

# Tropical Timber Market Report

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## Top Story

### Commercial logging halted in Hinggan mountains

China's State Forestry administration (SFA) has ordered a halt to commercial logging in the natural forests in the Hinggan mountain ranges.

Authorities estimate that as much as 500 million cubic metres has been extracted since commercial logging began about fifty years ago.

The Central Government will make available some RMB 2.35 million annually until 2020 to support the livelihoods of those affected by this decision.

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## Headlines

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## Report from Central/West Africa

### Firm demand triggers price increases

Producers report that the price gains over the past weeks have been built upon further, especially for the main commercial species. The continued short supply of sapele, coupled with improving demand, has finally triggered price increase worth reporting. The rise in price for sapele has pulled up sipo prices for which demand is firm.

Currently, the market for the prime red species is reported as very firm and producers anticipate further improvements in prices over the next month or two.

Demand for iroko has also strengthened and this has allowed exporters to secure some much needed price improvements.

Analysts point out that, for the first time in a long while, both log and sawnwood prices for prime species have moved up at the same time. In the past, when the EU was the main market, it was usual for sawnwood prices lag behind changes in log prices. But as logs go predominately go to China and India and sawnwood goes to traditional markets there has been an uncoupling of the link in price movements.

Producers note that the firming of demand has emerged quickly and is mostly in EU markets and is well distributed across EU member states. Demand from Middle East and Asian countries is currently strong and even US buyers are more active in the market for mahogany and other prime species.

Analysts suggest rising prices for US hardwoods, notably white and red oak, may be enticing EU buyers back to tropical timbers.

In current contract negotiations it seems that buyers have a better understanding of the difficult log supply situation in West and Central Africa which limits the ability of producers to increase mill production at short notice.

### Good market prospects in second quarter

In most of the West and Central African producer countries the supply/demand equation is better balanced and the industry itself has a much better understanding of the various markets so can negotiate with confidence.

Throughout the region there is virtually no excess raw material supplies or high stocks that would lead to any major increases in production or price discounting.

Market prospects for the balance of the second quarter appear to be good and buyers are being advised to look to the medium and long term if they want a secure supplies of the most popular species.

### Private sector endorses regional investment code

ECOWAS is reporting that regional private sector organisations have validated the draft Investment Code and Policy, a major step towards the adoption of a regional investment code for ECOWAS member countries.

The objective of the code is, says the ECOWAS secretariat “to entrench an investment friendly environment for both domestic and foreign investment to enhance the structural transformation of Member States economies in order to create wealth, improve incomes and reduce poverty, while deepening regional economic integration.”

The next step is to enlist the support of the Investment Promotion Agencies and regional Ministers of Commerce in member states to recommend the code to the Council of Ministers for adoption.

In a press release the ECOWAS Commissioner for Industry and Private Sector Promotion Mr. Kalilou Traore and the Director of Private Sector Mr. Alfred Braimah, said “the adoption of the code would remove obstacles to doing business and provide efficient and effective regulatory framework to promote healthy competition and growth of the private sector in the region”.

For the press release see:

<http://news.ecowas.int/presseshow.php?nb=070&lang=en&annee=2014>

### Piracy risks rise in region

The ICC International Maritime Bureau (IMB) is warning ships to be extra vigilant when transiting West Africa as piracy in the region is a growing concern.

IMB's Live Piracy Map shows that since the beginning of the year, one vessel, the MT Kerala was hijacked and six other vessels were boarded in West Africa. There was also one attempted attack.

The hijacking of a Liberian-flagged tanker in January by Nigerian pirates has sparked fears these gangs are becoming more dangerous.

For more see: <http://www.icc-ccs.org/news/911-imb-warns-of-west-africa-piracy-threat>

### Log Export Prices

West African logs, FOB	€ per m <sup>3</sup>		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	220	220	155
Ayous/Obeche/Wawa	225	210	150
Azobe & Ekki	235	230	150
Belli	230	230	-
Bibolo/Dibétou	150	145	-
Iroko	280↑	265↑	235↑
Okoume (60% CI, 40% CE, 20% CS) (China only)	340↑	340↑	260↑
Moabi	290↑	280↑	-
Movingui	220↑	220↑	180↑
Niove	160↓	155↓	-
Okan	270↑	270↑	-
Padouk	300↓	275↓	210
Sapele	295↑	295↑	190↑
Sipo/Utile	325↑	300↑	200↑
Tali	300	300	-

### Sawnwood Export Prices

		€ per m <sup>3</sup>
West African sawnwood, FOB		
Ayous	FAS GMS	345
Bilinga	FAS GMS	520
Okoumé	FAS GMS	480
	Merchantable	270
	Std/Btr GMS	350
Sipo	FAS GMS	520↓
	FAS fixed sizes	590↑
	FAS scantlings	600↑
Padouk	FAS GMS	800
	FAS scantlings	820
	Strips	450
Sapele	FAS Spanish sizes	540↑
	FAS scantlings	545↓
Iroko	FAS GMS	590↑
	Scantlings	630↑
	Strips	440
Khaya	FAS GMS	450
	FAS fixed	470
Moabi	FAS GMS	560↑
	Scantlings	560↑
Movingui	FAS GMS	420

### Report from Ghana

#### Surprising increase in gmelina log exports

According to data from the Timber Industry Development Division (TIDD) of the Forestry Commission (FC), export contracts approved in the fourth quarter of 2013 totalled 78,855 cubic metres, a slight increase on third quarter 2013 levels. The table below shows the breakdown by product category.

Product Category	4th Qtr 2013 cu.m	3rd QTR 2013 cu.m	% Change
Primary	6,339	7,505.72	-15.54
Secondary	69,792.51	67,402.98	3.55
Tertiary	2,723.83	3,239.72	-15.92
Total	78,855.33	78,148.41	0.9

Exports of primary products fell over 15% to 6,339 cu.m in the fourth quarter of 2013 compared to the previous quarter. This, say analysts, was because of the sharp fall in teak log exports.

The decline in teak log export volumes was partially compensated for by an increase in gmelina log exports to India which jumped to 6000 cu.m in the fourth quarter.

Exports of product categorised as secondary in TIDD statistics (mainly sawnwood) increased by 3.6% compared to the previous quarter and amounted to 69,792 cu.m. However, exports of tertiary products fell sharply (down 16%) to just 2,724 cu.m in the fourth quarter.

Rosewood and teak sawnwood exports increased in the fourth quarter. Rosewood exports amounted to 16,125 cu.m, up 30% on levels in the third quarter, mainly for the Chinese and Indian markets, while sawn teak exports rose 11% to 8,130 cu.m.

### Ghana's plywood exported mainly to regional markets

Rotary cut veneer exports in the fourth quarter fell a massive 79% but exports of sliced veneer improved and were up 14%. In the final quarter of 2013 exports of plywood to neighbouring countries fell by 3% but, despite the fall, the regional markets continued to be the main markets for Ghana's plywood.

Of the 13,664 cu.m of plywood contracts approved, 94% in terms of volume was shipped to countries in the West Africa sub region with Nigeria being the major destination.

Most exports of the tertiary products, such as sliced veneer and kiln dried lumber were for the European markets. The United States continues to be the major market for mahogany and cedrella sawnwood as well as for rotary veneer. The Middle East and Egyptian markets emerged as major importers of Ghana's 'backing grade' veneer.

### Hong Kong business mission to Ghana

A Delegation from the Hong Kong's Trade Development Council (HKTDC) visited Ghana in early April to meet and discuss investment potential with local businesses.

The delegation expressed interest in business partnerships, distributorships and wholesaling. The mission was endorsed by the Association of Ghana Industries (AGI) and the Ghana Chamber of Commerce of Industry (GCCCI).

The Hong Kong Trade Development Council (HKDTC) is a statutory body established in 1966 to help create opportunities for Hong Kong companies, especially small and medium-sized enterprises (SMEs), by promoting trade in goods and services worldwide.

### Ghana President to head ECOWAS

Ghana President John Mahama has been elected Chairman of the Economic Community of West African States (ECOWAS).

President Mahama, who takes over from Ivorian President Allasane Ouattara, was elected in Yamoussoukro, Ivory Coast, during the 44th Session of the ECOWAS Authority of Heads of State and Government.

For the full story see:

<http://graphic.com.gh/business/business-news/20099-ghana-s-maritime-hub-concept-gets-us-35m-boost.html>

### Domestic Log Prices

Ghana logs	US\$ per m <sup>3</sup>	
	Up to 80cm	80cm+
Wawa	153-160	167-185
Odum Grade A	170-175	180-188
Ceiba	118-135	138-150
Chenchen	105-122	125-133
Khaya/Mahogany (Veneer Qual.)	125	155
Sapele Grade A	152-160	168-185
Makore (Veneer Qual.) Grade A	116-122	125-132
Ofram	115-122	130-135

## Boule Export prices

	Euro per m <sup>3</sup>
Black Ofram	240
Black Ofram Kiln dry	333
Niangon	492
Niangon Kiln dry	575

## Export Sawnwood Prices

Ghana Sawnwood, FOB	€ per m <sup>3</sup>	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	855	945
Asanfina	480	564
Ceiba	230	326
Dahoma	276	337
Edinam (mixed redwood)	351	515
Emeri	380	556
African mahogany (Ivorenensis)	593	602
Makore	575	650
Niangon	550	625
Odum	582	743
Sapele	567	652
Wawa 1C & Select		323

## Export Rotary Veneer Prices

Rotary Veneer 1-1.9mm , FOB	€ per m <sup>3</sup>	
	CORE (1-1.9mm )	FACE (2mm)
Ceiba	255	330
Chenchen	320	369
Ogea	298	340
Essa	322	330
Ofram	300	355

## Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afrormosia	1.32	0.80
Asanfina	1.20	0.59
Avodire	1.12	0.47
Chenchen	1.00	0.62
Mahogany	1.30	0.43
Makore	1.30	0.45
Odum	1.78	1.08

## Export Plywood Prices

Plywood, FOB	€ per m <sup>3</sup>		
BB/CC	Ceiba	Ofram	Asanfina
4mm	446	600	641
6mm	422	580	622
9mm	360	423	490
12mm	357	446	445
15mm	325	380	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	13.00	15.36	18.80
Odum	11.50	11.80	12.52
Hyedua	14.10	14.00	18.45
Afrormosia	14.30	18.65	18.55

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

## Report from Malaysia

### Furniture makers report better earnings

The recent stabilisation of the EU and US economies, along with the weaker ringgit, has boosted export sales of furniture and this has improved the share prices of listed furniture makers.

Those companies that sell into the Japanese market have seen orders rise as the Japanese housing market expanded and as consumers purchased furniture in advance of the consumption tax increase. 2013 furniture exports were worth RM7.4 bil., slightly lower than in 2012.

HeveaBoard Bhd, which specialises in high-quality particle boards and ready-to-assemble furniture saw earning rise in 2013. Homeritz Corp Bhd reported better earnings as did Latitude Tree Holdings Bhd and Poh Huat Resources Holdings Bhd.

### SFIA wants support for furniture village

The president of the Sarawak Furniture Industry Association (SFIA) has said competition from exporters in China and Vietnam is holding back growth in the domestic industry and has called on the government for support. Sim Lee Beng said the Malaysian domestic market is flooded with imported furniture.

Adding to the problems in the sector is the lack of skilled workers, inadequate research and the high cost of raw materials and fixtures. Sim pointed out that young people are not interested in jobs in the furniture industry despite the sector having a bright

The association is calling on the government to assist with the creation of a furniture village in the state so that the benefits of integration can be enjoyed.

According to the Sarawak Timber Industry Development Corporation, there around 400 registered furniture manufacturers in Sarawak and that most produce wooden furniture.

For more see: <http://www.sfia.org.my/>

### Clarification on domestic log processing quotas

Sarawak Timber Association (STA) general manager Peter Kho has reiterated that the policy in Sarawak is that 60% of total log production in the state must be processed domestically. Kho was responding to some confusion caused by recent reports which stated Sarawak had changed the log export quota. Kho reconfirmed that Sarawak does not apply a log export quota.

### Philippines and Thailand major buyers of Sabah sawnwood

The Sabah Department of Statistics has released timber export data revealed that for the first two months of 2014, Sabah exported 35,482 cu.m of sawntimber worth RM 53,011,149 (approximately US\$ 16.3 million).

During this period reported the biggest importer of Sabah sawntimber was Philippines at 6,626 cu.m (or 18.7% of total exports), followed by Thailand 5,522 cu.m (15.6%) and China 5,245 cu.m (14.8%).

Exports of sawnwood to Japan amounted to 4,538 cu.m (12.8%) and exports to Taiwan P.O.C 3,918 cu.m (11.0%).

The main species groups exported were “dark and light red meranti and meranti bakau” totaling 10,024 cu.m (or 28.3% of all sawnwood). The next species group of “Keruing, Ramin, Kapur, Teak, Jelutong, Kempas, Mengkulang, Balau (Selangan batu)” accounted for 5,835 cu.m (16.4%). The following are average export prices (FOB).

#### Main species groups exported

Species Groups	US\$/cu.m
Dark & Light Red Meranti, Meranti Bakau	570
Keruing, Ramin, Kapur, Teak, Jelutong, Kempas, Mengkulang, Balau (Selangan batu)	501
White Lauan, White & Yellow Meranti, Alan	301
Belian	487
Kayu malam	965
KerANJI	507
Damar minyak	550
Tualang (Menggaris)	422

#### Report from Indonesia

##### Wood industry relocates to Java to access plantation logs

Zulkifli Hasan, Indonesia’s Forestry Minister recently highlighted some changes that are taking place in the sector in relation to where companies are now being established. He said that in recent years around 400 new wood processing mills have been established in Java.

Previously it was Papua, Sumatra and Kalimantan that attracted investment by timber companies. The Minister attributed the change to the availability of log raw materials such as sengon, gabon, gmelina and albizia in Java.

Anggoro Ratmodiputro, Chairman of Asmindo for Central Java, said that Indonesia could manufacture more high quality furniture for export if the government was more supportive of the country’s labour intensive wood processing industries.

##### First International Furniture Expo deemed a success

The first International Furniture Expo (IFEX) ended on 14 March and the organisers say that exhibition stands were fully booked.

According to UBM, the London based organisers, the three-day exhibition attracted over 6,000 trade visitors, of which 2,021 were overseas buyers sourcing Indonesian

furniture for sale in Europe, China, the US and Australasia.

In a press release UBM says, “ exhibits covered a wide range of products, from contemporary furniture and mass-market offerings to traditional, hand-crafted furniture. The materials used reflected Indonesia's abundant supply of sustainably-sourced woods, as well as rattan and textiles. The exhibition also included a rich selection of home furnishings, decorations and handicraft items.

The international buyers who attended IFEX came from a total of 108 countries. In descending order, the top 10 countries were: Australia, China, the US, Malaysia, Singapore, India, the Netherlands, France, Germany and the UK. Several official buyer delegations visited the exhibition, including groups from Belgium and Turkey.”

##### Developing a ‘green economy’

The Center for International Forestry Research (CIFOR) and the Indonesian Forestry Ministry will host a ‘Forests Asia Summit’ in May which organisers say will attract Ministers from across Southeast Asia, the private sector, civil society and development specialists. The aim is to share experiences on developing a ‘green economy’ through better management of forests and landscapes.

This summit is billed as the largest gathering of its kind in Asia in recent years.

##### Domestic Log Prices

Indonesia logs, domestic prices	US\$ per m <sup>3</sup>
Plywood logs	
core logs	210-240▲
Sawlogs (Meranti)	220-250▲
Falcata logs	180-230▲
Rubberwood	105-130▲
Pine	135-160▲
Mahoni (plantation mahogany)	140-180▲

##### Domestic Ex-mill Sawnwood Prices

Indonesia, construction material, domestic	US\$ per m <sup>3</sup>
Kampar (Ex-mill)	
AD 3x12-15x400cm	400-440▲
KD	-
AD 3x20x400cm	590-630▲
KD	-
Keruing (Ex-mill)	
AD 3x12-15x400cm	360-400▲
AD 2x20x400cm	490-520▲
AD 3x30x400cm	415-440▲

##### Export Plywood Prices

Indonesia ply MR BB/CC, export FOB	US\$ per m <sup>3</sup>
2.7mm	640-680▲
3mm	680-710▲
6mm	-

##### Domestic Plywood Prices

MR Plywood (Jakarta), domestic	US\$ per m <sup>3</sup>
9mm	380-440▲
12mm	355-400▲
15mm	300-330▲



**Export and Domestic Other Panel Prices**

Indonesia, Other Panels, FOB			US\$ per m <sup>3</sup>
<i>Particleboard</i>	Export	9-18mm	700-740▲
		Domestic 9mm	980-1040▲
	Domestic	12-15mm	600-630▲
		18mm	500-650▲
<i>MDF</i>	Export 12-18mm		750-780▲
	Domestic 12-18mm		430-530▲

**Report from Myanmar****Last minute rush to beat log ban deadline**

As anticipated, the level of March log export shipments were remarkable as exporters rushed to ship as much logs as possible before the log export ban became effective at midnight 31 March 2014.

Local observers say that 148 vessels were loaded with timber in March, double the number in February. It has been reported that several vessels were only partially full when they left the port just prior to the deadline.

Up to the midnight deadline trucks were arriving at the port but many failed to beat the deadline and had to return with unshipped logs.

It has been reported that the Myanmar authorities stopped loading operations some 30 minutes before the midnight deadline and that this caused consternation among some buyers who had paid for the logs awaiting loading.

The Myanmar Timber Enterprise (MTE) had to contend with loading some 22 vessels simultaneously; about 5 in mid-stream and 17 alongside the wharves.

Most buyers reported logistical problems during the final days of March as they attempted to clear and ship cargoes. At one point there were more than twenty vessels trying to load at the same time but there were not enough loaders, cranes and trucks. In addition, because of the intense demand, trucking and loading charges went up threefold.

Local observers say that after the log export ban was announced the MTE had urged buyers to quickly arrange shipping but many buyers either thought that the ban would be rescinded or the deadline would be extended and were caught with too many logs to ship as the deadline approached.

Analysts estimated that as much as 90,000 cu.m of export logs may remain unshipped but it is still too early to have accurate figures.

The log export ban was the most drastic action ever taken by the Myanmar Timber Enterprise during its 66 years of operation. The government had wanted to stop exporting logs and promote the export of value added items since the late 1990's, but the need to earn foreign exchange meant the log export trade was allowed to continue.

But as forest resources declined the government had no choice but to call an end to log exports.

The following table shows the shipments made during the fiscal year from April 2013 to March 2014.

**Log shipments in financial year to end march 2014**

	Teak logs cu.m (000)	Hardwood logs cu.m (000)	Number of Vessels loaded
Shipped up to Dec'13	326.49	1171.22	547
Jan '14	71.31	135.86	62
Feb '14	78.22	222.97	76
Mar'14	185.24	483.3	148
Total- FY 2013-14	661.27	2013.37	833

Source: MTE, provisional data

**Businesses to close for New Year holidays**

April is the beginning of the new fiscal year in Myanmar as well as the month in which the Myanmar New Year is celebrated. This year the New Year holidays will last about 10 days from 12 April.

The MTE is expected to hold a tender and open tender sale around 28 April. Tender sales are usually conducted on the last Monday of every month with open tender sales interspersed during the month.

Logs purchased during the April 2014 tenders will be only for local manufacturing and as usual will be priced in US Dollars.

**Past log tender prices**

The following regular items were sold by competitive bidding on 10 and 21 March 2014 at the Myanmar Timber Enterprise (MTE) tender hall. April auctions for domestic endusers will open at month end.

**Teak sales**

The following grades were sold by competitive bidding on 10 and 21 March 2014 at the Myanmar Timber Enterprise (MTE) tender hall.

Grade	Hoppus tons	Avg. US\$ /H. ton FOB
4 <sup>th</sup> Quality	10	\$7,023
Sawing Grade-1	14	\$5,722
Sawing Grade-2	33	\$4,996
Sawing Grade-4	148	\$3,362
Sawing Grade-5	30	\$3,022
Sawing Grade-6	89	\$1,501
Sawing Grade-7	95	\$1,200

### Another Singaporean company commissions mill

An early April issue of the New Light of Myanmar, the state-run English daily has reported that Concord Industries Ltd. has commissioned and opened a wood processing industry in Yangon.

Singapore based Concorde Industries is planning to mill 10,000 tons of wood annually for export to Europe. The opening ceremony on 30 March was attended by the Union Minister for Environment Conservation and Forestry.

### Report from India

#### Rupee firmer against the US dollar

The rupee strengthened more than 3% in the first quarter of this year, the biggest gain since the third quarter of 2012. To the surprise of analysts the exchange rate hit an eighth month high of 59.60 per dollar on April 2 on the back of moves by the Reserve Bank of India to stem the rate of inflation and correct the current account deficit.

The recent optimistic IMF report on the Indian economy along with prospects for an increase in investment after the election is likely to further stimulate capital inflows.

#### Economic growth forecasts from the IMF

In its latest World Economic Outlook (WEO), the IMF says it expects the Indian economy to expand by 5.4% in the 2014-15 financial year and that the pace of growth could improve to 6.4% in the following year.

India's recovery will be supported by a stronger world economy, improving export competitiveness and policies encouraging investment says the IMF.

Efforts by the Reserve bank of India to slow the pace of consumer price inflation are likely to have a lasting effect and could bring inflation down to 8% in 2014-15 and to 7.5% in 2015-16. For the past fiscal year inflation came in at 9.5%.

In a press release the IMF said "Overall growth is expected to firm up on policies supporting investment and a confidence boost from recent policy actions, but will remain below trend. Consumer price inflation is expected to remain an important challenge, but should continue to move onto a downward trajectory."

Weak domestic and international demand, high interest rates and the poor pace at which investments have proceeded because of delays in government approvals have added to the problems in the economy.

See: <http://www.imf.org/external/np/tr/2014/tr040814.htm>

#### Launch of new housing market index

The Indian real estate market remains weak as consumers are still anticipating residential property prices will continue to fall.

It is difficult to judge trends in the Indian housing market as statistics and analysis of the market are not widely available.

Until recently the National Housing Board's RESIDEX and RBI's Housing Price Index (HPI) were the only available indexes. The fact that this segment of the economy is so poorly researched is a surprise as investment in private residential properties is estimated to have contributed about 6% to GDP in recent years.

The Indian Institute of Management, Bangalore (IIMB)'s Century Real Estate Research Initiative (CRERI) has joined forces with MagicBricks (MB), a major online real estate portal to fill the data gap on the Indian real estate market through the publishing of a Housing Sentiment Index (HSI).

For more see: <http://www.magicbricks.com/iimb-hsi/>

The Magicbricks website says "The IIMB MB HSI is a sentiment index of the Indian real estate market that aims to capture buyer 'mood' and serve as a leading indicator of residential real estate market performance.

The first inaugural report was released in the month of October 2013 and captured sentiments across eight cities. The latest report covers 10 cities and includes a comparative seller's survey as well."

The latest HSI says "the pace of weakening sentiment is slowing with consumers now understanding that prices have reached the lowest values and are preparing to buy. However, a stable political environment could be a trigger for enhanced transactions."

#### E-auction system requires further development

The efforts by the Forest Department to adopt an e-auction system have run into difficulties and teak sales have been delayed. Until the problems in the system are addressed to the satisfaction of the Department and buyers the old system of 'physical' bidding was reintroduced for auctions at the Dangs and Valsad Divisions where approximately 6,000 cu.m of teak and 2,000 cu.m of non-teak hardwoods were offered for sale.

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

Teak logs	Per cubic foot
A quality for ship building	Rs.2500-2800
B quality for ship building	Rs.2300- 2400
A for sawing	Rs.2100-2200
B or sawing	Rs. 1700-1800
A Long length logs	Rs. 2100-2200
B Long length logs	Rs 1600-1700
Long length, Medium Quality	Rs 1500-1600
Short Length, Medium Quality	Rs 1400-1500
Short Length, Average Quality	Rs 1100 plus

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

Subdued demand in the domestic building industry and a pause in public works as well as private building projects resulted in lower auction prices. However, almost all log stocks were sold as sawmills needed to restock, having utilised previous stocks during the monsoon period when there are no auctions because harvesting is restricted.

Good quality non-teak hard wood logs such as Haldu (*Adina cordifolia*), Laurel (*Terminalia tomentosa*), kalam (*Mitragyna parviflora*) and *Pterocarpus marsupium*, of 3-4 m length and having girths of 91cms and above were selling at Rs.600-900 per cu.ft. Medium quality logs moved at around Rs300-600 per cu.ft.

Due to upcoming elections the next log auctions will be after 16 May.

#### Teak sales in Central Indian forest depots

Approximately 3,000 cu.m of teak logs were sold at the Timarni, Khirakia, Ashapur and Narmada nagar depots in Central India. This year the monsoon was longer than usual so logging was affected and the volumes for auction were lower than normal.

Prices at the recent auctions are shown below.

Teak logs	Per cubic foot
A Long length logs	Rs. 1700-1800
B short length logs	Rs 1300-1500
Average grade logs	Rs 1000-1200

#### Imported teak prices

The flow of imported plantation teak logs and sawnwood has been steady but sales of domestic plantation teak from the Western region were delayed which helped importers dispose of accumulated stocks of imported teak.

Current C & F prices for imported plantation teak are shown below.

	US\$ per cu.m C&F
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	390-510
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.

#### Enduses have to find alternatives to balau

As was reported earlier, demand for balau currently exceeds the available supplies so that prices have risen.

To fill the gap in availability of balau, species such as resak which is similar in appearance to balau, is in demand. Analysts welcome this as a positive development in utilisation of lesser used species. Red Meranti continues to be popular with door and window manufacturers.

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

Sawnwood,(Ex-mill) (AD)	Rs. per ft3
Merbau	1550-1650
Balau	1650-1850
Kapur	1200-1250
Kempas	1100-1200
Red Meranti	875-975
Radiata Pine (AD)	550-650
Whitewood	600-650

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



### Myanmar teak processed in India

Export demand for teak products is firm but domestic demand is still slow and prices remain unchanged as far as sawn teak is concerned.

Prices for logs from Myanmar have risen sharply in recent weeks as Indian mills accumulated stocks in advance of the log export ban in Myanmar.

Sawnwood (Ex-mill)	Rs. per ft <sup>3</sup>
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

### US hardwoods finding wider acceptance

The American Hardwood Export Council has reported an improvement of 8% in exports of American hardwoods last year.

American tulipwood logs for production of face veneers have found a ready market in India as an alternative to the popular gurjan from Myanmar. It is anticipated that Indian demand for American hardwoods will rise as the local millers become more aware of their suitability.

US hickory is being widely used by the Indian tool handle industry and white oak, walnut, maple and ash are becoming popular with furniture, door, interior joinery and flooring manufacturers.

In the Indian market for thermally modified American ash decking and cladding is expanding.

### 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 <sup>3</sup>
Beech	1300-1350
Sycamore	1300-1400
Red oak	1500-1650
White Oak	1600-1800
American Walnut	2300-2400
Hemlock clear grade	1300-1400
Hemlock AB grade	1100-1200
Western Red Cedar	1600-1650
Douglas Fir	1200-1300

Price variations depend mainly on length and cross section

### Builders get a boost from rural housing demand

In recent years manufacturers of building materials have extended their distribution networks in rural India. Access to rural areas has become easier as the road networks are improving and construction activity in the rural areas has expanded.

This year agricultural production was good providing farmers with more disposable income much of which is being spent on housing. Rural housing growth has been

given a boost by the rise in Government spending on its 'Indira Awas Yojana project' which helps people own their own home through subsidies.

Expansion in the rural housing market is also good for the plywood sector which anticipates improvement in the housing market after the general election.

### Prices for WBP Marine grade plywood from domestic mills

Plywood, Ex-warehouse, (MR Quality)	Rs. per sq.ft
4 mm	34.00
6 mm	46.00
9mm	58.00
12 mm	72.50
15 mm	96.00
18 mm	101.00

### Domestic ex-warehouse prices for locally manufactured MR plywood

Locally Manufactured Plywood "Commercial Grade"	Rs. per sq.ft
	Rubberwood Hardwood
4mm	d Rs.26.50
6mm	Rs.18.00 Rs.34.00
9mm	Rs.27.50 Rs.41.00
12mm	Rs.34.50 Rs.50.00
15mm	Rs.41.00 RS.61.00
19mm	Rs.50.40 Rs68.25
	RS.58.00
5mm Flexible ply	Rs.36.00

### Report from Brazil

#### New timber enterprise in Acre

In late March the Acre government opened a joint public-private sawmill facility. The new plant is located in Cruzeiro do Sul municipality and cost around R\$ 6.5 million. At full capacity the mill will be capable of processing 80,000 cu.m of wood per year and will provide jobs for 350 workers.

Initially logs will be sourced from the Havaí Forest Settlement Project (PAF-Havaí), located in the municipalities of Rodrigues Alves and Mâncio Lima. About 80 families in the PAF settlement have licenses to utilise plots for agriculture and logs will be sourced from these areas when cleared.

The company managing the new enterprise is Soar Forest of Juruá S/A in partnership with the government, through the Business Agency of Acre (ANAC).

#### Monitoring of forests under management in Amapá State

Forests under management in the state of Amapá will be monitored to assess the impact of logging and this will be supported by the Guianaflor project. The goal is to monitor the forest in the area around Porto Grande (102 km from the capital Macapá).

Staff of the Guimaflor project will record and analyse pre and post-logging activities using methodologies developed in French Guyana, Amapá and Amazonas.

The Guimaflor project includes researchers from the Brazilian states of Amazonas and Amapá, French Guyana and France, all members of the International Tropical Managed Forests Observatory. This organization has conducted similar studies in Africa and Asia.

According to the Brazilian Agricultural Research Corporation (Embrapa), the monitoring exercise aims to assess the recovery of logged areas so as to design the most appropriate forest management practices.

Previous studies in South America indicate that forests in the Amazon recover well from logging and this is put down to the high rainfall according to Embrapa.

### Furniture exports to Argentina decline

According to the Bento Gonçalves Union of Real Estate Brokers (SINDIMÓVEIS) Argentina was the main export market for furniture from the state.

However, exports in 2013 were, once again, lower than a year earlier and at R\$ 9.79 million were down almost 60% on levels in 2010.

In contrast, furniture exporters in the State of Rio Grande do Sul are diversifying markets and have had success in new markets in Latin America such as Colombia, Bolivia and Peru; in Africa, such as Namibia and Angola; and in the United Kingdom.

Furniture exports from Rio Grande do Sul account for around 30% of total furniture exports from Brazil which totalled about US\$ 211 million in 2013.

Furniture imports into the state of Rio Grande do Sul in 2013 grew 23% in contrast to the 13% growth for the country as a whole. China accounted for around a third of all Brazil's furniture imports.

### Rondônia will increase planted forest areas

The Secretariat of Environmental Development (SEDAM) in the State of Rondônia is strengthening the forest sector to secure an important energy and timber resource for the State. According to SEDAM, the plan is to increase the forest area by 75% over three years beginning in 2014.

In 2003 the Rondônia's forest sector traded approximately 54,000 cu.m of roundwood from natural forests including cuiabano pine (*Schizolobium amazonicum*) and caroba (*Jacaranda cuspidifolia*).

Eucalyptus and teak plantations are extensive in the state and have caught the eye of foreign companies. A Swedish company already has a contract for the purchase of 6,000 cu.m of teak from Rondônia.

Analysts say the ports in the state (Manaus and Itacoatiara) have advantages compared to ports in other states mainly in

terms of easy access, fast truck turn-around, efficient loading and good shipping services to the United States, Europe and Asia.

### Domestic Log Prices

Brazilian logs, mill yard, domestic	US\$ per m <sup>3</sup>
Ipê	169.5
Jatoba	105
Massaranduba	121
Miiracatiara	123
Angelim Vermelho	114.5
Mixed redwood and white woods	109

### Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per m <sup>3</sup>
Ipe	1294
Jatoba	1202
Massaranduba	707
Miiracatiara	726
Pine (KD)	228

### Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US\$ per m <sup>3</sup>
Ipê	859
Jatoba	534.5
Massaranduba	411
Muiracatiara	471
Angelim Vermelho	409
Mixed red and white	253.5
Eucalyptus (AD)	227.5
Pine (AD)	180.5
Pine (KD)	189.5

### Export Plywood Prices

Pine Plywood EU market, FOB	US\$ per m <sup>3</sup>
9mm C/CC (WBP)	372
12mm C/CC (WBP)	345
15mm C/CC (WBP)	337
18mm C/CC (WBP)	325

### Domestic Plywood Prices (excl. taxes)

Parica	US\$ per m <sup>3</sup>
4mm WBP	735.50
10mm WBP	659.50
15mm WBP	520.00
4mm MR	651.50
10mm MR	513.50
15mm MR	478.00

Domestic prices include taxes and may be subject to discounts.

### Prices For Other Panel Products

Domestic ex-mill Prices	US\$ per m <sup>3</sup>
15mm MDP	315
15mm MDF	494

### Export Prices For Added Value Products

FOB Belem/Paranagua Ports	US\$ per m <sup>3</sup>
Decking Boards Ipê	2,330.00
Jatoba	1,550.00

## Report from Peru

### Forestry should contribute more to GDP

The head of the General Directorate of Forestry and Wildlife (DGFFS), Fabiola Muñoz, said the Peruvian wood products and forestry sector could contribute more to the economy noting that currently the sector contributes less than 1% to GDP.

He said "there are 9 million hectares of deforested land and 10 million hectares suitable for reforestation and in each high value timber plantations can be established.

The potential native species for planting were identified as mahogany, cedar, capirona bolaina, pashaco, and marupa. Among the exotic species highlighted as having potential are teak, pine and eucalyptus.

#### Forest law should be approved by November

The head of the Directorate of Forestry and Wildlife Ucayali, Marcial Pezo has announced that the forthcoming concession bidding process will involve new forest areas. He also mentioned that the forestry law should be approved in November this year. Issues of concern to indigenous communities are currently being discussed.

#### Greater utilisation of Amazon forest resources could aid war on drug trafficking

On March 27, the Governing Board of the Association of Exporters (ADEX), was invited by the President of the Council of Ministers, René Cornejo, to provide a brief on the activities of ADEX committees where immediate government action is required to improve the competitiveness of different export sectors.

ADEX Chairman, Erik Fischer, welcomed this opportunity and emphasized that sustainable utilization of the country's Amazon forest could generate 400,000 skilled and unskilled jobs and that exports could be increased. He noted that job creation in the Amazon regions of Peru would combat drug trafficking and illegal mining.

#### Export Sawnwood Prices

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

Peru Sawnwood, FOB Callao Port (cont.)	US\$ per m <sup>3</sup>
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	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 <sup>3</sup>
Spanish Cedar AD Select Mexican market	911-931
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	429-467
Grade 2, Mexican market	332-377
Grade 3, Mexican market	161-176
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	349-398

#### Domestic Sawnwood Prices

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

#### Export Veneer Prices

Veneer FOB Callao port	US\$ per m <sup>3</sup>
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 <sup>3</sup>
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

Lupuna Plywood BB/CC, domestic (Iquitos mills)	US\$ per m <sup>3</sup>
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

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

#### Export Prices for Added Value Products

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

#### Firm demand in Asian markets

Demand for logs in Asian countries remained strong in the period reviewed export prices for greenheart and purpleheart logs were satisfactory.

Greenheart Standard Sawmill quality logs attracted prices of US\$200 per cu.m FOB, up from the US\$140 in previous contracts. Purpleheart Fair Sawmill quality logs earned US\$150 per cu.m FOB. There were no exports of mora logs during the period reviewed.

However exports of wamara (Swartzia leiocalycina) logs increased and FOB prices ranged from US\$120 to US\$150 per cu.m.

Sawnwood exports have been encouraging and prices have been favourable, making a valuable contribution to overall export earnings. Undressed greenheart (Prime quality) FOB prices moved from US\$954 to US\$1,058 per cu.m and the Middle East and New Zealand were prominent markets for this product.

Undressed Select quality greenheart FOB prices also improved from US\$910 to US\$1,060 per cu.m. Europe and North America supported Select quality greenheart exports.

Demand in Caribbean markets lifted the price of Merchantable Undressed greenheart and prices moved to as much as US\$615 per cu.m FOB. However, in the same markets prices for Sound quality sawnwood fell from the US\$783 in March to US\$594 per cu.m FOB.

Undressed purpleheart Select quality sawnwood prices ranged from US\$721 to US\$1,080 per cu.m depending on the particular market.

#### Sharp decline in FOB prices for mora

Demand for mora recently weakened. Undressed mora Select quality sawnwood FOB prices fell sharply from US\$954 to US\$500 and Merchantable quality prices dropped from US\$594 to US\$509 per cu.m. Australia, the Caribbean and Europe were the major markets for Guyana's mora sawnwood. In Addition to sawnwood sales, mora Sleepers/Crossings were exported to the Caribbean attracting prices as much as US\$570 per cu.m FOB.

Dressed greenheart FOB export prices moved up slightly in recent contracts from US\$1,060 to US\$1,102 per cu.m. Dressed Purpleheart price were unchanged from the previous period. Dressed greenheart is popular in the Caribbean markets.

#### Construction Piling and Transmission Pole prices climb

Plywood FOB prices eased slightly from US\$ 584 to US\$ 578 per cu.m but continued to maintain a footing in Central and South American markets.

Greenheart Piling Select category commanded a fair FOB price in recent contracts, earning US\$390 per cu.m, while in the Sound category attracted a price of US\$ 388 per cu.m. North America was the major market for this robust timber product.

The Caribbean was the major export destination for Poles and Posts during the period reviewed. Wallaba Poles attracted FOB price of US\$833 per cu.m. while wallaba Posts earned US\$667 per cu.m FOB.

#### Marketing Council promoting Guyana's andiroba

Crabwood (Carapa guianensis) commonly known as Guyana's mahogany is available in commercial quantities in Guyana. The international trade name for this species is andiroba.

Crabwood is one of Guyana's prime furniture species being appreciated for its natural rich aesthetic properties. It is an excellent alternative for Mahogany and can also be used for interior applications. This highly durable timber is in great demand on the local market and is being promoted in international markets.

#### Export Log Prices

Logs, FOB Georgetown		SQ - US \$ Avg unit value per m <sup>3</sup>		
		Std	Fair	Small
Greenheart*	180-200	-	-	-
Purpleheart	-	-	150	-
Mora	-	-	-	-

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

#### Export Plywood Prices

Plywood, FOB Georgetown Port			US\$ Avg unit val. per m <sup>3</sup>
Baromalli	BB/CC	5.5mm	No export
		12mm	460-578
	Utility	5.5mm	No export
		12mm	No export

#### Export Sawnwood Prices

Sawnwood, FOB Georgetown		\$ Avg unit val. per m <sup>3</sup>	
		Undressed	Dressed
Greenheart	Prime	954-1,058	-
	Standard	800-1,060	700-1,102
	Select	594-910	-
	Sound	500-594	-
	Merchantable	615	-
Purpleheart	Prime	-	-
	Standard	-	721-1,102
	Select	721-1,080	-
	Sound	-	-
	Merchantable	-	-
Mora	Prime	-	-
	Select	500	-
	Sound	-	-
	Merchantable	500-5094	-

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

### Report from Japan

#### Companies remain concerned over prospects for continued growth

The latest survey of sentiment amongst Japanese companies is showing that all firms are increasingly pessimistic about prospects the rest of the year.

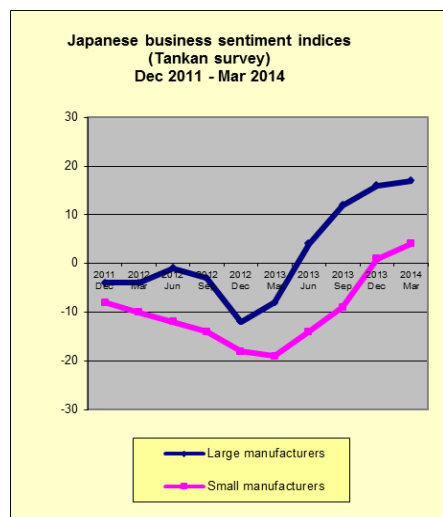
This highlights private sector concerns on the impact of the consumption tax rise on consumer spending in the coming quarter which is expected to drop sharply after the booming sales prior to 1 April when consumers had rushed to buy everything from cars to groceries ahead of the tax rise.

Business sentiment in Japan in the first quarter of this year was almost stagnant. Today's corporate sentiment is weaker than when Japan last raised the tax in 1997.

The sentiment index for big manufacturers rose in the first quarter by just one point from three months ago to plus 17, the fifth quarter of improvement but below expectations. The future outlook, as assessed by big manufacturers, fell 9 points.

For the Cabinet Office survey see:  
[www.boj.or.jp/en/statistics/tk/index.htm/](http://www.boj.or.jp/en/statistics/tk/index.htm/)





Source: Cabinet Office, Japan

While analysts say this time Japan's economy should have a better chance of adjusting to the current tax rise than when it was last raised retailers are forecasting a sharp drop in sales in the second quarter.

#### No immediate response by BOJ to weak economic news

The Bank of Japan (BoJ) surprised the financial markets by keeping its policy unchanged. Most analysts had expected the Bank to announce additional stimulus measures but the Bank has not reacted immediately, the latest weak economic data may prompt them to act soon.

For the full press release see:

[https://www.boj.or.jp/en/announcements/release\\_2014/k140408a.pdf](https://www.boj.or.jp/en/announcements/release_2014/k140408a.pdf)

The latest statement from the BoJ says Japan's economy continues to slowly recover despite a negative impact from the consumption tax increase. The Bank notes that advanced economies are showing signs of recovery which is good news for Japanese exporters.

Japan's exports have recently levelled but there has been an improvement in business investment as corporate profits have improved. Private consumption and housing investment were resilient and there have been improvements in employment opportunities and incomes.

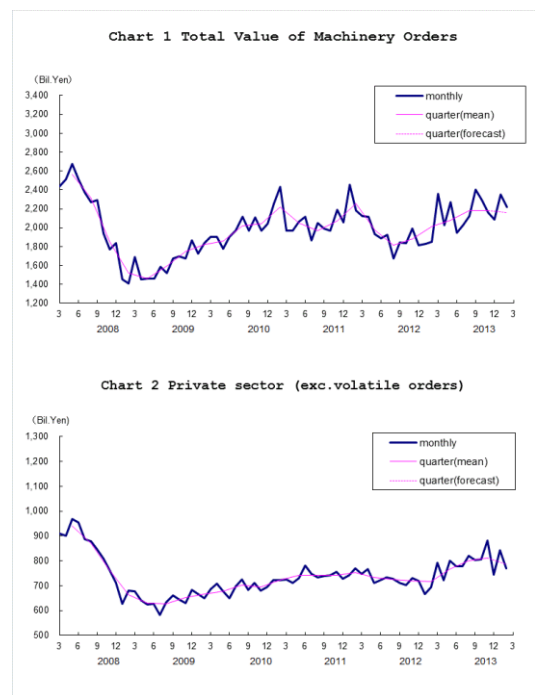
The Bank insists business sentiment continues to improve but that the recent weakening of sentiment presents a challenge for the short term. Inflation expectations (but not the reality) appear to be rising says the Bank and the outlook is that the Japanese economy will gradually strengthen once the impact of the tax increase on consumer spending fades.

The Bank says it will continue with quantitative and qualitative monetary easing as long as necessary to achieve its 2% inflation target.

#### February machinery orders down 6% year on year

Business sentiment as gauged by the level of machinery orders has weakened. Machinery orders are published

regularly and have been found to be good indicators of sentiment as they reflect capital spending for future production.



Source: Cabinet Office, Japan

In February the value of orders for machinery received by Japanese manufacturers fell by almost 6% from a month earlier suggesting manufacturers are pessimistic on the midterm economic prospects.

Orders placed by the private-sector declined 8.8% excluding orders for ships and orders from power companies. The drop in orders in February comes after the healthy January increase of 13% which was the best performance since early 2013.

In a recent assessment the Japanese Cabinet Office has changed its assessment of machinery order trends saying the orders have stalled and that the outlook is challenging.

For more see:

<http://www.esri.cao.go.jp/en/stat/juchu/1402juchu-e.html>

The sharp reaction of consumers and businesses to the consumption tax increase on 1 April is not surprising but most analysts do not see a turn-around in growth until the third quarter.

#### Too early to assess impact of tax hike

From 1 April the consumption (sales) tax was raised by 3% to 8%. The government has indicated that if the economy remained on a growth track it will increase the tax to 10% in October 2015.

The fast pace of consumption tax rises are necessary to finance soaring social welfare related to Japan's rapidly ageing population.

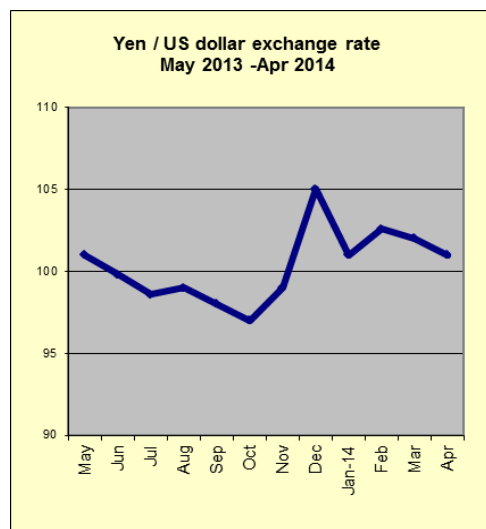


Recent assessments of the population age distribution show that by 2025 people over 65 could account for around 35% of the population. As the birth rate in Japan continues to fall there are serious concerns about Japan's future economic growth.

The need to raise the consumption tax has been discussed in Japan for several years and previous attempts by various administrations to raise the tax have been disastrous and the current rise will be a challenge to the government's efforts to lift the country out of its deflationary spiral.

#### Yen strengthens against US dollar

The US dollar fell more than 1 percent against the yen in early April on the back of the 8 April policy statement from the Bank of Japan (BoJ) which ruled out the immediate need for additional stimulus.



In a news conference held after the latest Policy Board meeting the BoJ Governor said, while the economy is sure to slump in the second quarter because consumer spending will decline sharply, a return to solid growth can be expected from the third quarter of this year.

The BoJ decision not to inject more liquidity into the market was read as supporting the yen but any significant strengthening of the yen is expected to bring a swift response

#### 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>

#### Bewilderment on Wood Use Point system

For the Wood Use Point system, American Douglas fir and European whitewood have been selected as qualified species for the system. American Douglas fir has been supported by majority of prefectures.

However, in Kyushu, there are mounting voice of bewilderment and resentment by prefectural councils and domestic timberland owners. The reason is that the system's one of the conditions is spill-over effect of use of particular species for local economy and employment.

The Forestry Agency's guideline for the system states the main objective of the system is to stimulate local business. Four prefectures of Kagoshima, Miyazaki, Kumamoto and Ohita in Kyushu, where is the main supply region of domestic logs, are still discussing whether Douglas fir is appropriate for qualified species and have not made recommendation like other prefectures.

Douglas fir has been widely used for beam and girder and many areas enjoy ripple effect of Douglas fir demand such as employment by sawmills, processing and distribution. Lumber dealers are anxious to handle Douglas fir lumber as it is popular items for wooden units but in domestic timber growing regions, there is very little benefit of Douglas fir or rather it gives negative impact.

If Douglas fir is approved for beam and girder for the Wood Use Point system, builders do not have to use domestic wood. This is reverse move to the measures the government has been taking.

There are many measures to encourage using domestic wood so that builders have been trying to use domestic wood products for post, beam, sill and stud and plywood made of domestic species. They wonder why imported species are qualified so fast without considering local conditions.

#### Big increase in Japan's log exports

Export of domestic logs in 2013 was 264,000 cbms, 133.0% more than 2012. This is the highest export since the Japan Wood Products Export Promotion Council started gathering statistics. In particular, the export to China soared to 129,000cbms, 797.2% more.

The Ministry of Agriculture, Forestry and Fisheries made up export promotion strategy of agricultural and marine products and target of forest products export value of 25 billion yen by 2020 from 12.3 billion yen in 2012.

In 2013, because of robust demand in China and help of weak yen, log export to China expanded to 129,000cbms from 14,000 cbms in 2012.

Log export also increased for Taiwan P.o.C and S. Korea so total log export more than doubled in 2013. Lumber export was only 66,000 cbms, 2.9% more but growth is low.

In 2014, China's wood structure standard is revised, which allows use of Japanese cedar, cypress and larch for structural materials so further increase of demand for Japanese logs is expected.

#### Price hike by secondary processors of South Sea plywood

Secondary plywood processors to make print plywood and color plywood are facing higher cost of raw materials so they are proposing higher prices since April.

Because of price increase of imported South Sea hardwood plywood mainly due to weaker yen, the manufacturers increased the sales prices about a year ago but it was hard to pass higher cost onto sales prices.

Currently the prices of imported thin plywood have been climbing due to higher log cost, labor cost and energy cost in producing regions plus weaker yen in Japan. The manufacturers have to use such high cost materials when the demand is slowing by consumption tax increase since April.

There is no other way to absorb higher cost but to price hike. Meantime, house builders have no room to accept higher materials cost when new orders are declining. So the situation is very severe for the manufacturers.

#### Plywood

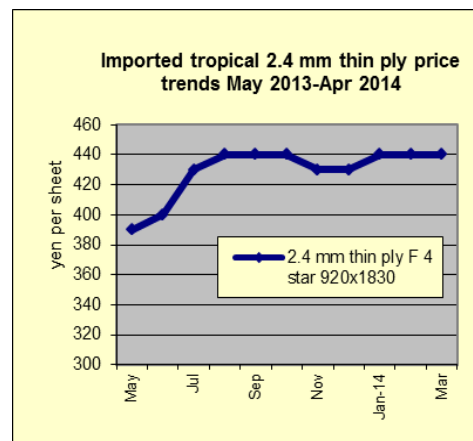
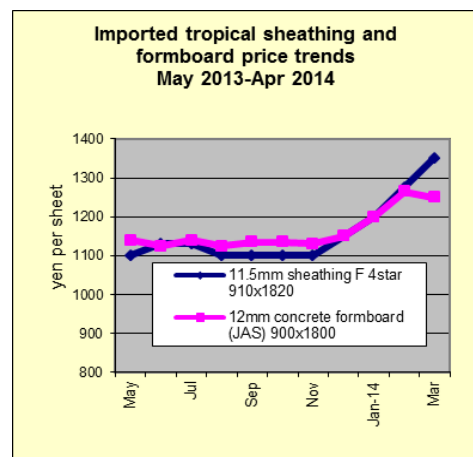
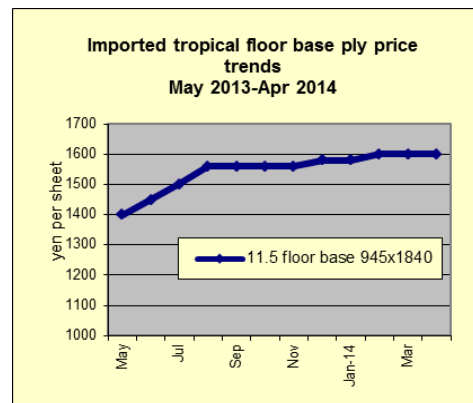
Shipment of domestic softwood plywood has been brisk for large builders and precutting plants. Despite forecast of slower movement in March, surplus supply went to large builders.

February production was 215,200 cbms, 9.1% more than the same month a year ago and 1.2% down from January. The shipment in February was 220,900 cbms, 7.8% more and 8.2% more. Therefore, the inventories have kept declining for five straight months. With low inventories, it becomes hard to have variety of items other than common 12 and 24 mm panels.

Since late 2013, the movement of imported plywood got active by bullish FOB prices and weakening yen and the market prices shot up with some speculative demand then by late February the fever simmered down in Tokyo region.

The importers succeeded to make profit by this price increase then keep carrying low cost inventories as future arrivals would cost higher so usual dumping sales in March end book closing period did not take place. Supply side continues bullish as there is talk about log harvest tax increase in Indonesia.

#### Price trends for Japanese imports of Indonesian and Malaysian plywood



#### Sattsuru Plywood changes log storage

Sattsuru Plywood in Hokkaido has been consuming South Sea hardwood logs from Malaysia and PNG for plywood manufacturing. The main species are yellow and red meranti. It has six or seven shipments a year. One shipment is about 5,000 cbms.

Logs are unloaded and stored at water log storage of port of Kushiro but the port decided to close its water log storage because of safety since logs got out of the storage and moved up Kushiro river in downtown Kushiro then deterioration and difficulty of financing for maintenance.

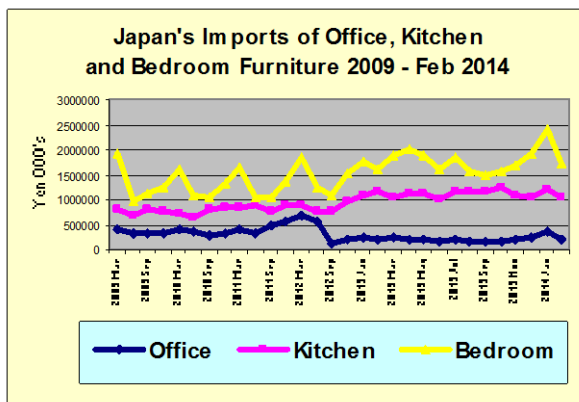
Sattsuru has to relocate log unloading port and storage and decided to change to port of Tokachi. Sattsuru considered option of dry land log storage but it requires fumigation, water sprinkling during summer months and anti-freeze spray during winter, which is too costly so even though distance from Tokachi port to plywood mills is much longer than Kushiro, it decided to use Tokachi port.

#### Trends in office, kitchen and bedroom furniture imports

Japan's office kitchen and bedroom furniture imports from 2009 to the end of February 2014 are shown below. March figures will not be available until the end of April.

Japanese imports of furniture exhibit a cyclical trend between 2009 and 2012. However, from 2012 bedroom furniture imports began to increase and have continued upwards since.

February furniture imports fell sharply as Japanese importers adjusted stock levels in anticipation of declining demand as housing starts stall and as the demand for replacement furniture subsides because of the consumption tax increase.



Source: Ministry of Finance, Japan

### Report from China

#### China's PPI down for March

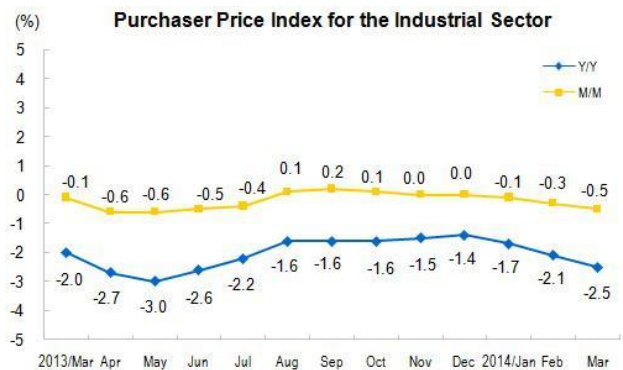
The Department of Service Statistics of the National Bureau of Statistics has published the March 2014 Producer Price Index (PPI) for manufactured goods showing a drop of 2.3 % year-on-year and a decline of 0.3 % month-on-month.

The purchasing price index for manufactured goods also fell 2.5% year-on-year, (0.2% month-on-month).

From January to March, the PPI fell 2.0 % year-on-year, the purchasing price index for manufactured goods also dropped by 2.1 % year-on-year.

For more see:

[http://www.stats.gov.cn/english/PressRelease/201404/t20140411\\_538101.html](http://www.stats.gov.cn/english/PressRelease/201404/t20140411_538101.html)



Source: National Bureau of Statistics, China

The month-on-month PPI for wood and pulp dropped 0.1% and by 1% year on year.

#### Purchasing managers index barely in positive territory

In March 2014, China's manufacturing purchasing managers index (PMI) was 50.3 %, a slight increase of 0.1 % month-on-month, the first increase since last November says the National Bureau of Statistics.

See:

[http://www.stats.gov.cn/english/PressRelease/201404/t20140401\\_533332.html](http://www.stats.gov.cn/english/PressRelease/201404/t20140401_533332.html)

In terms of enterprise size, the PMI for large-sized enterprises was 51.0%, up 0.3 % month-on-month and continued to stay positive.

The PMI for medium-sized enterprises was 49.2 %, down by 0.2 % month-on-month and that of small-sized enterprises was 49.3 %, up by 0.4 % month-on-month, the highest since August 2013, but both are still well below the positive threshold.

This continued weakness in the manufacturing sector has triggered moves by the government to boost spending aimed at expanding the role of domestic consumption in the economy rather than relying on exports.

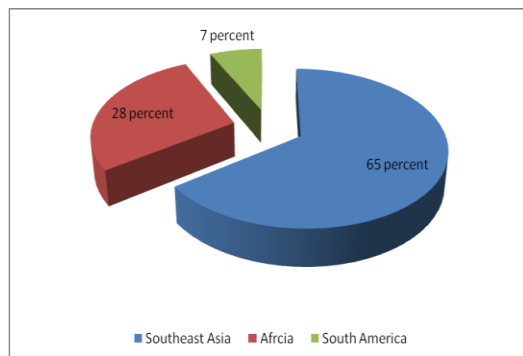
#### Hongmu (redwood) prices climb as availability wanes

According to statistics from China's Customs, 2013 hardwood log imports fell 1.7% to 2.723 million cubic metres compared to 2012.

Imports were valued at RMB 1.172 billion, up 20 % from 2012. The average unit price for hardwood logs in 2013 rose 23% compared to 2012. Hardwood sawnwood imports expanded sharply to 6.18 million cubic metres in 2013 and were valued at RMB 17.8 billion, up 126 % from 2012. The average unit price for hardwood sawnwood fell 4% year on year.

Chinese 2013 imports of redwoods rose 52% compared to 2012, rising to 1.2 million cubic metres valued at RMB 8.6 billion. Of the total, redwood log imports rose 40% year on year to 1.06 million cubic metres, accounting for 39% of all hardwood logs imports.

## Sources of China's 2013 redwood imports



Data source: General administration of Customs, China

China's imports of sawn redwoods totalled 98,200 cubic metres in 2013, a year on year increase of 32%, but comprised only 1.6 % of all hardwood sawnwood imports.

The average unit price for imported redwood logs in 2013 rose 11% year on year and the unit price for sawn redwood increased 4%.

China's redwood imports from Southeast Asia accounted for 65% of total redwood imports, a year on year decline of 12 % but still SE Asia remains the main source of redwoods.

Africa was the second most important supplier accounting for 28% of all redwood imports, up 11 % from 2012.

Chinese imports of redwoods from Central and South America accounted for just 7% of all redwood imports in 2013 and were only marginally up on 2012.

According to China's National Standard (GB/T18107-2000) Redwoods (termed Hongmu in China) refers to the heartwood of *Pterocarpus* spp., *Dalbergia* spp., *Millettia* spp., *Cassia* spp., whose density, texture and colour meet the requirements set in the National Hongmu Standard. Currently 33 species are listed in the standard.

### Price Indices for imported logs and sawnwood

The following price indices are prepared by the Ministry of Commerce and the China Timber and Wood Products Distribution Association and published in a Chinese magazine "China Timber and Wood Products".

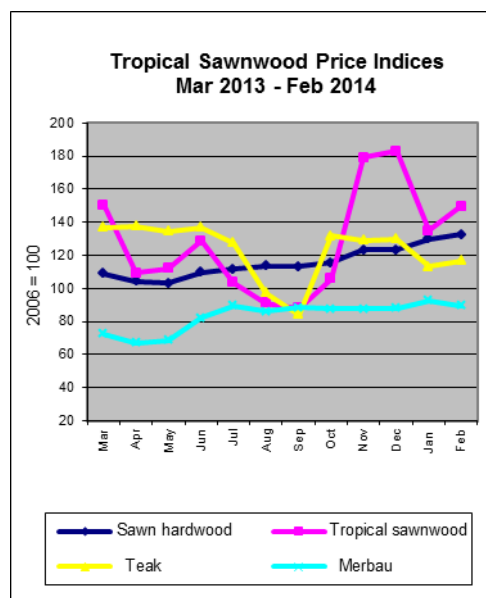
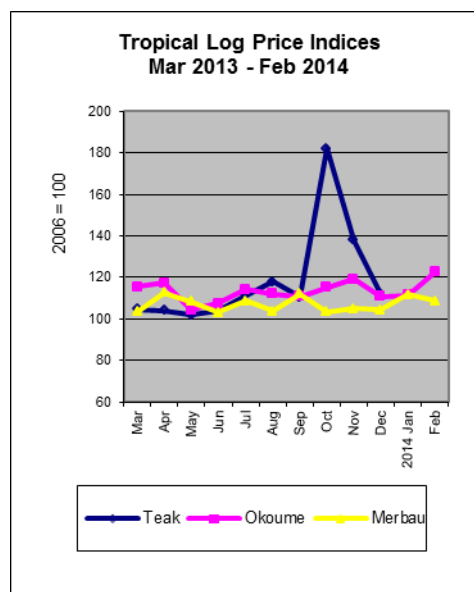
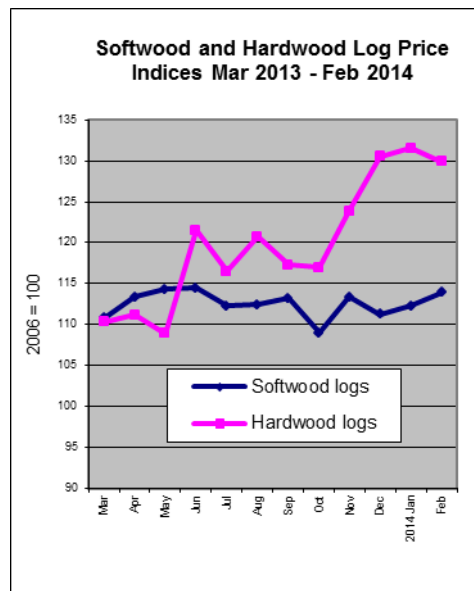
For full details see:

<http://www.cnwood.org/default.htm>

and

<http://ltfzs.mofcom.gov.cn/article/buwg/redht/201305/20130500128380.shtml>.

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



### Good market prospects for Japanese logs

At a news conference after a meeting of the Japan Wood Products Export Promotion Council and the Institute of Wood Industry under Chinese Academy of Forestry (CAF) it was revealed that in 2013 Japanese log exports were 264,000 cubic metres, up 133 % from 2012.

Of the total, Japanese log exports to China in 2013 were 129,000 cubic metres or 48% of total log exports. Demand in China for Japanese logs has grown rapidly, 2012 exports were only half the 2013 figure.

Japan's Ministry of Agriculture, Forestry and Fisheries mounted an export promotion strategy for agricultural and marine products as well as forest products and aims to raise exports to yen 25 billion by 2020 from the yen 12.3 billion in 2012.

The market for Japanese wood products in China is set to gain from China's revision of wood product Standards allowing the use of Japanese cedar, cypress and larch for structural purposes.

The Institute of Wood Industry in the Chinese Academy of Forestry has said it hoped to have the opportunity to gain more experience of Japanese timber technology so as to promote this to Chinese manufacturers.

Log export from Japan to Taiwan P.o.C and S. Korea more than doubled in 2013 but sawnwood exports to these markets were disappointing.

### Commercial logging halted in Hinggan Mountains

It has been reported that commercial logging in two major forests in the northeastern part of the country has been halted in a bid to help restore the ecosystem. This decision brings to an end more than half a century of logging in the Greater and Lesser Hinggan Mountains.

This mountainous region is the source of major rivers including the Nenjiang and Heilongjiang Rivers which provide water for about a tenth of the country's arable land.

In order to support those whose livelihoods will be affected by the halt to commercial logging the central government has earmarked RMB 2.35 billion annually up to 2020.

See:  
[http://www.gov.cn/xinwen/2014-04/01/content\\_2651034.htm](http://www.gov.cn/xinwen/2014-04/01/content_2651034.htm)

For more in English see:  
<http://61.129.118.78/national/Logging-gets-the-chop-in-northeast-forests-to-help-restore-ecosystems/shdaily.shtml>  
and  
<http://english.sina.com/2014/0401/688220.html>

### Suifenhe railhead authorities expand services

In the first quarter of this year timber imports through Suifenhe rail yard increased 28% to 1.042 million cubic metres valued at US\$156.07 million, up 30 % in value compared to the first quarter 2013.

Of the total, log imports through the railhead were 835,000 cubic metres and sawnwood imports 207,000 cubic metres.

The species imported through the Suifenhe railhead include fir, spruce, larch, Scots pine, poplar, birch, oak and Manchurian ash.

The Suifenhe Inspection and Quarantine Bureau has expanded its capacity for quarantine services due to the rise in volumes being imported. In addition log scaling services have been strengthened and notifications will be provided if the declared volumes are incorrect.

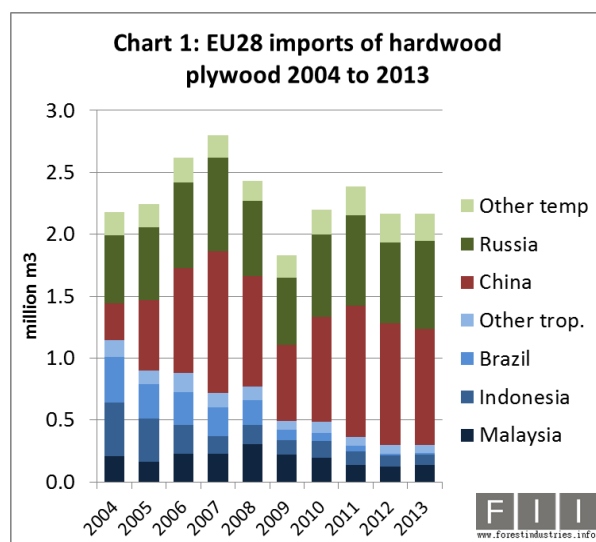
## Report from Europe

### EUTR had little impact on plywood imports in 2013

After all the speculation about how the EU Timber Regulation might affect EU plywood imports in 2013, the most surprising feature of the trade is how little it actually changed.

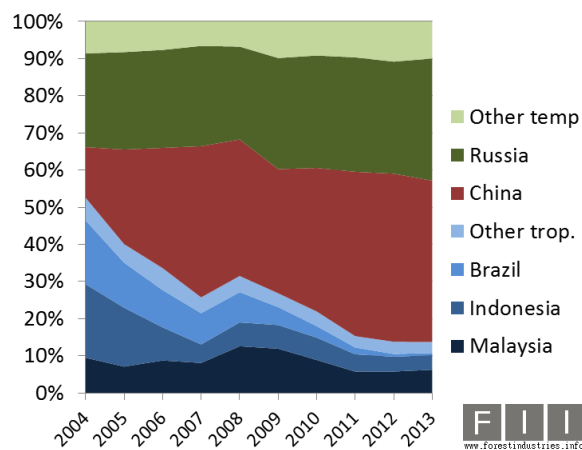
In fact, EU imports of hardwood plywood last year were almost exactly the same as in 2012. The EU28 imported 2.163 million m3 of hardwood plywood from outside the region in 2013, just 0.1% less than the previous year (Chart 1).

There were changes in relative market share of different suppliers into the EU market during 2013. But these changes were also quite limited and certainly much less dramatic than in previous years (Chart 2).





**Chart 2: Share of EU28 import volume of hardwood plywood 2004 to 2013**



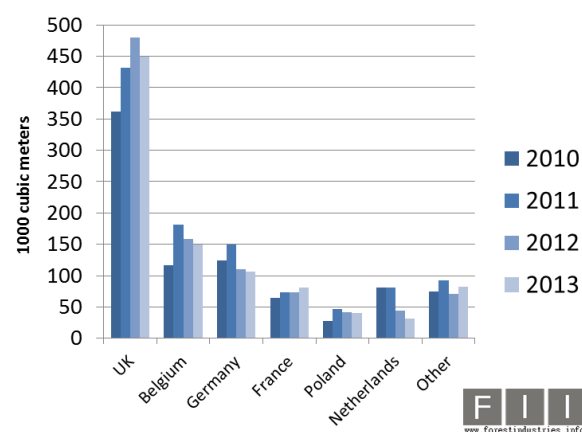
### EU imports of Chinese hardwood plywood declined 4% in 2013

EU imports of hardwood plywood from China were 939,000 m3 in 2013, down 4% compared to 2012.

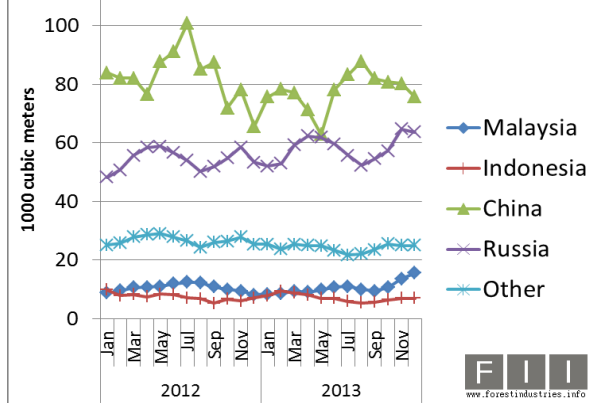
Chart 4 shows changes in Chinese imports into the main EU markets over the last four years. During 2013, imports of Chinese hardwood plywood declined into the UK (-6.5% to 449,000 m3), Belgium (-5% to 150,100 m3), Germany (-4% to 105,900 m3), and the Netherlands (-30% to 31,000 m3).

However this was offset by a rise in imports of Chinese plywood into France (+9% to 80,400 m3) and a number of smaller EU markets, notably Bulgaria (+46% to 17,240 m3) and Romania (+46% to 14,500 m3).

**Chart 3: imports of hardwood plywood by EU Member States from China - 2010 to 2013**



**Chart 4: EU28 monthly imports of hardwood plywood from main supply countries Jan-12 to Dec-13**



Early last year, there was speculation that EUTR might reduce China's market share in Europe due to the difficulty of obtaining reliable legality documentation in China where supply chains tend to be complex and there is much dependence on imported face veneers.

As it turns out, China's share of EU hardwood plywood imports fell only slightly from 45.2% in 2012 to 43.4% in 2013 and the country maintained its position as by far the largest single supplier.

While EUTR has encouraged European importers to buy from a narrower range of manufacturers in China, it seems these companies have been able to satisfy EU demands for legality assurance.

This has involved some switching away from face veneers from countries perceived to be high risk in favour of FSC-certified veneers or dyed reconstituted fineline veneers of Chinese poplar.

Monthly data indicates that EUTR may have had a short term effect on EU imports of hardwood plywood from China during 2013 (Chart 4). Imports from China fell sharply in April and May last year, immediately after enforcement of EUTR.

However imports then rebounded in the summer and early autumn months. This indicates growing confidence in European construction activity, particularly in the UK, and in the ability of Chinese suppliers to provide the necessary legality documentation.

### Good demand for Chinese plywood in 2014

EU imports of Chinese hardwood plywood dipped again 2013 in December, due partly to the European Christmas holiday season and partly to a sharp rise in freight rates.

However, by early 2014, there were signs that European buyers had been overly cautious. Improved construction activity in the UK, boosted by mild winter weather, created good demand for Chinese plywood in January and rising concern about potential supply shortages.

The problem of short supplies in Europe intensified because of delivery delays during the Chinese New Year holidays in February.

Chinese mills supplying the European market returned from their vacations with a two month backlog of orders. Demand for FSC certified products has been particularly high, with delivery times extending to 10 weeks and more.

Some European importers also delayed orders during January in the hope that substantial increases in freight rates in the run-up to Chinese New Year would be short-lived.

However, timing shipments to coincide with low rates has become a lottery as the freight market has become extremely volatile in recent times. As it turns out, freight rates did indeed fall sharply during February and March, but have since rebounded.

The Shanghai-North Europe freight index peaked at close to \$1800 per TEU in mid-January, fell to below \$900 at the end of March, but then increased again to \$1250 by mid-April.

With volatile CIF prices and lengthening delivery times from China, larger plywood importers with existing stock holdings in Europe report increased demand from smaller importers and merchants unable or unwilling to buy direct from Chinese manufacturers.

While freight rates have led to volatile CIF prices, European importers report that FOB prices for mixed light hardwood plywood from China were holding steady in the three months before the Chinese New Year.

However, exporters have been pushing through increases in FOB prices in recent weeks to accommodate rising prices for eucalyptus and poplar veneer.

They are also responding to improved US demand, particularly since the US International Trade Commission decided against implementing anti-dumping measures on Chinese plywood at the end of the last year.

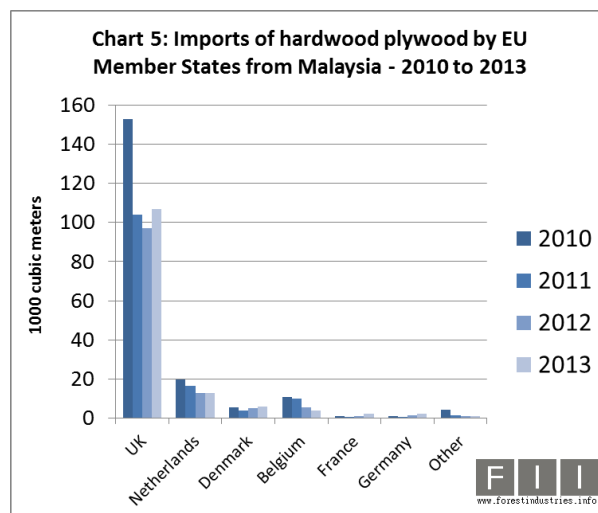
Weakening of the US dollar relative to the Chinese yuan in the months before Chinese New Year also encouraged Chinese exporters to push up FOB prices quoted in dollars. However this pressure subsided in March as the dollar regained ground against the Chinese yuan during the month.

According to the UK Timber Trades Journal (TTJ), UK demand for Chinese plywood is being undermined by continuing quality concerns. TTJ note that “some contacts allege ongoing misrepresentation of species and a failure to invest sufficient resources in physical checking”.

## EU imports of Malaysian plywood surge in 2013 to beat duty increase

EU imports of hardwood plywood from Malaysia increased 8.4% to 135,000 m<sup>3</sup> in 2013. As a result, Malaysia's share of EU hardwood plywood imports increased from 5.8% in 2012 to 6.2% in 2013.

Most of the gain was due to a 10% increase in imports of Malaysian hardwood plywood by the UK from 97,000 m<sup>3</sup> in 2012 to 107,000 m<sup>3</sup> in 2013 (Chart 5).



The surge in imports from Malaysia came late in the year as importers sought to avoid the increase in import duties from 3.5% to 7% with the change in Malaysia's GSP status on 1 January 2014.

A variety of factors in addition to the duty increase have led to rising prices for Malaysian hardwood plywood this year.

CIF prices have risen on the back of higher freight rates during 2014. FOB prices are tending to increase as Malaysian manufacturers report robust sales in other parts of the world, including the US and Middle East.

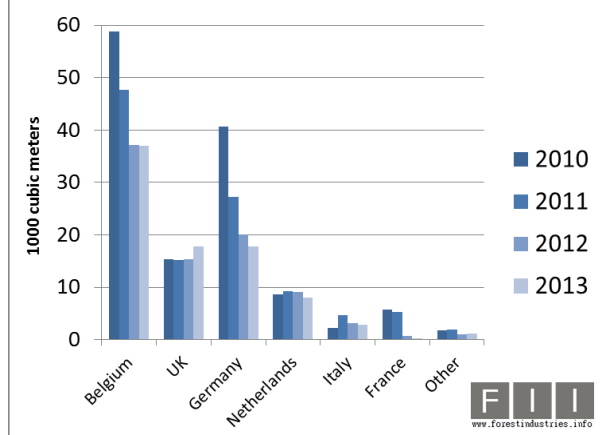
Malaysian manufacturers are also responding to higher log costs as supplies have tightened at the end of the rainy season. Labour and energy costs have also continued to rise. As prices have increased, European orders for Malaysian hardwood plywood have trailed off again during 2014.

## EU imports of Indonesian plywood stabilise at low level in 2013

EU imports of hardwood plywood from Indonesia stabilised at a low level in 2013. Import volume was 85,000 m<sup>3</sup> last year, down 2% compared to 2012.

Imports of Indonesian plywood into Belgium, the main EU destination for this product, remained static at 37,000 m<sup>3</sup>. Declining imports into Germany and the Netherlands were offset by a rise in imports by the UK (Chart 6).

**Chart 6: Imports of hardwood plywood by EU Member States from Indonesia - 2010 to 2013**



European imports of Indonesian plywood were quite buoyant in the opening months of 2013, but dipped sharply from July through to October last year. Since then European imports of Indonesian plywood have strengthened again, notably in Germany, France, Belgium and the UK.

This is due to various factors including increased confidence in construction and rising prices and more restricted supplies of birch plywood which has taken share from Indonesian plywood in recent years.

Indonesian plywood may also be benefitting from rising awareness of the V-Legal/SVLK system and increased concern for quality in parts of the EU plywood market.

#### **Volatile container rates encourages break bulk shipment from Asia**

European importers report no significant supply issues with Asian plywood with lead times between new orders and delivery no more than around 5 weeks.

However, volatility in container freight rates combined with improving European demand for plywood is encouraging a switch to break bulk shipments of plywood from Asia.

A regular plywood break bulk service operated by Westfal-Larsen Shipping is now delivering East Asian plywood alongside steel coils to the port of Liverpool in northern England. The first shipment discharged 4,000 tonnes of plywood and steel coils on 24 March.

The shipping line is hoping that that the service will resurrect the plywood trade through Liverpool. At present, the vast majority of the 550,000 tonnes a year of plywood imported into the UK is discharged at Tilbury in the south and then moved by road or rail to other UK destinations.

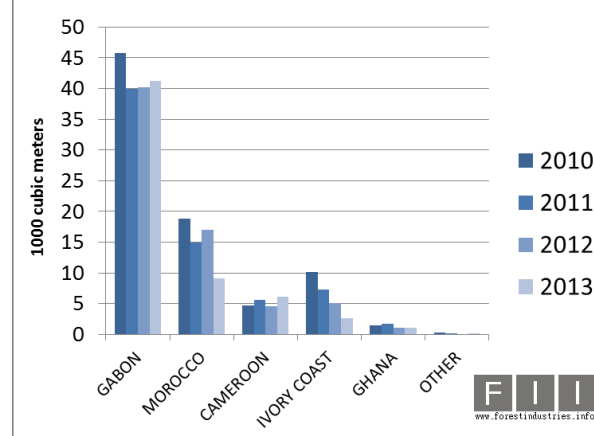
The new service aims to exploit Liverpool's strategic position on the UK road and rail network. The Port of Liverpool is the UK's most centrally positioned port and can connect to the major conurbations of Glasgow, Dublin, Belfast and Manchester, via the Manchester Ship Canal by water.

Meanwhile, after suspending the service in 2013, the South Korean shipper STX Pan Ocean has restarted regular break bulk shipments of plywood from Indonesia into Europe.

#### **European market for African plywood slows again**

EU imports of hardwood plywood from African countries declined 11% to 60,300 m3 in 2013. A sharp fall in imports from Morocco and Ivory Coast was only partially offset by a slight increase in imports from Gabon and Cameroon (Chart 7).

**Chart 7: EU28 imports of hardwood plywood from Africa - 2010 to 2013**



EU imports of okoume plywood from Gabon picked up a little at the end last year to beat the increase in import duty from 3.5% to 7% imposed on 1 January 2014 with the change in Gabon's GSP status.

Europe's domestic manufacturers of okoume plywood also recorded an uptick in demand at the end of last year. However with underlying consumption of okoume plywood in Europe still slow and stocks relatively high, new orders have weakened again in 2014.

Despite slow demand, availability of okoume plywood manufactured in Gabon by European companies is constrained by a long-term shortfall in veneer supply, particularly for FSC material which is increasingly demanded in Europe.

Okoume plywood manufactured in France has the advantage for buyers that it can be sourced relatively quickly. Lead times for standard dimensions may be under 2 weeks, while more specialist products may be delivered within a month. However efforts to diversify sales of okoume plywood manufactured in Europe on the back of short lead times and robust legality and sustainability credentials have yet to gain traction.

Prices for okoume plywood in the EU have changed little in recent months. Efforts by European manufacturers to increase prices in response to rising veneer costs and import duties are still hindered by slow consumption.

## EU importers build stocks of Brazilian softwood plywood

According to EC data reported by EUWID, 336,000m<sup>3</sup> or 52% of the 650,000m<sup>3</sup> annual duty free quota for EU imports of softwood plywood had been used by 12 March.

This is a slight increase compared to 300,230m<sup>3</sup> at the same time in 2013. A particularly large volume of elliotis pine plywood was imported into the EU from Brazil in January this year.

However, according to EUWID, inventories of Brazilian softwood plywood are only moving slowly in parts of Europe.

This is particularly the case in Germany and other central European countries where consumption by packaging producers remains weak. As a result new European orders for Brazilian elliotis pine plywood have slowed significantly since January. New orders have been more consistent in the UK and Benelux countries.

Brazilian softwood plywood producers are maintaining prices at the higher levels pushed through at the end of 2013 on the back of healthy orders, particularly from the United States.

Meanwhile EU imports of hardwood plywood from Brazil fell to a new low last year. The EU imported only 12,700 m<sup>3</sup> of this commodity from Brazil in 2013, down 19% compared to the previous year.

## Rising prices for birch plywood

Prices for birch plywood from Europe and Russia have been rising during 2014. Finnish and Latvian producers report good order files and lengthening lead times for European customers.

Russia's birch plywood mills have increased prices in response to robust domestic and US demand and rising demand in Western Europe. There have also been log supply problems following wide temperature fluctuations which disrupted harvesting operations during the winter months.

The rise in FOB prices for Russian birch plywood come on top of an increase in import duty from 3.5% to 7% on Russian deliveries into the EU from 1 January 2014. Despite rising prices, lead times for new deliveries of Russian birch plywood already extend into July.

This may encourage more European importers to switch back to Indonesian meranti plywood which has lost share to Russian birch plywood in recent years.

## German importers launch quality plywood initiative

German plywood importers launched a new Quality Plywood Initiative (IQS) in March. According to GD Holz, the German timber importers association, the IQS initiative aims to promote plywood to consumers and encourage fair competition in the market.

A central component of IQS is to develop minimum quality requirements that must be met and declared by manufacturers supplying German importers that have joined the initiative.

IQS members are committed to ensuring that their suppliers accurately report essential performance characteristics such as veneer wood species and grade and glue quality.

Products supplied by IQS members that conform to the quality and declaration requirements will be marked with the IQS logo. IQS also intends to work with plywood suppliers to develop and distribute plywood product information sheets.

The initiative is administered by GD-Holz and comprises a voluntary association of companies. The founder members are: BAYOU Holzwerkstoffe, Carl Brandt, Carl Götz, Fepco International, Fischer-Holz, F.W. Barth & Co, Karl Ahmerkamp, Peri, Robert Neudeck, Silva Trade S.A. and Weltholz ZN Klöpferholz. Membership is open to any plywood wholesaler or importer wishing to participate.

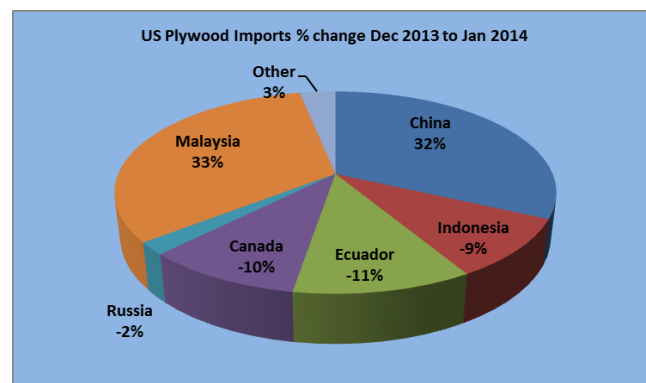
## Report from North America

### Hardwood plywood imports from China recover

US imports of hardwood plywood grew by 27% from the previous month. Imports were 232,154 cu.m in January, 8% lower than at the same time in 2013.

Hardwood plywood imports from China recovered in January and reached 137,737 cu.m. This is 76% higher than December imports, but lower than last year's imports in January.

Imports from all other major hardwood plywood suppliers declined in January, with the exception of Malaysia. Imports from Malaysia increased by 78% to 9,862 cu.m in January.



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

### Higher moulding imports from Brazil

Total moulding imports were almost unchanged at US\$72.3 million in January. Hardwood moulding imports were worth US\$14.7 million in January.

Imports from China were down by 11% from the previous month (US\$4.3 million) but China remained the largest supplier. Brazilian shipments were worth US\$3.5 million in January, up 19% from December.

	Nov-13	Dec-13	Jan-14	% change
Total imports	16,004,963	14,688,197	14,650,859	0%
Brazil	3,450,954	2,965,116	3,517,280	19%
China	5,218,502	4,880,795	4,334,897	-11%
Malaysia	1,136,291	635,578	889,288	40%
Canada	2,094,718	2,297,194	2,031,697	-12%
Other	4,104,498	3,909,514	3,877,697	-1%

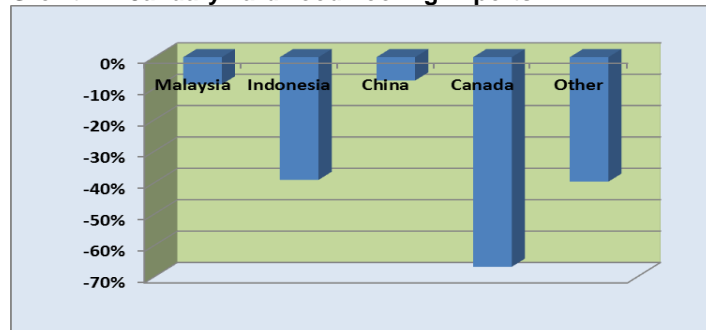
Source: US Department of Commerce, US Census Bureau, Foreign Trade Statistics

### US imports of hardwood flooring down

Hardwood flooring imports declined by 29% in January following an import peak in December. Hardwood flooring imports were worth US\$2.4 million in January.

The largest decline was in imports from Indonesia, but other suppliers also shipped less in January.

### Growth in January hardwood flooring imports



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

	Nov-13	Dec-13	Jan-14	Dec-Jan % change
Total Imports	2,628,016	3,366,318	2,395,465	-29%
Malaysia	579,282	646,747	590,791	-9%
Indonesia	795,790	776,286	472,481	-39%
China	476,470	685,307	634,232	-7%
Canada	88,758	223,392	74,110	-67%
Other	687,716	1,034,586	623,851	-40%

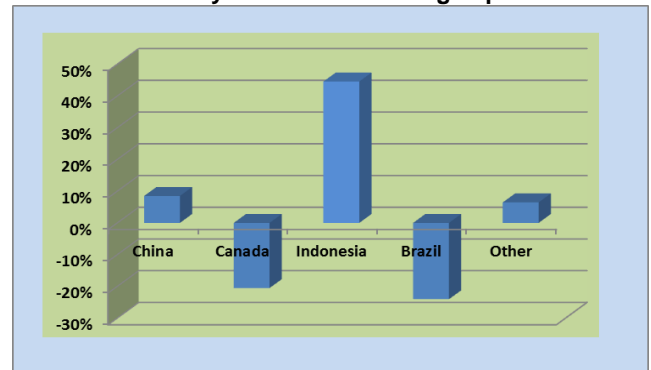
Source: US Department of Commerce, US Census Bureau, Foreign Trade Statistics

### Sharp increase in imports of Indonesian assembled flooring

Imports of assembled flooring panels increased by 3% to US\$10.0 million in January. Imports from China were worth US\$6.3 million (+8%).

Indonesia increased exports by 45% from December to 620,498 cu.m. Canadian shipments fell by 21% in January.

### Growth in January assembled flooring imports



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

	Nov-13	Dec-13	Jan-14	Dec-Jan % change
Total Imports	8,774,954	9,785,811	10,048,835	3%
China	5,034,266	5,774,072	6,264,188	8%
Canada	2,124,305	1,797,225	1,428,253	-21%
Indonesia	269,859	429,252	620,498	45%
Brazil	363,256	539,848	409,995	-24%
Other	983,268	1,245,414	1,325,901	6%

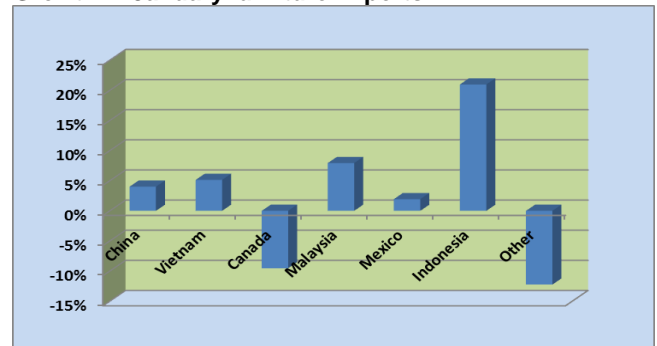
Source: US Department of Commerce, US Census Bureau, Foreign Trade Statistics

### 2013 furniture imports increase 7% year on year

Most countries exported more furniture to the US in January, with the exception of Canada. US imports of wooden furniture were worth US\$1.27 billion in January, up 2% from December. Imports were 13% higher than in January 2013.

China's furniture shipments to the US grew by 4% to US\$661.9 million in January. Imports from Vietnam were US\$224.9 (+5%). The largest growth rate was in imports from Indonesia, which increased by 21% to US\$49.6 million. Canadian shipments declined by 10%.

### Growth in January furniture imports



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



	Nov-13	Dec-13	Jan-14	Dec-Jan % change
China	605,383,559	636,409,320	661,948,219	4%
Vietnam	199,967,161	213,958,444	224,934,285	5%
Canada	95,616,702	86,890,809	78,610,531	-10%
Malaysia	48,710,453	54,211,978	58,510,947	8%
Mexico	52,196,715	49,307,227	50,265,157	2%
Indonesia	43,815,939	41,034,659	49,644,371	21%

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

Canada has been exporting fewer manufactured goods to the US, including wood products and furniture, for several years now. The strong Canadian dollar has hindered exports, but analysts also point to lower labour productivity growth compared to the US.

#### Growth in US wood product manufacturing output

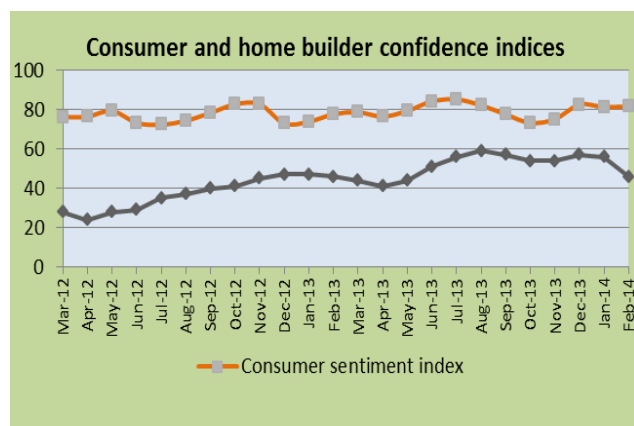
GDP growth in the fourth quarter of 2013 was revised to 2.4%, down from 3.2% previously estimated by the US Department of Commerce. The estimate for overall economic growth in 2013 remains at 1.9%.

The unemployment rate was 6.7% in February. Unemployment has seen little change since December 2013.

The US economy expanded in February, according to the Institute for Supply Management. The wood products industry reported the second highest growth rate of all manufacturing industries. Furniture production increased in February, but not as strongly as wood product manufacturing.

#### Both consumer and builder confidence down

Consumer confidence in the US economy was unchanged from January to February, according to the Thomson Reuters/University of Michigan consumer sentiment index.



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

The unusually cold winter weather increased heating expenses. The additional cost of heating was offset by higher income and employment among young Americans.

Consumers under the age of 35 expect their household income to grow by 5% this year.

Builder confidence in the market for newly built single-family homes fell significantly in February, according to the National Association of Home Builders. Builders were concerned about weather conditions and the cost of labour, material and building lots.

#### Severe winter weather affected housing market

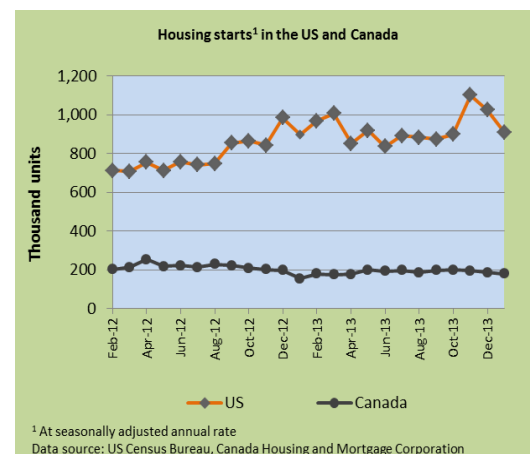
Housing starts fell by 11% in January from the previous month, but the decline was mainly because of the cold winter weather.

Construction started on 909,000 new homes at a seasonally adjusted annual rate, compared to over 1 million in November and December last year. Both single-family and multi-family home construction decreased in January.

The number of building permits was only 602,000 units in January (seasonally adjusted annual rate). The number of building permits issued is an indicator of future building activity.

#### Home sales fell in January

Sales of existing homes were at the lowest level in January since July 2012, according to the National Association of Realtors. The severe winter weather, higher mortgage costs and home prices contributed to the low sales activity.



Source: US Census Bureau, CMHC

#### No improvement in non-residential construction

Public spending on construction of offices, commercial, health care and educational buildings in the US has been revised upwards for November and December 2013.

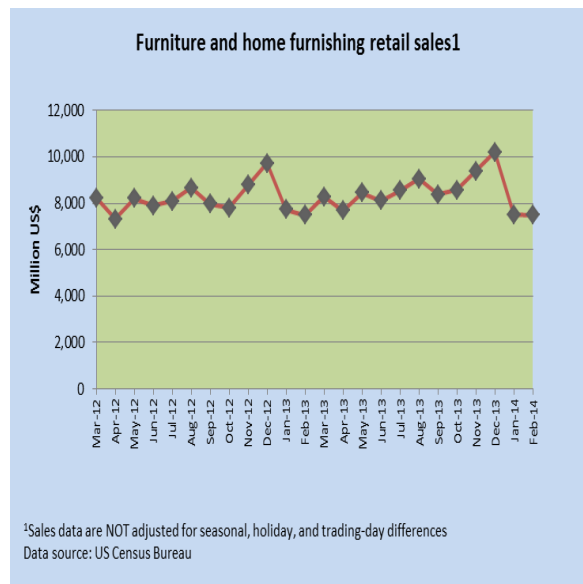
However, in January public spending decreased by 2% from the previous month. Private spending on non-residential construction was unchanged from December. Architecture firms were more optimistic in January.

The level of interest in new projects was strong, according to the American Institute of Architects, although the number of contracts signed did not increase.

### January furniture retail sales slide

Retail sales at furniture and home furnishing stores in the US were stable from January to February, according to US Census Bureau data. Sales are lower than in November and December last year, but a drop after the holiday shopping season is normal.

The latest retail data for just furniture (excluding home furnishing) show a 3% decrease in sales in January from the same time last year.



Source: Census Bureau

### Furniture shipments up 5% in 2013 from previous year

The furniture market continued to grow slowly throughout 2013, according to survey data from Smith Leonhard (Smith Leonhard Furniture Insights February 2014).

However, the value of new orders in the furniture sector in 2013 remained below 2006 levels. Total 2013 orders were about 10% lower than before the financial crisis in 2006. Compared with 2012, furniture orders grew by 6% in 2013.

About three quarters of manufacturers and distributors reported more orders in 2013 compared to the previous year. In December 2013, new orders declined from November but a decline in orders is normal at this time of year.

Furniture shipments increased by 5% in 2013 from the previous year. December shipments were 4% higher than at the same time in 2012. Inventories were at good levels considering the higher market demand. Inventories were up 3% in December over last year.

### Coalition for Fair Trade of Hardwood Plywood sues United States government

The Coalition for Fair Trade of Hardwood Plywood has filed a complaint in the US Court of International Trade over the decision by the US International Trade Commission to strike down the antidumping and countervailing duties on plywood from China.

The Coalition had complained about plywood imports from China in 2012, which started the International Trade Commission's investigation into anti-dumping of Chinese plywood.

Now the Coalition hopes that a federal judge will overrule the findings of the International Trade Commission. The Commission had voted unanimously that the plywood imports from China do not injure the US industry.

Another industry group, the American Alliance for Hardwood Plywood, plans to intervene in the case and defend the decision of the International Trade Commission. The Alliance represents importers and users of plywood. One of the largest users of imported plywood is the kitchen cabinet industry.

**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.

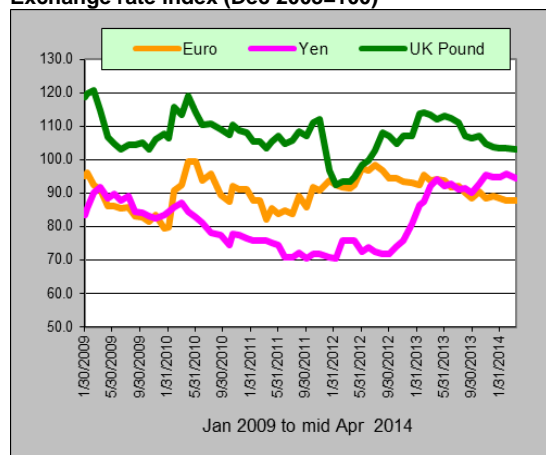
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

## Main US Dollar Exchange Rates

As of 11th April 2014

Brazil	Real	2.2171
CFA countries	CFA Franc	472.86
China	Yuan	6.2111
EU	Euro	0.7202
India	Rupee	60.35
Indonesia	Rupiah	11460
Japan	Yen	101.63
Malaysia	Ringgit	3.328
Peru	New Sol	2.7830
UK	Pound	0.5977
South Korea	Won	1035.65

Exchange rate index (Dec 2003=100)

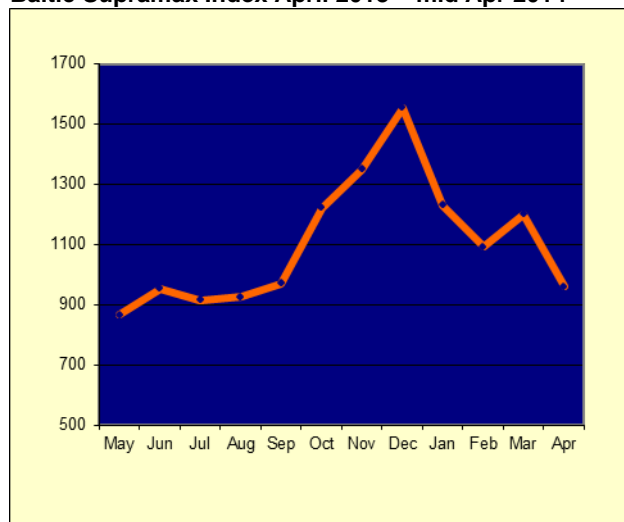


## Abbreviations and Equivalences

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 Apr 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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