from the commonly know timbers there are many species that can substitute for the establish species. For instance suya (*Pouteria speciosa*) can be used for poles and posts while black kakaralli (*Eschweilera sagotiana*) can be utilised for piles. These timbers however, require some form of preservative treatment.

The Forest Products Development and Marketing Council of the Guyana forestry Commission, in an effort to educate consumers on a wider range of timbers has embarked on a campaign to publicise consumers of the characteristics and properties of these lesser used species.

Export Log Prices

Logs, FOB Georgetown	SQ - US \$ Avg unit value per m ³		
	Std	Fair	Small
Greenheart*	-	-	-
Purpleheart	200-235	170-200	300 150
Mora	120	115	-

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

Export Plywood Prices

Plywood, FOB Georgetown Port		US\$ Avg unit val. per m ³	
Baromalli	BB/CC	5.5mm	450-584
		12mm	
Utility		5.5mm	No export
		12mm	No export

Export Sawwood Prices

Sawnwood, FOB Georgetown		\$ Avg unit val. per m ³	
EU and US markets		-Undressed	Dressed
Greenheart	Prime	954-1,657	-
	Standard	-	600-1,060
	Select	600-848	-
	Sound	-	-
	Merchantable	-	-
Purpleheart	Prime	-	-
	Standard	-	721-869
	Select	650-1,000	-
	Sound	1008	-
	Merchantable	-	-
Mora	Prime	-	-
	Select	500-967	-
	Sound	-	-
	Merchantable	500	-

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

Report from Japan

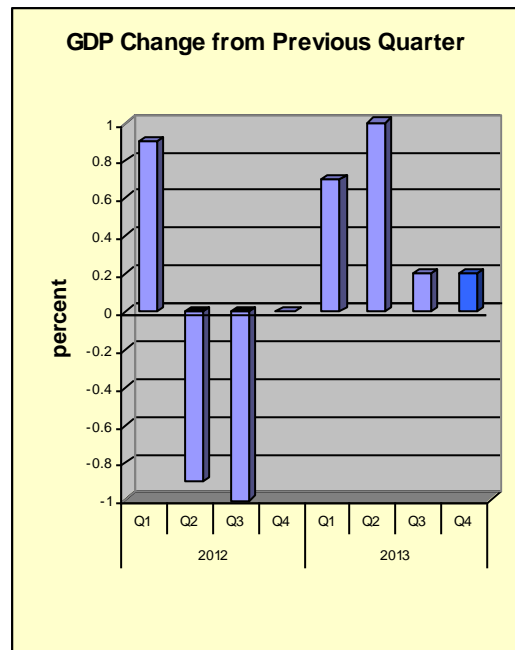
National debt continues to expand

Japan's economy grew by 0.7% in 2013, down from an initial estimate of 1%, being dragged down by lower than forecast capital expenditure and a dip in consumer spending.

Some economists doubt that either business investment or consumer spending will recover quickly after the April tax increase. The recent improvement in growth, say analysts, is mostly the result of households rushing to buy cars, electronics and other expensive items before the tax increase.

Despite the growing debt the Bank of Japan (BoJ) is still maintaining the economy will continue in a recovery mode by the third quarter of this year and that 2014 will also see positive growth.

Even with the downward revision in GDP the 2013 economic performance was still the best in three years.



Source: Cabinet Office, Japan

BoJ – No need to adjust stimulus measures

The BoJ has reiterated it will continue with its monetary stimulus programme as, in its view, both the economy and consumer sentiment are on track.

At its latest meeting the BoJ decided there was no need to amend the monetary policy, saying the recent fall in exports is temporary, the result of a slowdown in demand from China and other emerging markets. The firm stance by the BoJ pushed up the yen against the US dollar.

The bank appears confident that, because businesses are pouring into new plant growth, will be generated. Recent data showed industrial production rose 4% in January, the second month increase in April.

In a statement the BoJ said: “With regard to the outlook, Japan's economy is expected to continue a moderate recovery as a trend, while it will be affected by the front-loaded increase and subsequent decline in demand prior to and after the consumption tax hike.

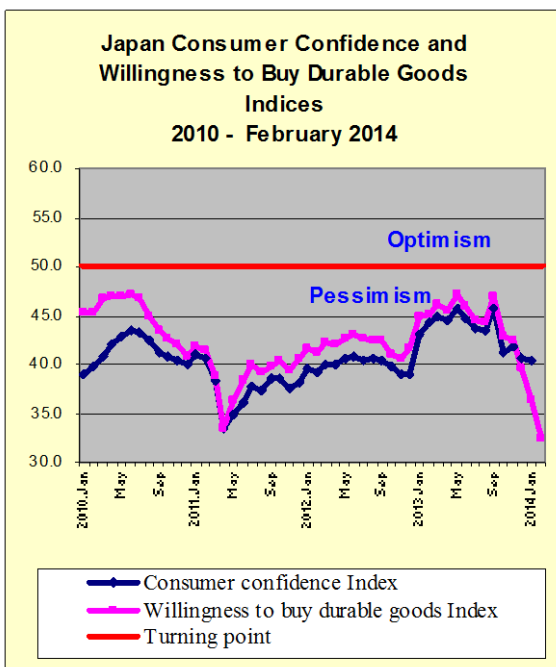
Exports are expected to increase moderately mainly against the background of the recovery in overseas economies.

As for domestic demand, public investment is expected to trend upward for the time being and then become more or less flat at a high level. Business fixed investment is projected to follow a moderate increasing. Private consumption and housing trend as corporate profits continue to improve. Investment, albeit with some fluctuations, are expected to remain resilient as a trend.”

For the full statement see:
https://www.boj.or.jp/en/mopo/gp_2014/gp1403a.pdf

Consumer confidence lowest for years in Japan

Japan’s Cabinet Office has released the results of the February 2014 Consumer Confidence Survey showing the consumer confidence index fell to 38.3, the third month of decline and the lowest it has been since September 2011.



Source: Cabinet Office, Japan

The latest survey was carried out on 15 February and covered some 5,635 households (a 67% response rate) was released on 12 March.

This survey shows more Japanese have become pessimistic on the four main issues surveyed; overall economic well-being, income growth, employment and whether it is a good time to buy durable goods.

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

The overall negative result of the survey prompted the government to downgrade its assessment, saying, "consumer confidence is weaker." Last month it said confidence was "marking time."

Most analysts say consumer confidence is falling as consumers worry the upcoming tax increase will be hard to bear, especially as basic pay levels have been stagnant for years and inflation seems set to rise.

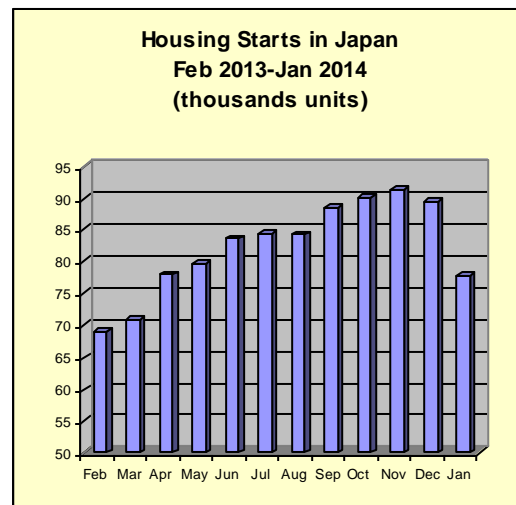
During the latest round of wage negotiations the major companies have been pushed by the government to raise basic wages.

The proposed wage increases of between yen 2-3,000 per month have been well received by workers and may result in an improvement in the consumer confidence index for March.

January housing starts fail to meet expectations

Despite a year on year 12% growth in January housing starts, January 2014 starts, at 77,800, were down 13% from levels a month earlier and below analysts expectations.

The complete data set of housing starts can be found at the Ministry of Land, Infrastructure, Transport and Tourism website.



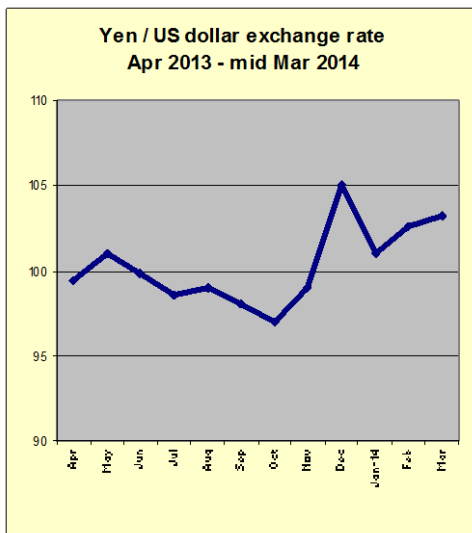
Source: Min. Land, Infrastructure Transport and Tourism, Japan

Despite the lower than expected January starts construction companies report that orders increased by around 15% year-on-year in January, the best result since November 2013.

Yen strengthens as money moves out of China

In early March the yen strengthened against the US dollar despite the drastic downward revision of fourth quarter growth in GDP and a bigger than wider than expected current account deficit for January.

The main cause of this strengthening, say analyst, was the weaker than expected output data from China.



Large Japanese corporations posted high levels of profits last year and 2013 was the best year for many of the large corporations since 2007. However, almost all of the gains were due to the depreciation of the yen against major currencies which boosted Japan's export earning. However, data suggests few companies actually shipped more goods in 2013 but gained because more yen was earned.

The ultra-loose monetary policy of the government continues to hold down the exchange rate of the yen which has fallen 24% against the US dollar since the current government came into power.

Analysts estimate that, for Japanese manufacturers and exporters, up to 80% of the rise in profits last year can be explained by the yen:US dollar exchange rate change.

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>

Robust demand for New Zealand logs by China

Chinese purchase of New Zealand radiate pine logs had kept growing until 2011 when the Chinese government took tight money policy. The volume of import plunged all of a sudden but since second half of 2012, the import recovered again by increasing demand and total log import in 2013 was 11,050 M cbms, 13.4% more than 2012 and it is the highest import volume.

The log inventories in China before the Chinese New Year in late January were 2,300-2,400,000 cbms then they increased to 3,600,000 cbms now.

With active consumption of logs in China, aggressive purchase will start again shortly.

Log production in New Zealand is steady but it is getting close to the maximum level considering transportation and handling capacity of loading ports and the export log prices have kept climbing continually.

Continuous increase of log export prices for China affects the prices for Japan. Log prices for Japan are higher than China but for the suppliers, profitability is lower as Japan demands longer logs and cleaner surface while Chinese specifications are much easier to manufacture.

Radiate pine sawmills in Japan have been trying to increase lumber sales prices by higher log cost but endless price increase is likely to ruin price structure of crating lumber market.

Meantime, Chilean radiate pine lumber prices are firming. The prices for February shipment are up by US\$10-15 per cbm C&F and March shipment prices seem to go higher again driven by active demand in other markets.

Russian logs and lumber import in 2013

Total log import from Russia in 2013 was 214,000 cbms, 15% less than 2012 and the drop of log import continues year after year. Meantime, lumber import was 751,000 cbms, 22.1% more than 2012.

There was more demand for logs in the first half of 2013 but the supply was not there and missed the chance to grow. Lumber import had been steady with about 60,000 cbms a month all through the year.

North American hardwood lumber Market

Market of temperate hardwood lumber from North America is firming. Wholesalers' prices of red oak lumber (FAS grade of 4/4 inch thick) have climbed to 125,000-130,000 yen per cbm delivered retailers.

Recovery of housing market in North America and aggressive purchase by China push the prices up and it is hard to have desirable volume now. Red oak lumber had been relatively low in prices but now they are getting close to white oak lumber prices or higher.

Chinese interior lumber manufacturers used to purchase directly but now large Chinese lumber distributors buy in large volume. One company buys 300 containers a month, which about 10,000 cbms. Others buy 100 containers a month. China buys from top to the bottom in grade.

The prices of red oak lumber are particularly up. It is widely used for flooring, baseboard and wall trim in the States.

Oji group' Indonesian project

Oji group has been developing forest products project in Kalimantan, Indonesia. Objective of the project is to utilize plantation trees like Eucalyptus and Acacia.

It started veneer manufacturing plant in March 2013, which consumes 60,000 cbms of eucalyptus. Produced veneer of 36,000 square meters a year is supplied to plywood mill Korindo group runs.

Then in April 2013, wood chip plant started, which consumes one million cubic meters of logs a year. Wood chip of 500,000 BD ton is supplied to Oji Paper in Japan for paper manufacturing.

In February this year, sawmill started running. The mill consumes about 25,000 cbms of logs a year. Lumber is used for crating, pallet, decking, flooring and furniture.

In future, the mill will be expanded to consume 200 M cbms of logs a year. In July this year, wood pellet plant will start up, which uses residue of mills and unused wood in the forest.

The production will be 100,000 ton a year and the pellet will be marketed in Japan and Korea. With all the manufacturing facilities, total log consumption will be 1,085,000 cbms a year.

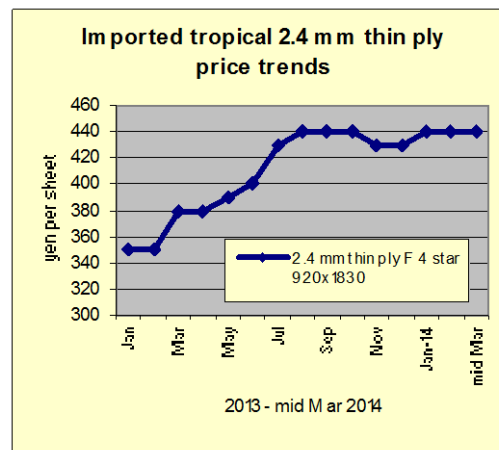
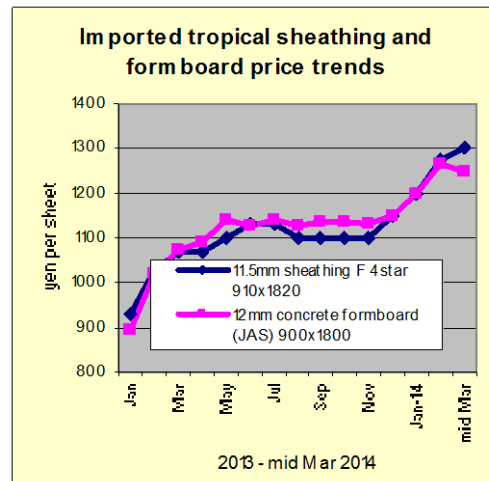
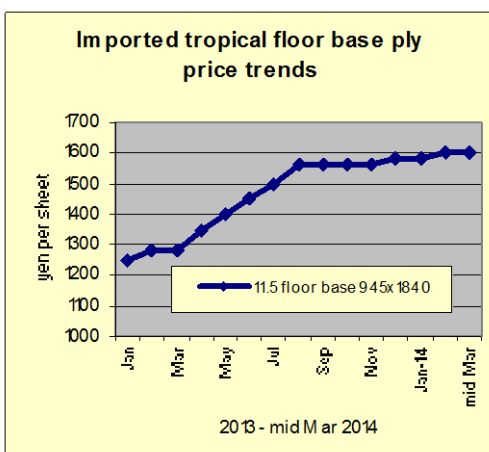
Plywood

Domestic softwood plywood market continues strong. Although orders for pre-cutting plants for local contractors and builders started fluctuating, orders from large house builders continue firm and orders for plywood manufacturers remain brisk so the supply continues tight.

Since mid January, more trucking became available so that manufacturers' shipments increased and the inventories declined. Large house builders are busy for February and March so that plywood demand should continue brisk through March.

January production was 217,900 cbms, 16% more than the same month a year ago and 38% less than December due to holidays and cold weather but the shipments 240,600 cbms, 93% more and 62% more. Thus, the inventories declined by 20 M cbms down to 98,900 cbms.

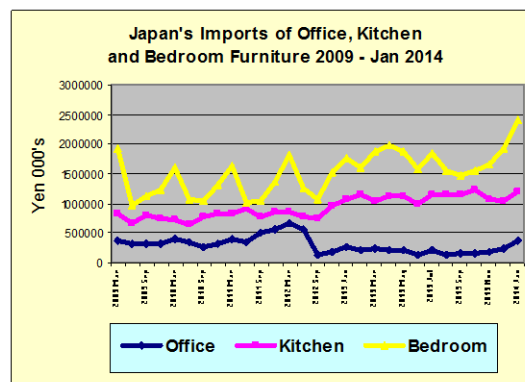
Price trends for Japanese imports of Indonesian and Malaysian plywood



Trends in office, kitchen and bedroom furniture imports

Japan's office kitchen and bedroom furniture imports from 2009 to the end of January 2014 are shown below. Imports of bedroom furniture exhibited a cyclical trend between 2009 and 2012. However, from 2012 bedroom furniture imports began to increase and have continued upwards since. January 2014 imports marked a new high for monthly imports of bedroom furniture.

January imports of office and kitchen furniture expanded sharply a reflection of the firm housing market and the desire on the part of businesses and the public to purchase furniture before the consumption tax is raised in April.



Source: Ministry of Finance, Japan

Office furniture imports (HS 9403.30)

January 2014 office furniture imports into Japan were around 40% higher than for the same month in 2013 and sharply up on December 2013 imports. The top suppliers of office furniture to Japan during January were China (53%) Poland (12%) and Portugal (7%) accounting for some 72% of all office furniture imports.

If imports from Malaysia and Indonesia are added to the imports from China then Asian suppliers accounted for close to 60% of Japan's January 2014 office furniture imports with the balance coming from EU suppliers.

January 2014 office furniture imports

	Imports Jan 2014 Unit 1,000 Yen
China	193061
Taiwan P.o.C	19188
Thailand	1889
Malaysia	16116
Indonesia	14770
Sweden	11579
Denmark	954
UK	1604
Germany	2988
Portugal	24193
Italy	16196
Poland	44628
Lithuania	6518
Slovakia	6374
USA	5069
Mexico	285
Total	365412

Source: Ministry of Finance, Japan

Kitchen furniture imports (HS 9403.40)

Imports of kitchen furniture in January 2014 were one of the highest since 2009. January 2014 kitchen furniture imports were 13% higher than in January 2013 and 17% higher than in December 2013. Vietnam (37%), China (26%) and Philippines (16%) accounted for the bulk of the kitchen furniture imports in January 2014.

If imports from Thailand and Indonesia are included in the sub total above then Asian suppliers accounted for over 90% of Japan's kitchen furniture imports

Of the non-Asian suppliers Germany and the US were in the top 20 suppliers but could together only secure a modest 5% market share.

January 2014 Kitchen furniture imports

	Imports Jan 2014 Unit 1,000 Yen
China	321104
Taiwan P.o.C	5572
Vietnam	446561
Thailand	7222
Malaysia	26267
Philippines	197776
Indonesia	126485
UK	753
Germany	31661
Italy	18299
Romania	2996
Lithuania	1046
Canada	386
USA	28806
Total	1214934

Source: Ministry of Finance, Japan

Bedroom furniture imports (HS 9403.50)

Japan's imports of bedroom furniture steadily increased throughout 2013 and there was a surge in imports in January 2014 lifting the monthly value of imports to a new record high.

Compared to imports in January a year early, 2014 January imports were up 36.5% and compared to imports in the previous month of December, imports rose 24%.

January 2014 Bedroom furniture imports

	Imports Jan 2014 Unit 1,000 Yen
China	1434825
Taiwan P.o.C	38674
Hong Kong	540981
Vietnam	80859
Thailand	990
Singapore	165781
Malaysia	35720
Sweden	256
Denmark	3410
UK	391
France	400
Germany	529
Italy	10089
Poland	43038
Romania	14500
Turkey	782
Lithuania	2433
Slovakia	6054
USA	28059
Total	2407771

Source: Ministry of Finance, Japan

While China maintained its number one ranking in terms of the value of imports, newcomer suppliers, namely Hong Kong and Singapore, provided a large proportion of January 2014 bedroom furniture imports.

Together, China Hong Kong and Singapore accounted for 89.5% of Japan's January 2014 imports of bedroom furniture. The top non Asia suppliers were Poland, the US and Romania.

Report from China

Prices for new homes continue to rise

In February this year in the 70 medium and large-sized cities surveyed prices of newly built homes declined in 6 cities, remained the same in 2 cities and increased in the balance. The maximum month-on-month increase was 1.2 percent.

Compared with prices in the same month of last year, prices of newly constructed residential buildings increased in 69 cities. In January this year the highest year-on-year change was an increase of almost 21 percent.

See: http://www.stats.gov.cn/english/PressRelease/201402/t20140225_515933.html

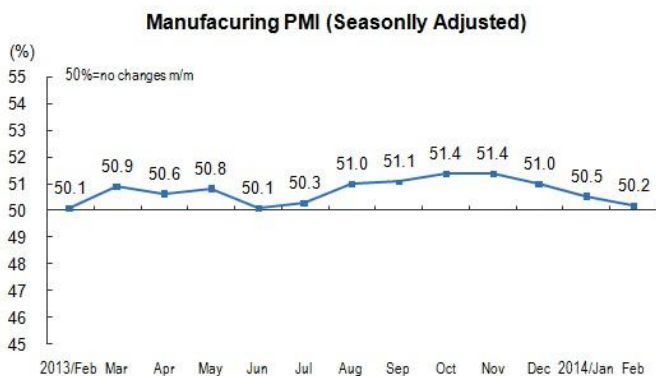
Prices of second-hand homes were also surveyed and found to have fallen in 13 cities, remained stable in 9 cities and increased in 48 cities.

China's PMI at 50.2 in February

China's National Bureau of Statistics of China has issued a press release on the manufacturing PMI.

See: http://www.stats.gov.cn/english/PressRelease/201403/t20140303_518369.html

In February, China's manufacturing purchasing managers index (PMI) was 50.2, down by 0.3 points month-on-month but still above the negative threshold, indicating a healthy manufacturing sector but one where February production declined because of the "Spring Festival" holidays.



Source: National Bureau of Statistics, China

In terms of size of enterprises, the PMI of large-sized enterprises was 50.7, down 0.7 points month-on-month but still in positive territory.

The PMI for medium-sized enterprises was 49.4, down by 0.1 point month-on-month, it has been below the negative threshold for 3 consecutive months.

The PMI for small-sized enterprises was 48.9, up by 1.8 points month-on-month but still positioned below the threshold.

In February, amongst the five sub-indices comprising the PMI, one sub-index increased, while the other four declined. The production index was 52.6, down 0.4 points month-on-month. The New Orders index was 50.5, down by 0.4 points month-on-month.

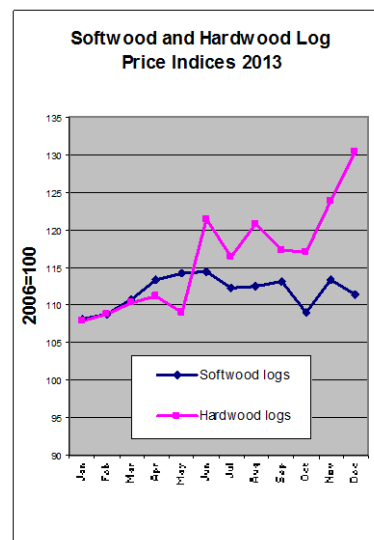
The February survey results showed that the new export orders index and import index, reflecting foreign trade of manufactured goods were 48.2 and 46.5 respectively down 1.1 and 1.7 points month-on-month. Both indexes have been below the 50 threshold for 3 consecutive months.

Timber price indices

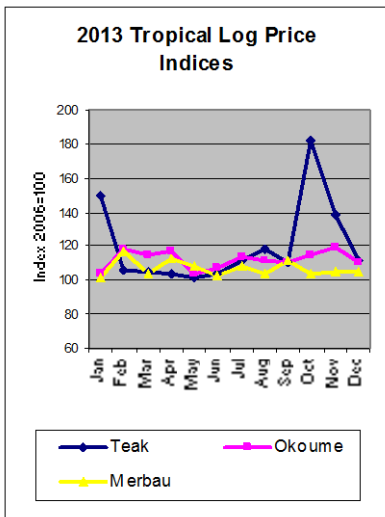
The following illustration of price trends are based on data released by the Ministry of Commerce and the China Timber and Wood Products Distribution Association and published in the Chinese journal "China Timber and Wood Products".

For full details see: <http://www.cnwood.org/default.htm> and <http://tfzs.mofcom.gov.cn/article/buwg/redht/201305/20130500128380.shtml>.

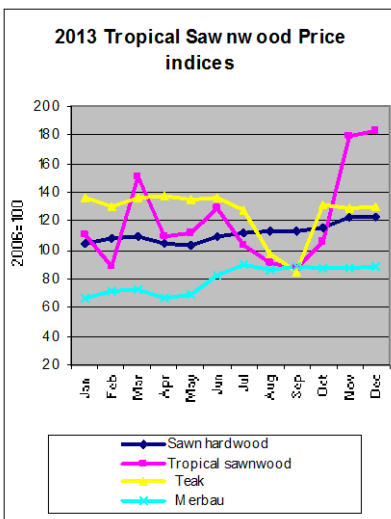
The price indices provided are based on the CIF price so caution is advised when assessing the trends.



Data source: Ministry of Commerce and the China Timber and Wood Products Distribution Association, China



Data source: Ministry of Commerce and the China Timber and Wood Products Distribution Association, China



Data source: Ministry of Commerce and the China Timber and Wood Products Distribution Association, China

Eighth forest inventory published

China's State Forestry Administration (SFA) has briefed the media on the latest resource inventory and forest protection efforts by the SFA. Director, Zhao Shucong, pointed out that a National Forest Resource Inventory Report is produced every five years and that latest report covers the period 2009 through to 2013.

The report states that China's forested area extends to 208 million hectares up from the 195 million hectares in 2008. Forest stocking volumes are estimated at 15,137 million cubic metres (13 721 million cubic metres in 2008). The forest coverage increased to 21.63 percent of the country's total land area from 20.36 percent in 2008.

Both forested area and stocking volume continued to increase. China's forested area increased 13 million ha. and stocking volume increased 1416 million cubic metres from 2008.

The area of forest plantations has increased by 7.64 million ha. from 61.69 million ha in 2008 to 69.33 million ha in 2013. The stocking volume increased 522 million cubic metres from 1.961 million cubic metres in 2008 to 2,483 million cubic metres in 2013.

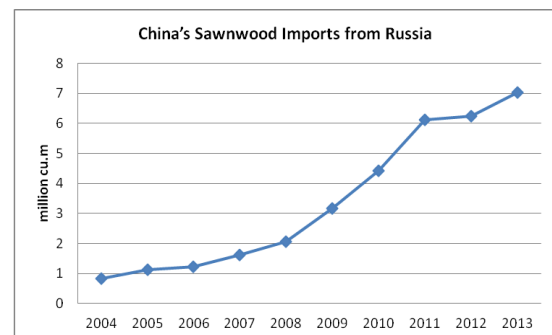
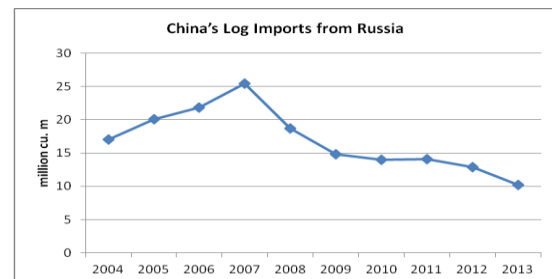
China's national annual timber consumption was reported as about 500 million cubic metres with around half being imported. National timber consumption is forecast to rise to 800 million cubic metres by 2020.

How to increase the domestic wood supply and reduce the dependence on timber imports is one of the major challenges in China. The SFA has a target of keeping timber imports at no more than 60% of national consumption.

To achieve this goal it is planned that 4 mil. ha. of domestic plantations will be established annually to create a strategic reserve. In addition overseas investment in forestry will be expanded. At the moment China has more than US\$15 billion invested in foreign forestry projects and has rented or purchased about 40 million ha. of forested land in other countries.

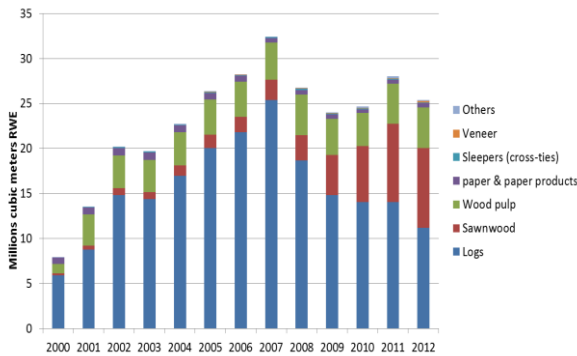
China-Russia cooperation for a legal timber trade

China's log imports from Russia have fallen in recent years because the Russian government imposed high export tariffs on logs but sawnwood imports from Russia increased dramatically from 2004 to 2013.



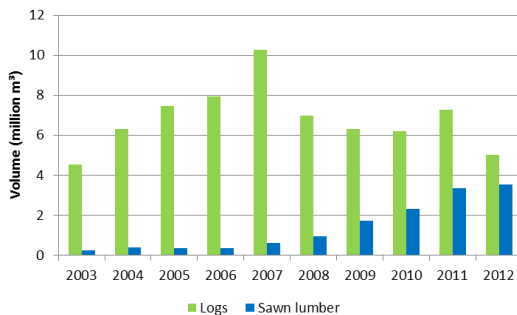
Source: National Bureau of Statistics, China

The structure of China's imported forest products from Russia

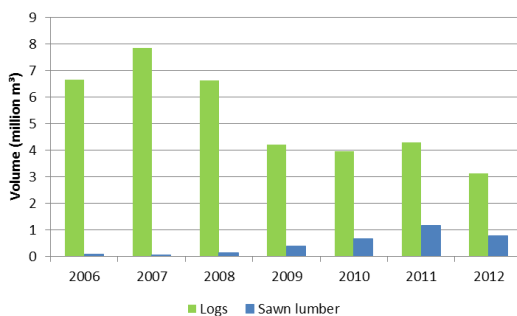


There are two major gateways for Russian timber, Suifenhe and Manzhouli ports.

Manzhouli Imports of Russian timber



Suifenhe Imports of Russian timber



The softwood species imported from Russia are mainly Mongolian pine, white pine, Korean pine, and larch. Around 80% of the imports from Russia are consumed in domestic markets for construction, interior decoration and furniture.

Most of imported hardwood species are ash, oak, linden and birch which are used mainly for the manufacture of flooring, furniture and plywood much of which is exported.

Despite the thriving timber trade between Russia and China there are some major challenges that must be addressed.

Analysts in China have identified the following issues of concern:

- China's dependence on Russian imports creates uncertainty as export rules may change without notice.
- There are no detailed forest resources data in Russia
- Russia's foreign labour regulations act to hold down long-term investment by Chinese enterprises.
- The Russian Far-East is economically over-dependent on timber exports.
- The current China-Russian forest industry is predominantly of small scale enterprises.
- Verification of the legality of the Russian timber is an issue.

In response to the challenges identified above the Chinese government has signalled its intention to undertake the following actions:

- Establish a government-led cooperation framework to promote trade between the two countries.
- Facilitate 'green' growth by improving forest quality in the border between China and Russia.
- Expand timber processing zones/business parks in the bordering area.
- Increase China-Russia cooperation on forestry law enforcement.
- Provide stronger guidance for Chinese enterprises to regulate their forest management.
- Establish a China-Russian Commercial Chamber on Forestry

Specific suggestions for Chinese enterprises operating in Russia and for Chinese timber importers have been drafted by the Chinese authorities. The main suggestions for enterprises regarding the legality of the timber are summarized below:

Standard and criteria	Related documents
Forest management units (FMUs) and timber harvesting enterprises	
1. Sign forestland lease contracts and have it registered at designated national authorities	Copy of the lease contract
2. Pay the rents agreed in forestland lease contracts	Copies of documents for the payment
3. The requirements of forestry operation procedure for forest farms shall be complied with	Forestry operation procedure manual for forest farms
4. Forest management plan approved by the Federal Government or municipal governments	Forest Development Plan
5. FMUs shall develop and submit the forest declaration form every year	Forest declaration form and forest utilization report

6. Allowable harvest volume shall not exceed the quota approved for logging sites	Technical operation map, of logging sites, and quota design for logging sites
7. Species harvested shall meet the requirements of quota	Information about harvested species and harvest volume; site investigation results of logging sites; timber volume investigation volume for logging
8. Identify which trees (species) and shrubs shall be harvested in line with related legal requirements	CITES. List of the species that shall not be harvested in the territory of Russian Federation; regional Red Data Book, Red Data Book, CITES
9. Transportation (log and timber products transportation enterprises)	
10. Transportation shall have related license	Valid registration license and code
11. Legality of timber transportation	Valid timber transportation certificates 1. Transportation note 2. Specification descriptions (including species, wood quality, log quantity, log scale, timber volume, etc.) 3. Railway transportation document 4. International shipment document
Sales and export (forest products processors and exporters)	
12. Sales shall have the documents required	In internal market: purchase-and-sale contract for timber products and the documents accompanied
13. Export shall meet related requirements, and plant quarantine certificate is the sole document required for species identification except for the CITES species.	In the external market: 1. delivery note 2. Purchase-and-sale contract of timber products 3. Customs declaration form for shipments 4. Invoice 5. Packing list 6. Phytosanitary Certificate 7. Export Permit 8. Transportation documents
Buyer in other countries (Importer)	

14. Import shall have the required documents	<ol style="list-style-type: none"> 1. Invoice 2. Packing list 3. Bill from consignor 4. Purchase-and-sale contract of timber products 5. Certificate of Origin
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Promoting a legal and sustainable timber trade

In late February this year an international workshop 'Promoting Legal and Sustainable China-Russia Timber Trade' was jointly hosted by the Institute of Forestry Policy and Information within the Chinese Academy of Forestry (CAF), the State Forestry Administration's International Trade Research Center for Forest Products, Forest Trends, the European Forestry Institute (EFI), the World Wildlife Fund (WWF) and the Suifenhe municipal government.

The aims of this workshop were to promote a legal and sustainable China-Russia timber trade, to share information, to promote policy dialogue and to identify feasible solution for enterprises.

According to the conference, China's Timber Legality Verification Standard was issued by China National Forest Products Industry Association. The Research Institute of Forestry Policy and Information, under Chinese Academy of Forestry is developing the guideline on oversea timber trade and investment.

Russian roundwood Act

It has been reported that an amendment to the Russian Forestry Code (Federal Law of December 28, 2013N 415-FZ) has been made.

See: <http://www.rg.ru/2013/12/30/drevesina-dok.html>

This amendment changes the requirements for measurement, marking, registration and the transport of roundwood. The amendment aims to provide a system to document and provide tracability for roundwood from the harvest site, through transport and sale to the point of processing or export.

If successful this system would be significant for importers of Russian roundwood who wish to be assured of the legality of their raw materials.

Chinese manufacturers are large importers of roundwood and wood products from the Russia Far East where illegal logging is of considerable concern so the latest

improvements proposed in documentation are very welcome.

Improving the legality of the Russian forest sector and increasing the ability to trace roundwood back to the forest of origin and providing assurance of the legality will be an important means for Chinese manufacturers to provide overseas buyers with the required information and documentation on legality.

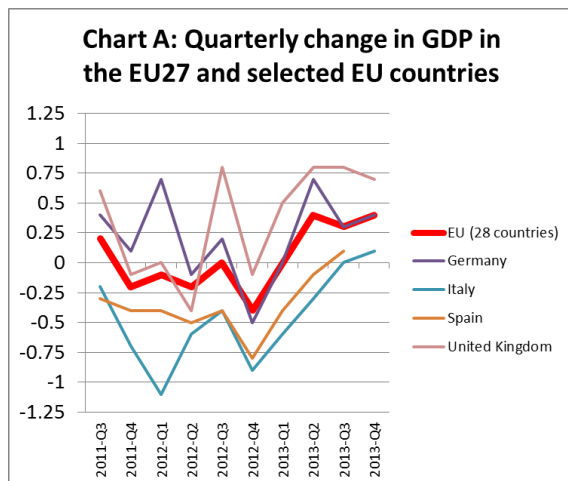
Report from Europe *

UK leads a slow recovery in the EU

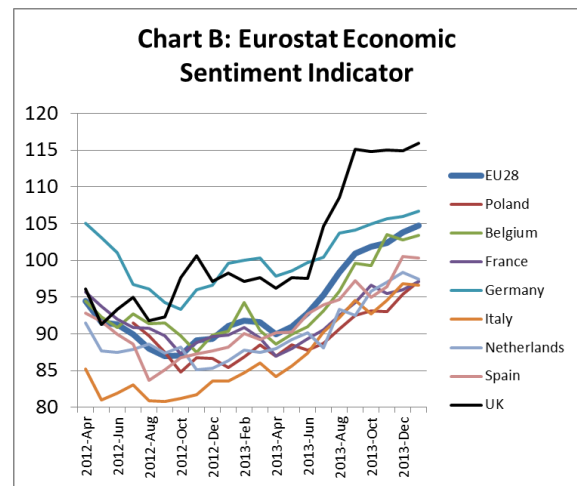
According to a preliminary estimate by Eurostat, GDP rose by 0.1% in the EU28 and fell by 0.4% in the euro area during 2013. Quarterly data shows that the European economy has been recovering slowly since the second quarter of 2013 (Chart A).

Of the large EU countries, the UK was the best performing economy in 2013. The UK's services and manufacturing sectors were the drivers of 0.7% growth in the fourth quarter, taking the annual growth rate to 1.9%, the strongest since 2007.

In the euro-zone, 0.4% and 0.3% GDP growth respectively in Germany and France in 2013 helped offset further declines in Italy and Spain. However, all these economies were recovering slowly in the second half of 2013.



Source: FII Ltd/Eurostat



Source: FII Ltd/Eurostat

Fragile recovery in the euro-zone

The euro zone's fragile economy improved modestly in the final quarter of 2013. GDP increased 1.1% at an annualized rate during the period. Recent growth is being buoyed by gains in exports and investment which is helping offset sluggish consumer spending.

However growth is still well below the pace needed to make a dent in near record-high unemployment or to alleviate debt burdens in Southern Europe.

Nevertheless, with a value of \$12.7 trillion, the euro-zone economy remains the second-biggest in the world behind the U.S. Official and private-sector estimates peg growth of around 1% across the region during 2014. This suggests that while the euro-zone won't be a drag on the global economy this year, it is unlikely to provide much of a lift to its trading partners either.

With the exception of Germany - which is renowned for its export prowess- the outlook for euro-zone growth is insufficient to propel much new investment and hiring. That leaves much of the currency bloc vulnerable to shocks from the global economy, financial markets or renewed political uncertainty.

More positively, economic sentiment was improving across the EU during the second half of 2013 (Chart B). For the EU28 as a whole, the Eurostat Economic Sentiment Indicator has exceeded 100 since August 2013. This implies above average sentiment across all five economic sectors (industry, services, retail trade, construction and consumers). Economic sentiment is particularly good in the UK and Germany.

Broad-based recovery in the UK

Prospects look much improved in the UK as economic recovery is now apparent across a wide range of industrial sectors. Britain's dominant services sector expanded by 0.8% between October and December 2013, while the construction sector increased by 0.2%.

British manufacturing increased by 0.9%, with industrial production overall up by 0.7%, while agricultural output increased by 0.5%.

Of particular note for the wood industry, house building in the UK staged a dramatic recovery in 2013. British builders enjoyed their best year since the financial crisis struck.

The UK Office for National Statistics reports that new housing construction jumped 10.4% to £22.1 billion in 2013. That is the highest level since 2007. The surge pushed output across the construction sector up 1.3% to £112.6 billion in 2013, 3.9% higher than the low in 2009 but still 12.2% below the 2007 peak of £128.2 billion.

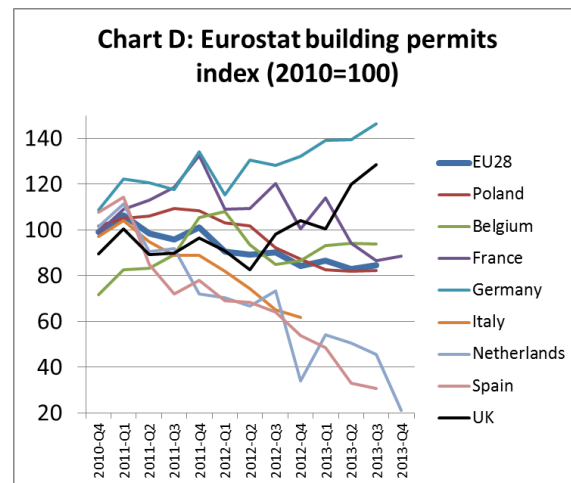
Very slow recovery in construction in other EU countries

Construction activity throughout the whole of EU is currently running at around 95% of the level in 2010 (Chart C). Activity in Germany maintained a relatively high level throughout 2013.

Activity was also showing signs of recovery in Belgium, Poland and France during the second half of 2013. However construction activity remained at a very low level in Italy and Spain throughout the year.

The Eurostat Building Permits Index, an indicator of future activity, suggests only very slow recovery in construction activity in the EU during 2014 (Chart D). Building permits were rising strongly in the UK and Germany in the second half of 2013.

However the number of building permits issued in Spain and the Netherlands declined sharply during this period. Overall building permits issued in the 3rd quarter of 2013 were only around 80% of the level prevailing in 2010.



Source: FII Ltd/Eurostat

EU wood flooring consumption down 5% in 2013

After a year in which overall European wood flooring consumption fell by 5.9%, first estimates suggest the market contracted another 5% in 2013. This is based on comments received from member country representatives at the FEP (European Federation of the Parquet Industry) meeting held at the DOMOTEX fair in Hannover in January 2014.

As in previous years, the results show some variation between European countries and from quarter to quarter. However, the overall picture is not as diverse as it once was. Indeed, countries which were performing rather well and driving the markets upwards also lost momentum in 2013.

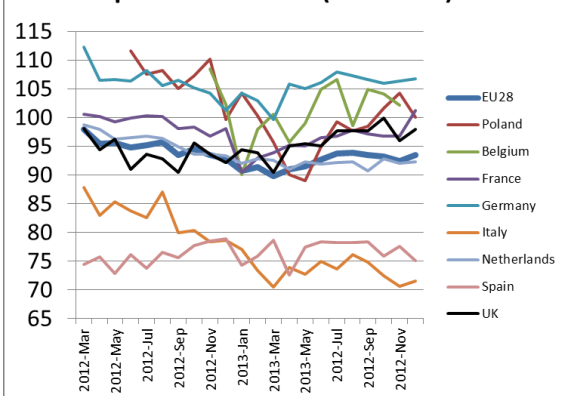
Markets in the south of the EU (e.g. Spain, Italy, and France) still face serious difficulties and probably experienced double digit decline in 2013. The situation is better in northern Europe, but developments are still slightly negative or, in the best case, stable (e.g. in Sweden).

Central Europe remains the best performing region, particularly Switzerland with expected growth of 6% in 2013. Consumption in Austria and Germany is estimated to have remained stable between 2012 and 2013.

According to FEP, these figures “have to be seen in the light of the major challenges faced by the sector in 2013 and still faced today, notably the continuously stiff competition, extremely high unemployment rates in some important EU regions and ever uncertain exchange rates, especially the EUR/USD rate”.

However FEP also note that the latest economic forecasts provide some grounds for optimism. FEP stress the conclusions of recent FEP consumer perception studies “which confirm that parquet is a great natural product, very much valued and desired by consumers, who see real wood parquet as an indispensable element of interior decoration of the future.”

Chart C: Eurostat construction production index (2010=100)



Source: FII Ltd/Eurostat

Big fall in EU wood flooring trade deficit

While European wood flooring consumption remains slow, there are signs that EU wood flooring manufacturers have adjusted to the new market situation by significantly boosting competitiveness in international markets.

This is suggested by the recent rise EU exports of wood flooring to other regions and by a sharp decline in EU imports of wood flooring. The value of the EU's trade deficit in wood flooring has fallen from euro 281 million to only euro68 million in only three years (Table 1).

Table 1: EU28 balance of wood flooring trade

€ million	Year			% change	
	2011	2012	2013	2011-12	2012-13
EU28 exports of wood flooring by destination					
Europe (non EU)	268.3	294.1	296.6	9.6	0.8
China	12.9	19.1	22.1	48.5	15.9
Other outside Europe	172.5	185.8	208.0	7.7	11.9
Total	453.6	499.0	526.7	10.0	5.5
EU28 imports of wood flooring by source					
Europe (non EU)	59.5	56.8	56.1	-4.6	-1.2
China	419.9	414.9	336.2	-1.2	-19.0
Other outside Europe	254.7	222.8	202.5	-12.5	-9.1
Total	734.1	694.6	594.8	-5.4	-14.4
EU28 balance of trade in wood flooring					
Europe (non EU)	208.7	237.3	240.4		
China	-407.0	-395.8	-314.1		
Other outside Europe	-82.3	-37.0	5.5		
Total	-280.5	-195.5	-68.1		

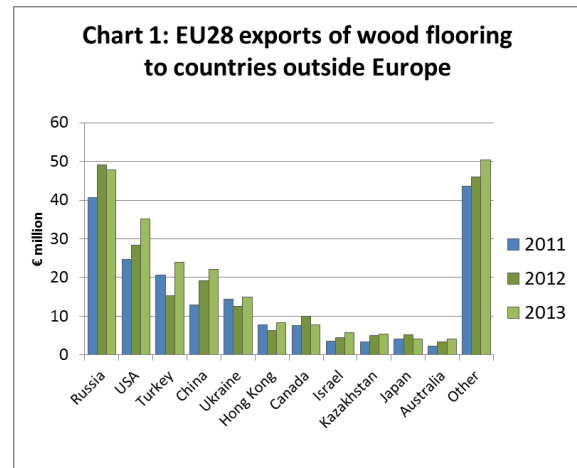
Source: www.forestindustries.info/Eurostat

Between 2012 and 2013, the value EU28 wood flooring exports increased by 5.5% to €527m. This followed a 10% increase in export value between 2011 and 2012. Most of the export gains in 2013 were to markets outside the European continent, notably USA, Turkey and China (Chart 1).

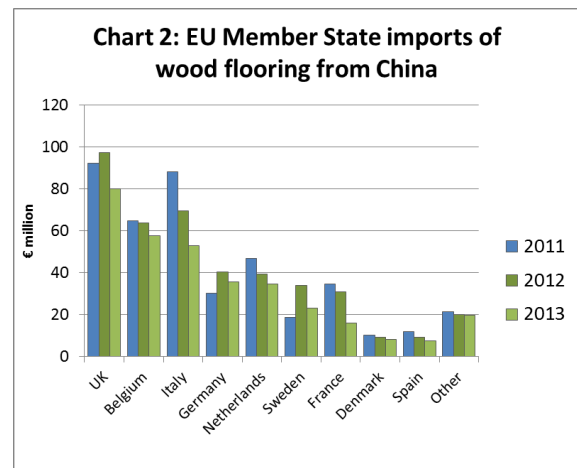
This is in contrast to 2012 when most of the rise in exports was destined for other European countries (mainly Switzerland and Norway).

Last year, EU imports of wood flooring from outside the region fell by over 14% to €595 million. Imports from China, by far the largest external supplier to the EU, fell 19% to €336.2 million.

All the main EU markets imported less Chinese wood flooring during 2013, including UK, Belgium, Italy, Germany, Netherlands, Sweden and France (Chart 2).

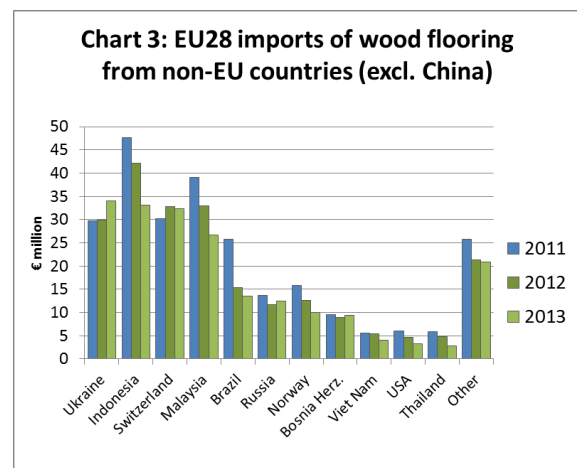


Source: FII Ltd/Eurostat



Source: FII Ltd/Eurostat

While much of the decline in imports is due to China, EU imports also declined from most tropical producing countries during 2013 (Chart 3). EU import value of wood flooring fell sharply from Indonesia (-22% to euro 33m), Malaysia (-19% to euro 26.7m), Brazil (-12% to euro13.6m), Viet Nam (-27% to euro€4m) and Thailand (-41% to euro2.9m).



Source: FII Ltd/Eurostat

Domotex highlights dominant position of oak in European flooring

Domotex is Europe's leading flooring sector trade show held each year in Hannover, Germany during January. Every year for the last decade, the wood content of the show has become increasingly dominated by engineered wood flooring faced with oak.

In relation to wood species, the only observable trend has been the increasingly wide and creative range of oak finishes. This year was no different with some companies promoting up to 150 finishes of oak. Other species, both tropical and temperate, have been pushed to the side-lines.

From the perspective of overall wood flooring demand, the Domotex show provided reasons for optimism about the future. After an attendance drop in 2013, the show rebounded 11% to 45,000 visitors and attracted 1,350 exhibitors from 57 countries.

It was also encouraging that two large halls this year were dedicated to wood and laminate flooring. Some of the bigger brands who also produce laminate and non-wood flooring were showing a wider range of real wood products. Most of the biggest European flooring brands were exhibiting this year.

This contrasts with 2013 when some opted instead for the German building show Bau held at the same time. There were quite a few Chinese producers promoting their products to European buyers, but perhaps not as many as in the past. This year there appeared to be more producers from Central Europe including Hungary, Czech Republic, Poland, Croatia and Serbia.

The show highlighted that the rustic antique look remains strong in the wood flooring sector. This trend is one the producers clearly want to perpetuate as they are able to source cheaper lower grades and small dimension oak lumber, especially from Central and Eastern Europe.

Manufacturers were generally confident of continuity of supply and stable prices for this lower grade material. This contrasts with supply of joinery grades of European oak and most grades of U.S. oak which are currently experiencing supply shortages and firming prices.

One indication that the European wood flooring market is recovering is provided in a comment by a US hardwood supplier attending Domotex quoted in the US-based journal *Hardwood Floors*. He notes that "In comparison to 2013, [European] buyers seem much more focused on availability than price. Most buyers are aware of the tight supply of U.S. hardwoods and are responding more aggressively than this time last year."

Much of the oak on display appeared to be of European origin, although most large European flooring manufacturers are also buying significant volumes of American white oak. Other species being promoted, although much less prominent than oak, were walnut

(almost all American) and ash (European and American). Some brands were marketing a few tropical species but there was no maple or cherry.

Mixed messages for tropical wood at Domotex

The Domotex show sent out mixed messages for tropical hardwoods. In addition to evidence of declining usage, there was the usual negative commentary by suppliers of competing products on the environmental profile of tropical hardwood. MOSO was promoting bamboo flooring on grounds that it offered "an ecological and long-lasting alternative to patio floorboards made of ever scarcer tropical woods".

MOSO claimed that's patented bamboo treatment process "gives the outdoor floorboards a level of hardness, shape stability and resistance that exceeds that of even the best tropical hardwoods". MOSO also claimed "carbon-neutrality" for their product based on "an official Life Cycle Assessment following the ISO 14040 and 14044 standard".

More positively for tropical wood, a press release issued by the Domotex organisers highlights - as a "Hot Topic in 2014" - the availability of VLEGAL certified teak flooring from Indonesia.

The press release notes that "under the 2013 EU Timber Regulation, operators placing timber on the EU market must demonstrate that they have not imported illegally harvested wood. Indonesia with its VLEGAL certification and documentation system offers a foundation for legal wood harvesting that is recognized by the EU".

The press release draws on information supplied to Domotex by the Import Promotion Desk (IPD), a project for trade promotion financed by the German Ministry for Economic Cooperation (BMZ) together with its cooperation partner SIPPO (Swiss Import Promotion Programme). The project helped finance participation by several Indonesian flooring manufacturers at the Domotex show.

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

Report from North America *

China's share in US hardwood plywood imports down in 2013

Total hardwood plywood imports were 2.9 million m³ in 2013, 14% higher than in 2012. Despite the overall increase, imports from China declined by 16% to 1.4 million cubic metres in 2013. China's share in total hardwood plywood imports fell from 66% in 2012 to 48% in 2013.

The US antidumping investigation of decorative plywood from China created significant uncertainty in the market. The temporary antidumping and countervailing duties have now been eliminated and are refunded.

All other major plywood suppliers increased shipments to the US in 2013. Imports from Indonesia more than doubled from 2012 to 495,171 cu.m. Ecuador's shipments tripled to 277,548 cu.m in 2013.

	2,013	2,012	% change
Total imports US\$	2,928,470	2,574,856	14%
China	1,413,036	1,690,713	-16%
Indonesia	495,171	230,969	114%
Ecuador	277,548	91,067	205%
Canada	182,410	91,455	99%
Russia	255,835	236,626	8%
Malaysia	137,547	99,495	38%
Other	166,923	134,531	24%

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

Hardwood plywood imports from Russia grew by just 8% to 255,835 cu.m in 2013. Canadian shipments doubled to 182,410cu.m. Malaysian plywood exports to the US were 137,547 cu.m, up 38% from 2012.

Higher moulding imports from China in 2013

The total value of hardwood moulding imports into the US in 2013 was practically unchanged from the previous year. Hardwood moulding imports totaled US\$185.1 million in 2013, compared to \$184.3 million in 2012.

China surpassed Brazil in 2013 to become the largest import source of hardwood moulding. Imports from China were worth US\$58.7 million in 2013, up 2% from the previous year. Hardwood moulding imports from Brazil declined by 18% to \$46.7 million. Malaysia shipped US\$12.4 million, down 30% from 2012.

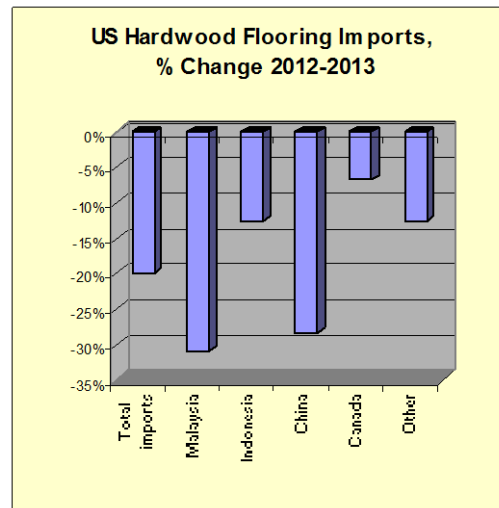
	2013	2012	% change
Total imports US\$	185,076,012	184,279,615	0%
Brazil	46,671,347	56,576,319	-18%
China	58,706,337	57,343,609	2%
Malaysia	12,417,299	17,676,247	-30%
Canada	18,977,003	15,425,153	23%
Other	48,304,026	37,258,287	30%

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

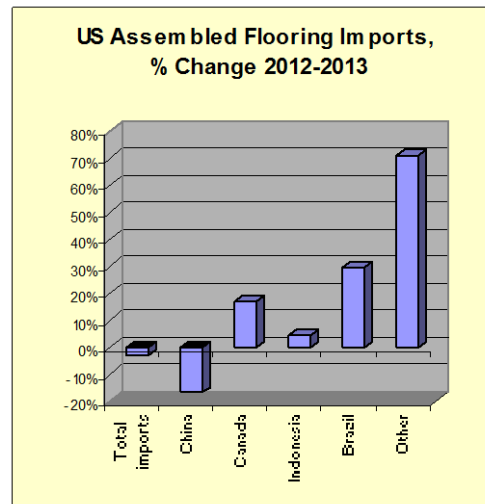
US imported less wood flooring in 2013

While most other wood product imports into the US grew in 2013, imports of both hardwood and assembled flooring panels declined.

Total hardwood flooring imports were US\$32.6 million in 2013, down 20% from 2012. Indonesia was the largest supplier of hardwood flooring (US\$11.3 million), followed by Malaysia (US\$7.0 million) and China (US\$5.4 million).



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



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

Overall 2013 imports of assembled flooring panels declined by 3% to US \$114.6 million. China saw the largest decrease in shipments, although it remained the largest supplier to the US market.

Assembled flooring panel imports from China were US\$67.6 million in 2013, down 17% from 2012. Imports from Canada increased by 17% to US\$24.1 million.

2013 furniture imports increased 7% from previous year

Overall 2013 wooden furniture imports were 7% higher than in 2012. Wooden furniture imports were worth US\$13.6 billion in 2013.

The suppliers' market shares were very similar to 2012, with the exception of Malaysia. Furniture imports from Malaysia declined by 16% in 2013 to US\$543.7 million.

China's share in total US furniture imports remained steady from 2012 at 49%. Imports from China totalled

US\$6.6 billion in 2013, up 6% from the previous year. Imports from Vietnam increased by 3% to US \$2.0 billion.

	2013	2012	% change
Total imports US\$	13,573,934,858	12,696,062,033	7%
China	6,640,054,090	6,284,069,539	6%
Vietnam	1,998,668,711	1,947,392,337	3%
Canada	1,144,568,584	1,087,126,230	5%
Malaysia	543,661,916	650,269,028	-16%
Mexico	521,303,625	493,968,742	6%
Indonesia	517,952,024	510,747,285	1%
Other	2,207,725,908	1,722,488,872	28%

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

Includes only: HS 940161, 940169, 940330, 940340, 940350, 940360.

2013 GDP growth 1.9%

GDP grew by 3.2% in the fourth quarter of 2013, according to the first estimate released by US Department of Commerce. Overall 2013 economic growth was 1.9%.

The unemployment changed little from the previous month. Unemployment was 6.6% in January, 0.6 percentage points lower than in October 2013.

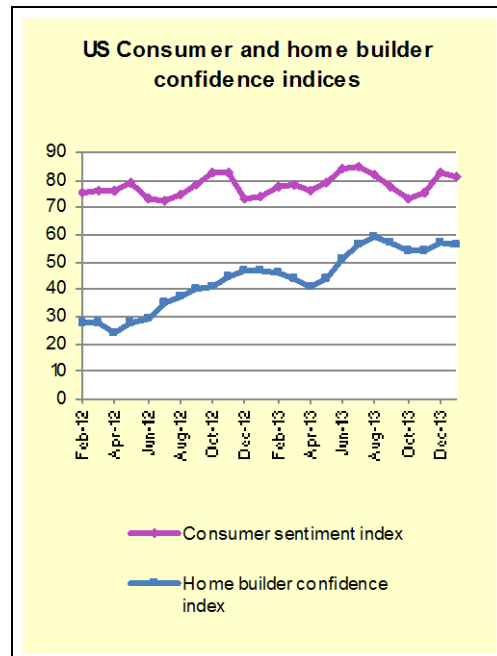
Wood products and furniture manufacturing strong despite cold winter

The economy continued to expand in January, according to the Institute for Supply Management. This is despite the negative effect on supply chains from the very cold winter weather in the eastern US.

Both wood product and furniture industries reported higher production, although the rate of growth slowed.

Both consumer and builder confidence down

Consumer confidence in the US economy did not improve in January, according to the Thomson Reuters/University of Michigan consumer sentiment index. The unusually cold winter weather and higher heating cost affect lower income households. Consumers are also uncertain about how long the economic recovery will take.



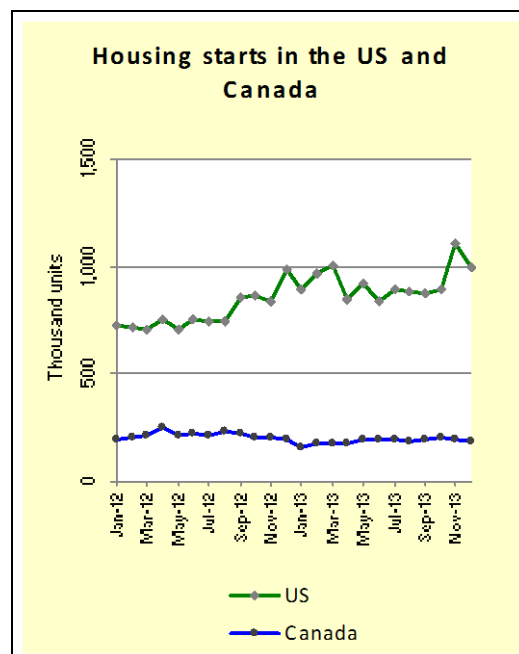
Source: Thomson Reuters/University of Michigan Surveys of Consumers and National Association of Home Builders/Wells Fargo Housing Market Index

Builder confidence in the market for newly built single-family homes declined in January, according to the National Association of Home Builders.

The association still expects that home construction will continue to gradually recover in 2014.

2013 housing starts remain below 1 million

Construction started on 923,400 new homes in 2013. This is 18% higher than the number of starts in 2012, but construction activity is still significantly lower than before the 2008 financial crisis. Before the recession, housing starts ranged between 1 and 2 million units every year.



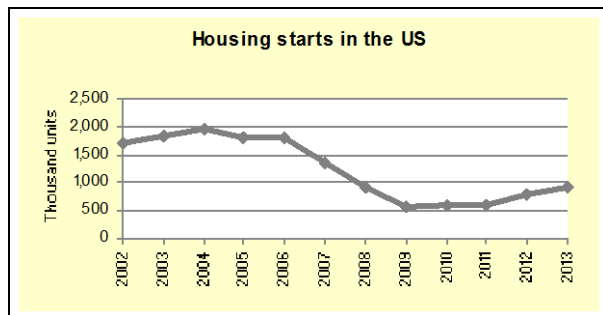
Source: US Census Bureau, CMHC

In December, the number of housing starts declined by 10%. Construction started on 999,000 new homes in December at a seasonally adjusted annual rate.

Multi-family home construction fell more than single-family housing starts in December. However, demand for rental apartments remains high.

A significant share of new home construction will be multi-family until 2015, according to the National Association of Home Builders.

The number of building permits decreased to 991,000 units in December (seasonally adjusted annual rate). The number of building permits issued is an indicator of future building activity.



Source: US Census Bureau

Sales of existing homes increased by 1% from November to December according to the National Association of Realtors. Home sales remain slightly lower than at the same time last year.

No improvement in private and public non-residential construction

Public spending on construction of offices, commercial health care and educational buildings in the US fell 7% from November to year end. Private spending on non-residential construction held steady in December.

Architecture firms reported a decline in commercial, industrial and institutional building projects in December, according to the American Institute of Architects. Building owners and developers delay plans because of economic uncertainty.

Furniture retail sales up

Retail sales at furniture and home furnishing stores in the US increased by 9% from November to December according to US Census Bureau data. Much of the increase can be attributed to the holiday shopping season, but sales were 5% higher than in December 2012. The latest retail data for just furniture (excluding home furnishing) show a 7% increase in sales in November from the previous month. Furniture sales were 8% higher than in November 2012.

Engineered wood flooring growing at expense of prefinished solid hardwood flooring

The US flooring market is worth \$19 billion, according to 2013 estimates by the trade journal Floor Covering Weekly. Hardwood flooring accounts for 10% of demand

or about \$1.9 billion. Laminate flooring has a 5% share, or just under \$1 billion.

The majority of hardwood flooring is produced in the US. The value of imported hardwood flooring has decreased further from 2012 to 2013. Trade data shows hardwood flooring imports of just \$32.6 million, although this may not cover all wood flooring categories.

The US flooring market is dominated by three companies: Armstrong, Mohawk and Lumber Liquidators. Mohawk is the largest producer now, after purchasing Pergo, Unilin and other leading manufacturers. Lumber Liquidators sources most of its flooring from abroad, predominantly China. Lumber Liquidators' flooring sales are mainly solid and engineered hardwood (47%), laminate flooring (22%), bamboo and cork (14%).

Engineered hardwood flooring is becoming more popular, at the expense of prefinished solid hardwood flooring. The main competition to wood, however, is from growing sales of vinyl floor products and carpet.

Forest carbon offset project for California

A 3,100 hectare forest in Northern California is the first forest project that will sell carbon offset into the State of California's cap and trade program for greenhouse gas emissions.

The forest is in the Yurok Tribe's territory, and the Yurok Tribe will manage the forest for sustainable timber production while increasing carbon sequestration. The revenue from the carbon offsets will help restore and conserve the Douglas-fir and hardwood forest.

Major Canadian forest company has FSC certification suspended

Resolute Forest Products had their Forest Stewardship Council (FSC) certificates for three forests suspended in December 2013. Resolute is one of the largest suppliers of FSC-certified softwood timber and paper to the North American market.

The three boreal forests cover 8 million hectares. Four other forests managed by Resolute remain FSC-certified.

The company has twelve months to resolve the issues and reinstate FSC certification for the three forests. The same forests remain certified under the Sustainable Forestry Initiative (SFI).

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

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.*

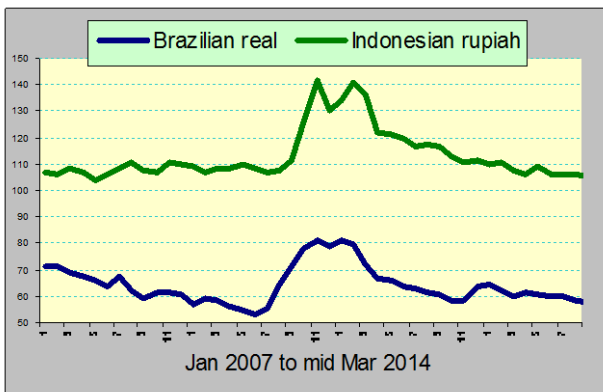
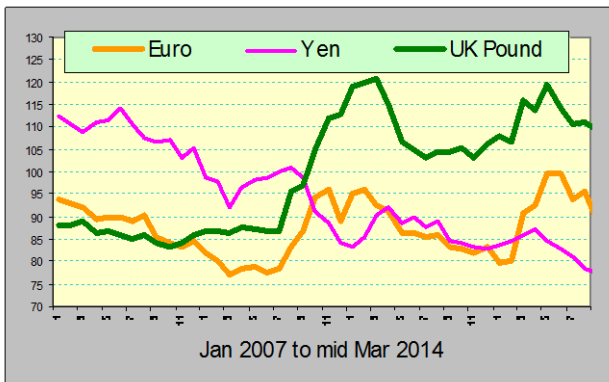
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

Main US Dollar Exchange Rates

As of 10th March 2014

Brazil	Real	2.3497
CFA countries	CFA Franc	470.49
China	Yuan	6.1389
EU	Euro	0.7206
India	Rupee	60.98
Indonesia	Rupiah	114398
Japan	Yen	103.28
Malaysia	Ringgit	3.2839
Peru	New Sol	2.8045
UK	Pound	0.6008
South Korea	Won	1066.80

Exchange rates index (Dec 2003=100)

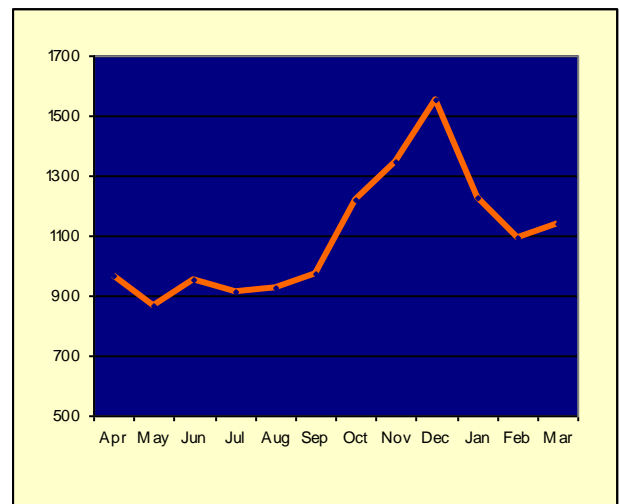


Abbreviations and Equivalences

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 April 2013 – mid Mar 2014



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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