

# Tropical Timber Market Report

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## Top Story

### **Brazilian exports via Pacific coast to become a reality**

The government of Mato Grosso do Sul has invested US\$13.7 million in the construction of two bridges to connect Porto Murtinho and Caracol in Brazil to Vallemly and São Carlos in neighbouring Paraguay.

These bridges will facilitate exports from Brazil via ports in Chile. The new route will be some 900 km shorter than the 2,700 km. route that crosses Bolivia.

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## Report from Central/West Africa

### Log and sawnwood prices realigned higher

Producers reported a few minor changes in prices for both logs and sawnwood during the last weeks of May. Analysts suggest that these changes are basically an upward realignment in prices for those timbers for which prices lagged behind the April firm upward movement.

Overall the markets are stable and, at the moment, producers are concentrating on trying to satisfy their rather full order books.

Demand remains good for logs and sawnwood with front runners appearing to be moabi, iroko, sapele and sipo for which demand is very high. Demand for okoume is very firm say analysts and producers in Congo Brazzaville are reporting full order books.

Reports indicate that demand for sawn azobe is much improved and, as with other species, millers are working at full capacity. The pressure on production has meant that delivery dates are now extending into August or later for the species in high demand.

### Timber industry welcomes anti-corruption campaign

The crackdown on illegal logging in Gabon continues with a report of a discovery by Forest Department officials of an attempt to buy and smuggle kevazingo (bubinga) logs, the export of which is banned in Gabon.

The stepped up anti-corruption campaign in Cameroon, aimed at all sector in the economy, is working to safeguard the timber industry.

### 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	225	150
Azobe & Ekki	235	230	150
Belli	245	245	-
Bibolo/Dibétou	150	145	-
Iroko	295	280	240
Okoume (60% CI, 40% CE, 20% CS) (China only)	340	340	260
Moabi	300	290	-
Movingui	220	220	180
Niove	160	155	-
Okan	270	270	-
Padouk	300	275	210
Sapele	300	300	200
Sipo/Utile	350	340	210
Tali	315▲	315▲	-

### Sawnwood Export Prices

West African sawnwood, FOB		€ per m <sup>3</sup>
Ayous	FAS GMS	345
Bilinga	FAS GMS	520
Okoumé	FAS GMS	480
	Merchantable	275▲
	Std/Btr GMS	350
Sipo	FAS GMS	560▲
	FAS fixed sizes	590
	FAS scantlings	620▲
Padouk	FAS GMS	820▲
	FAS scantlings	870▲
	Strips	500▲
Sapele	FAS Spanish sizes	590
	FAS scantlings	590
Iroko	FAS GMS	590
	Scantlings	660▲
	Strips	440
Khaya	FAS GMS	450
	FAS fixed	470
Moabi	FAS GMS	580▲
	Scantlings	560
Movingui	FAS GMS	420

### Prospects good into fourth quarter

Producers have indicated that demand in the EU is almost back to normal levels for this time of the year. They also say demand for China is active but Indian buyers are on the side-lines at the moment as log stocks in India are high as so much was imported from Myanmar before the log export ban.

Most producers are optimistic that the present stable to good market conditions will be maintained into the fourth quarter.

## Report from Ghana

### EU markets absorbing more of Ghana's exports

Ghana's exports of secondary wood products (SWPs), for the first quarter of 2014 accounted for 90% of total export revenues according to available statistics from the Timber Industry Development Division (TIDD) of the Forestry Commission (FC).

Exports in the first quarter 2014 totalled euro 22.49 million compared to euro 29.48 million in the first quarter 2013. The term SWP in Ghana includes sawnwood, veneers, boules and plywood.

Wawa, mahogany, cedrella, koto, makore and teak were the major timbers exported during the first three months of the year.

Markets in the EU accounted for 42% of total in the first quarter, significantly higher than the 22% in the same quarter last year.

Shipments to African markets slipped to 33% of all exports from last year's quarter figure of 36%.

The Asian, American and Middle Eastern markets accounted for the balance.

### Ghana to issue first timber validity license in 2014

The Deputy Minister of Lands and Natural Resources, Ms. Barbara Serwah Asamoah, has hinted Ghana could start the issuing Timber Validity Licenses (TVL) for timber exports to the European Union markets by the end of the year.

She said this during a tour of some timber companies in the Western Region of Ghana with the EU Ambassador in Ghana Mr. Claude Maerten. The purpose of the tour was to assess the country's preparation towards compliance with the EU Voluntary Partnership Agreement (VPA).

Also in the group making the tour was Dr Ben Donkor, the Executive Director of the Timber Industry Development Division (TIDD) and Mr. Chris Beeko, Director in-charge of the Timber Validity Department of the Forestry Commission.

Ms. Asamoah said Ghana had initiated several processes towards full compliance with the VPA, to pave the way for Ghanaian companies to export verified legally harvested wood products to EU markets

On his part Dr. Donkor said the Division had positioned itself to ensure compliance with the Voluntary Partnership Agreement, while Mr. Beeko said the FC had put in place a Legality Assurance System (LAS) to help track timber as it moves through the supply chain.

### Regional shipping line mooted

The Ghana Chamber of Commerce and Industry (GCCI), jointly with other Chambers in the region, plans to establish a shipping line to serve the regional trade.

Funds for the project are to be raised in the capital market, from private investors and interested institutional investors.

If the investments are forthcoming the new line will help ease challenges faced by those dealing with the regional trade and should boost intra-regional trade.

### Domestic Log Prices

Ghana logs	US\$ per m <sup>3</sup>	
	Up to 80cm	80cm+
Wawa	164-170	180-195
Odum Grade A	170-175	180-188
Ceiba	124-135	140-155
Chenchen	109-122	125-133
Khaya/Mahogany (Veneer Qual.)	145-160	166-185
Sapele Grade A	160-170	175-190
Makore (Veneer Qual.) Grade A	123-130	135-140
Ofram	120-127	130-140

### Boule Export prices

	Euro per m <sup>3</sup>
Black Ofram	250
Black Ofram Kiln dry	335
Niangon	494↓
NiangonKiln dry	580

### Export Rotary Veneer Prices

Rotary Veneer 1-1.9mm , FOB	€ per m <sup>3</sup>	
	CORE (1-1.9 mm )	FACE (2mm)
Ceiba	255	330
Chenchen	325	366
Ogea	294↓	344
Essa	344	355
Ofram	333	365

### Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afromosia	1.32	0.47
Asanfina	1.20	0.61↑
Avodire	1.12	0.48↓
Chenchen	1.10	0.33↓
Mahogany	1.30	0.56↓
Makore	1.30	0.52↓
Odum	1.76	1.08

### Export Sawnwood Prices

Ghana Sawnwood, FOB	€ per m <sup>3</sup>	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up		
Afromosia	855	945
Asanfina	480	564
Ceiba	230	295
Dahoma	276↑	376↑
Edinam (mixed redwood)	351	512↓
Emeri	380	512↓
African mahogany (Ivorensis)	593	602↓
Makore	580	646↓
Niangon	550	625
Odum	610	779↑
Sapele	567	667↓
Wawa 1C & Select	275	340

### Export Plywood Prices

Plywood, FOB BB/CC	€ per m <sup>3</sup>		
	Ceiba	Ofram	Asanfina
4mm	460↑	600	641
6mm	510↑	545	622
9mm	360	423	490
12mm	357	452	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	15.70	18.80
Odum	11.90	12.20	12.52
Hyedua	14.10	14.00	18.45
Afromosia	14.30	18.65	18.55

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

## Report from Malaysia

### VPA could be signed in 2015

Malaysia started negotiating with the EU in 2006 on a Voluntary Partnership Agreement (VPA) under the EU Forest Law Enforcement, Governance and Trade (FLEGT) initiative.

Eight years later the EU-Malaysia VPA is still elusive however, some 60 experts recently gathered in Kuala Lumpur for two meetings one of which was the Joint Expert Meeting of stakeholders from EU and Malaysia to finalise the Malaysian Timber Legality Assurance System (TLAS).

This was followed by a meeting of the Technical Working Group which looked into the various outstanding issues of the TLAS and VPA terms.

The experts felt that all outstanding issues could be settled in time for the VPA to be signed by Peninsular Malaysia and Sabah in early 2015.

**EU has VPA timeline for Sarawak**

The *Malaysia Reserve*, an e-newspaper, reported the EU Chief Negotiator, Hugo Schally, as saying “the EU has clear time bound commitments for Sarawak to sign the VPA after Peninsular Malaysia and Sabah”.

Though the timelines are still under negotiation the EU is proposing a three-year period for Sarawak to sign once the EU-Malaysia VPA takes effect.

Data released at the meetings showed that timber and timber products exported by Malaysia in 2012 were worth RM 20.2 billion (approximately US\$ 6.2 billion).

Of the total exports, Japan accounted for RM 4.2 billion (21%), United States RM 2.5 billion (12.4%) and the EU RM 2.1 billion (10.4%).

The EU organised an information sharing meeting after the two official meetings. Stakeholders, including representatives of the timber trade and NGOs/Civil Societies were invited to be briefed on the EU Timber Regulations, Due Diligence, legality definition and the state of negotiation of the EU-Malaysia VPA.

**India main buyer of Sarawak logs**

Statistics compiled by Sarawak Timber Association for the first quarter of the year showed Sarawak exported 650,368 cubic metres of logs worth RM441,613,268 (approximately US\$135.9 million). By way of comparison, the first quarter of 2013 saw an export of 749,044 cubic metres worth RM422.4 million.

Merantis’ formed the biggest species group in first quarter exports at 312,938 cubic metres (48%). The next main species group was Mixed Light Hardwood (MLH) at 100,773 cubic metres (15.5%).

India was the biggest buyer of Sarawak logs at 419,822 cubic metres in the first quarter 2014 (64.6%) followed by Taiwan (76,601 cubic metres or 11.8%). Japan is now the fourth ranked importer from Sarawak at 31,488 cubic metres or 4.8%.

**Regional markets support sawnwood exports**

Sawntimber exports from Sarawak for the first quarter of 2014 totalled 143,354 cubic metres worth RM132,130,730 (approximately US\$40.7 million) with the biggest buyer being the Philippines at 39,204 cubic metres (27.3%) followed by Thailand at 30,071 cubic metres (20.9%) and Yemen, 18,973 cubic metres or 13.2%.

The changes in the structure of the timber industry in Japan are reflected in the pattern of imports. Previously

Japan was a major log importer and manufacturer of tropical plywood.

This has changed, Japan imports less logs but more tropical plywood, mainly from Sarawak. The table below shows the main export markets for Sarawak plywood in the first quarter of 2013 and 2014.

**Plywood exports from Sarawak (Jan – Mar, 2014)**

	Qtr 1 2014 vol cu.m	% of total volume	Qtr 1 2013 vol cu.m
Japan	365,088	60.8	402,149
Taiwan	63,173	10.5	74,256
Korea	52,166	8.7	76,280
Yemen	24,762	4.1	46,027
Philippines	21,900	3.6	20,178

**Report from Indonesia**

**Indonesia to issue new SVLK regulations**

The Government of Indonesia will issue revised SVLK regulations in June this year as it has just completed an assessment and revision process. SVLK stands for “Sistem Verifikasi Legalitas Kayu”, Indonesia's timber legality assurance system.

The revisions draw upon the results of the 2013 independent SVLK evaluation jointly conducted by Indonesia and the EU, the subsequent Indonesia-EU action plan to advance VPA implementation and multi-stakeholder consultations held in February and March 2014.

See: <http://capacity4dev.ec.europa.eu/public-flegt/blog/indonesia-posts-draft-regulations-timber-legality-assurance-comments#sthash.qjf8s4Uv> and <http://eyesontheforest.or.id/attach/Anti%20Forest%20Mafia%20Coalition%202818Mar14%29%20SVLK%20Flawed%20FINAL.pdf>

**Self declaration for community wood certification**

Forestry Minister, Zulkifli Hasan has said the ministry is committed to encourage the use of wood raw material from community forests and to achieve this the regulations will be simplified.

For example the sale of timbers such as sengon, jabon or wood from fruit trees from community land only require a bill of sale (receipt) to be deemed legal.

**Association membership brings benefits to small companies**

Small sized furniture producers in Jepara, Central Java, have found advantages in coming together as an association as their negotiating power has increased and they are seeing improved earnings.

"By joining an association, individual craftsmen know that they can work more effectively with governments and the private sector," said Herry Purnomo, head of a research project at the Center for International Forestry Research (CIFOR).

#### Indonesian teak furniture for Taiwan P.o.C

ORDER Furniture Corporation of Germany has retail outlets in Taiwan and since 2010 the company has been buying teak furniture from 5 manufacturers in Jepara and Solo.

In 2013, the company purchased 84 containers of teak furniture and plans to increase purchases this year. At the end of May representatives from the company will be in Indonesia to try and find more suppliers in order to meet increasing market demand.

#### 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 Sawwood 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
12-15mm	600-630
18mm	500-650
<i>MDF</i>	
Export 12-18mm	750-780
Domestic 12-18mm	430-530

#### MTE's sales policy for 2014

The Myanmar Timber Enterprise (MTE) has released details of its sales policy which came into effect on 1 April this year.

The following is a non-legal translation provided by the ITTO analyst in Myanmar. Interested parties are advised to contact MTE for full details.

#### (a) Direct Sales Contracts

- (1) No further selection and transportation of logs will be allowed against direct sales contracts, as export in log form is no longer permitted from 1<sup>st</sup> April 2014.
- (2) Whatever logs selected prior to 1<sup>st</sup> April 2014 and were left unshipped will be sold at contracted prices if payments are made latest by 30 September 2014. The selected logs will return to MTE if payment is not made by 30 September 2014.
- (3) Payments will NOT be accepted from 1 October 2014 and all contracts will cease to be operative.

#### (b) Contracts for supply of Industrial Raw (IR) logs

- (1) Payment for logs selected prior to 1 April 2014 will be accepted only up to 30 September 2014. Cargo will be delivered against Delivery Order issued after payment has been made.
- (2) No more supplies will be made against these contracts. From 1<sup>st</sup> October 2014 industrial raw material needs by the private sector will be met by open tender sales.

#### (c) General

- (1) All other teak and hardwood logs that are depot balances that are not covered by the above two types of sales will be sold by open tender.
- (2) Starting 1<sup>st</sup> October, all logs that unshipped and unpaid will be taken back and MTE will re-sell them in open tenders.
- (3) Industrial raw logs sold by MTE can be transported to the private mills and factories only after full payment has been made.
- (4) Earnest money will be confiscated if payment for successful lots in the open tender sales is not made within 60 days from the date of sales. The lots will then be resold in coming open tender sales.

### Products manufactured from logs purchased in Myanmar Kyats can exported

It has also been learnt that logs and sawn timber purchased with the domestic currency from the local marketing and milling branch of MTE can be exported if they meet the following criteria.

- The timber raw material must have been purchased through the open tender system.
- Export item shall not be in log form.
- The timber must be further processed and then inspected by the Forest Department (FD) and MTE.

After this joint inspection the Forest Department will issue a certificate.

To avoid misunderstanding in the interpretation of the new rules interested parties are advised to seek clarification from the FD and MTE.

### Myanma Timber Enterprise open tender prices (26 May) Yangon Depots

Srl	Species	Grade	H. Tons	Avg. Price (US\$/H.ton)
1	Teak	Sawing Grade-1	11	4384
2	Teak	Sawing Grade-2	18	3665
3	Teak	Sawing Grade-4	27	3332
4	Teak	Sawing Grade-5	15	2333
5	Teak	Sawing Grade-6	26	2177
6	Kanyin	Second Quality	686	373

Padauk timber ex- Mounng Gon (Upper Myanmar)

	Grade	Hoppus tons	Avg. Price (US\$/H.ton)
Padauk	3 <sup>rd</sup> Quality	3	5256
Padauk	4 <sup>th</sup> Quality	33	4099
Padauk	Assorted	84	3699
Padauk	Domestic	82	2699

Padauk logs which were illegal and seized by authorities

In addition 85 tons of various sizes of teak rough sawnwood (including hand sawn timber) seized by authorities were sold by MTE on 23 May 2014. Total revenue from this sale amounted to US\$205,330

### Teak harvest reduced

It was reported in the Daily Eleven of 14 May that, according to officials from MTE, only 60,000 tons of teak will be harvested during this financial year.

Some will be utilised by the MTE mills and factories which means there will be a reduction in the volumes offered in the open tender sales.

### Report from India

#### Business sector says prospects look good

The election victory of India's opposition party has been welcomed by the business community as the new central government is expected to be more pro-business. Of special interest is whether the new administration will eliminate the controversial 2012 legislation that allowed for retroactive corporate taxes.

The Bharatiya Janata Party (BJP) and its allies won more than the 272 seats needed for a majority in Parliament and has replaced the Congress Party.

India's business community is very happy say analysts as the country will now have a stable government with a business-friendly leader which could herald unprecedented industrial growth.

Housing sector businesses, just as the rest of the business community, have reacted positively to the BJP election success and anticipate determined action to tackle inflation

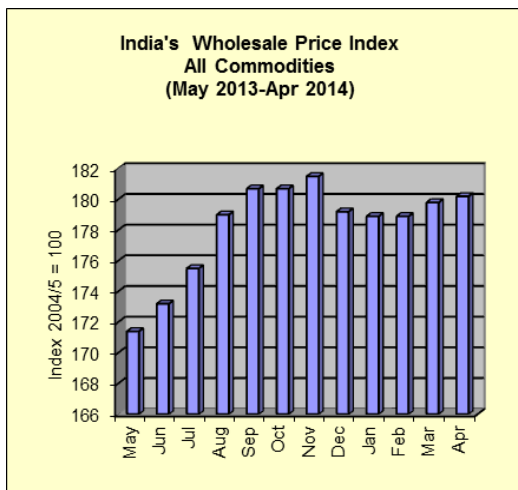
#### Wholesale Price Index rises stocking fears of further inflation

The Office of the Economic Adviser (OEA) to the Indian government provides trends in the Wholesale Price Index (WPI). The official Wholesale Price Index for All Commodities (Base: 2004-05 = 100) for the month of April, 2014 rose by 0.2 percent to 180.2 (provisional) from 179.8 (provisional) for the previous month.

On inflation a press release from the OEA says "The annual rate of inflation, based on monthly WPI, stood at 5.20% (provisional) for the month of April, 2014 (over April, 2013) as compared to 5.70% (provisional) for the previous month and 4.77% during the corresponding month of the previous year.

The build-up inflation rate in the financial year so far was 0.22% compared to a build-up rate of 0.71% in the same period of the previous financial year.

For more see: <http://www.eaindustry.nic.in/>



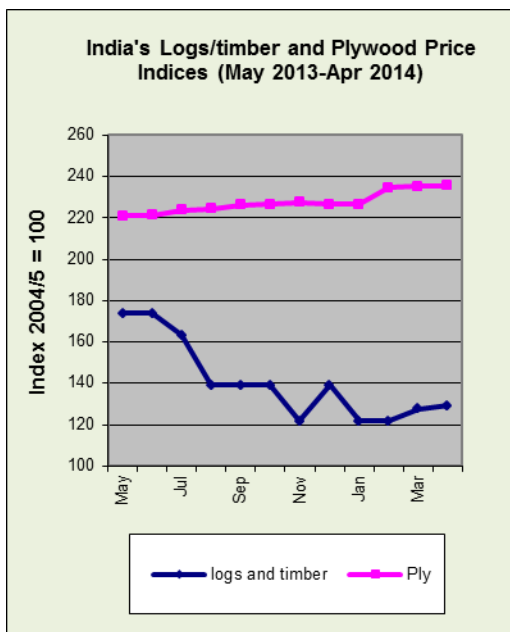
Data source: Office of the Economic Adviser to the Indian government

### Timber and plywood wholesale price indices

In addition to data on the Wholesale Price Index for all commodities, the OEA reports Wholesale Price Indices for a variety of wood products.

The Wholesale Price Indices for Logs/timber and Plywood are shown below. The April 2014 logs/timber index increased from levels in March but the plywood index remained flat.

The plywood price index for May is expected to be significantly higher as the impact of the Myanmar log export ban on veneer prices filters through to the market.



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

The Plywood Manufacturers Associations in Punjab, Haryana, Gujarat, Kerala, Gandhidham have reported that their members are facing sky rocketing prices of gurjan face veneers.

The price of face veneers cut from gurjan logs imported from Myanmar before the log export ban has risen by 25% to 50%. In the face of rising costs for gurjan face veneers it would be expected that manufacturers would switch to other species but that is not so easy in India.

Indian plywood users have been led to believe that red coloured wood is stronger than other colour timbers. As pointed out by analysts, “the consumer needs to be more rational, does the very thin face veneer of gurjan add to the strength characteristics of the plywood? Not at all, it is just a wrong notion that red coloured woods are stronger”.

However, in terms of marketing it will require a major effort on the part of plywood manufacturers to convince consumers that plywood with a pale timber face veneer is just as strong as a red coloured veneer.

Those who have been in the plywood industry for years recall that around 50 years ago no-one had heard of gurjan. When it was first used for plywood the high resin content was a serious problem in gluing veneers.

In the days when imported timbers were used for veneer, pali (*Pallanquium* spp.), red cedar (*Cedrela toona*), white cedar (*Dysoxylum malabaricum*), pandapine (*Canarium strictum*), and mango (*Mangifera indica*) were the favorites for plywood manufacture and none of these timbers are dark red.

Indian importers feel the Myanmar log export ban should have been phased which would have avoided the present confused state of in the Indian plywood sector.

### Imported plantation teak prices

Prices for plantation teak remained unchanged over the past weeks and the flow of imports has been steady but the impact of the log export ban in Myanmar will eventually have a pronounced effect on the plantation teak market.

Over time the industry will be more dependent on domestic teak resources and will slowly have to introduce other tropical timbers as substitutes for Myanmar teak.

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

#### Imported sawnwood

Interest in non-teak tropical hardwoods is increasing as Myanmar teak is becoming very expensive in the domestic market as millers stocks of sawnwood cut from teak logs imported before the log export ban in Myanmar run down.

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

Sawnwood Ex-mill	Rs per cu.ft
Merbau	1550-1650
Balau	1650-1850
Resak	1200-1300
Kapur	1200-1250
Kempas	1100-1200
Meranti	875-975
Radiata AD	550-650
Whitewood	600-650

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

Balau, Kapur and Red Meranti are becoming more popular and demand for these timbers is strengthening.

#### Myanmar teak processed in India

Export demand for teak products processed in India is steady and millers still have reasonable stocks according to analysts. However, teak prices will continue to climb as log stocks fall.

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	3600-4250
Plantation Teak FAS grade	3300-3600

Price variations depend mainly on length and cross section

During May and June there are usually a series of auctions of domestic logs but, due to the elections, all auctions were postponed. The auction programme for June is yet to be announced.

Analysts report that the transport of logs from the forests to the depots has been maintained so millers should be able to secure adequate stocks when auctions resume to see them through the monsoon season when logging stops.

#### 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



In the current market situation, and if promotional activities are conducted to reach out to endusers and consumers, the demand for imported sawnwood should expand to make up for the volumes previously produced from Myanmar logs.

#### **Plywood prices rise as gurjan veneer stocks fall**

Almost all Indian plywood mills have been compelled to increase prices. While demand in the main cities remains subdued, housing and infrastructure developments in second and third tier towns are keeping plywood makers busy.

The new central government has plans to further expand these new towns to ease the pressure in the housing market in the main cities.

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

Plywood, Ex-warehouse, (MR Quality)	Rs. per sq.ft
4 mm	36.00
6 mm	49.00
9mm	62.00
12 mm	76.50
15 mm	101.50
18 mm	107.00

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

Locally Manufactured Plywood "Commercial Grade"	Rs. per sq.ft
	Rubberwood      Hardwood
4mm	Rs.19.00      Rs.28.00
6mm	Rs.29.15      Rs.36.00
9mm	Rs.36.60      Rs.43.50
12mm	Rs.43.50      Rs.53.00
15mm	Rs.53.60      RS.64.70
19mm	RS.61.80      Rs.72.40
5mm Flexible ply	Rs.38.00

### **Report from Brazil**

#### **Welcoming slowing of inflation**

Brazil's Consumer Price Index (IPCA) in April 2014 was 0.67% signalling a slowing of inflation compared to March when the monthly rate of inflation was 0.92%. In the first four months of this year the IPCA increased 2.86% compared to 2.5% in the same period last year.

In April 2014, the Monetary Policy Committee of the Central Bank (COPOM) decided to increase the Selic rate to a high of 11%.

#### **Logging cycle can be reduced from 35 to 25 years**

Brazilian forest regulations state that the logging cycle shall be no less than 35 years and this applies to all natural forest types.

Observers note that this cycle may be too long for some regions and too short for others and that research is needed to provide a sound basis for determining the logging cycle.

The Brazilian Agricultural Research Corporation (EMBRAPA) has just published a study on the issue of logging cycles "Strategies for Achieving Sustainable Logging Rate in the Brazilian Amazon Forest" based on assessment of forest management areas in Mato Grosso.

The study suggests that a 25-year cycle for timber extraction of 30 cu.m/ha/year is appropriate for some forest types rather than the current 35 years.

According to the Timber Industry Union of Northern Mato Grosso State (SINDUSMAD), six native Amazon tree species were studied and the ideal logging cycle is different for each one. This study will provide a basis to review the current 35 year cycle defined in the forest regulations which also have a minimum diameter rule of 30 cm for all species.

Further work will be conducted to recommend different diameter classes for various species.

#### **Increased exports of tropical sawnwood**

In April 2014, wood product exports (except pulp and paper) increased 1.4% in terms of value compared to April 2013, from US\$217 million to US\$220 million.

Pine sawnwood exports increased 35% in value in April 2014 compared to April 2013, from US\$14 million to US\$18.9 million. In terms of volume, exports rose 27.8%, from 64,400 cu.m to 82,300 cu.m over the same period.

Tropical sawnwood exports increased 6.9% in volume, from 26,200 cu.m in April 2013 to 28,000 cu.m in April 2014. In value, exports increased 3.6% from US\$14 million to US\$14.5 million over the same period.

Pine plywood exports expanded 4.4% in value in April 2014 compared to April 2013, from US\$36.4 million to US\$ 38 million. The volume of exports increased 6.6%, from 95,900 cu.m to 102,200 cu.m, during the same period.

On the other hand, tropical plywood exports fell 17% from 4,100 cu.m in April 2013 to 3,400 cu.m in April 2014. In terms of value, tropical plywood exports fell 16%, from US\$2.5 million in April 2013 to US\$2.1 million in April 2014.

Wooden furniture exports fell marginally in April from US\$ 38.8 million in April 2013 to US\$38.2 million in April 2014.

#### **Amazon Fund invests in sustainable practices**

The Amazon Fund plans to fund activities to strengthen environmental initiatives in Acre state. Specifically the Fund will support a project "Valuation of Environmental Forest Assets" which will include work on integrated land management, measures to promote forestry and agroforestry production chains and technical and financial incentives for environmental services.

Acre state policies are considered a model in terms of sustainable development. According to the Secretariat of Agroforestry Extension and Family Production (SEAPROF), the support for the project by the Amazon Fund will boost the contribution to the economy in Acre from sustainable forest production and will also help reduce deforestation and environmental degradation.

This project seeks to introduce sustainable practices to small family producers to generate economic alternatives, food security and increased income.

#### Brazilian exports via Pacific coast to become a reality

The state government of Mato Grosso do Sul has invested US\$13.7 million in the construction of two bridges that will connect Porto Murtinho and Caracol municipalities (Mato Grosso State in Brazil) to Vallemly and São Carlos municipalities (in Paraguay).

Completion of these bridges will facilitate transport of agricultural, forestry and steel products from Brazil to ports of Chile.

The shortest way for Brazilian products to reach Chilean ports for shipment to Asia, the main importer of grains and pulp from Mato Grosso, is Porto Murtinho (Brazil), Mariscal Estigarribia (Paraguay) Tupiza (Bolivia) and Iquique (Chile).

The new route will be some 900 km shorter than the 2,700 km. route that crosses Bolivia. The bridge (180 metres) between Porto Murtinho and Vallemly will cost R\$8.2 million and the bridge (120 metres) between Caracol and San Carlos will cost about R\$ 5.5 million. Construction will begin in July and the bridges should be completed by year end.

#### Domestic Log Prices

Brazilian logs, mill yard, domestic	US\$ per m <sup>3</sup>
Ipê	174↓
Jatoba	108↓
Massaranduba	119↓
Muiracatiara	123↑
Angelim Vermelho	114
Mixed redwood and white woods	109↑

#### Export Sawwood Prices

Sawwood, Belem/Paranagua Ports, FOB	US\$ per m <sup>3</sup>
Ipe	1297↑
Jatoba	1168↓
Massaranduba	700↓
Muiracatiara	735↑
Pine (KD)	220↓

#### Domestic Sawwood Prices

Brazil sawwood, domestic (Green ex-mill)	US\$ per m <sup>3</sup>
Ipê	867↑
Jatoba	543↑
Massaranduba	417↑
Muiracatiara	468↓
Angelim Vermelho	415↑
Mixed red and white	251↓
Eucalyptus (AD)	239↑
Pine (AD)	190↑
Pine (KD)	203↑

#### Export Plywood Prices

Pine Plywood EU market, FOB	US\$ per m <sup>3</sup>
9mm C/CC (WBP)	374↑
12mm C/CC (WBP)	343↓
15mm C/CC (WBP)	331↓
18mm C/CC (WBP)	323↓

#### Domestic Plywood Prices (excl. taxes)

Parica	US\$ per m <sup>3</sup>
4mm WBP	752↓
10mm WBP	682↓
15mm WBP	555↑
4mm MR	670↓
10mm MR	526↓
15mm MR	496↑

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	336↑
15mm MDF	512

#### Export Prices For Added Value Products

FOB Belem/Paranagua Ports	US\$ per m <sup>3</sup>
Decking Boards Ipê	2,345↑
Jatoba	1,558↑

## Report from Peru

#### Forest products certification

The College of Engineers of Peru, Ucayali, SCS Global Services and the Forest Products Association of Ucayali (Aprofu) recently concluded a workshop on certification of wood products in an effort to promote forest certification amongst entrepreneurs, professionals, technical advisors as well as indigenous communities in the Peruvian Amazon.

The Workshop aimed to promote and strengthen the technical capacity of forest management and chain of custody in the context of forest certification.

#### SMEs to produce school furniture

In the framework of the "Purchases Myperú", established by the local Fund for Social Development (Foncodes), twenty micro and small enterprises in the Ucayali region will receive orders for the production of 5,000 folding chairs to be used in public schools.

#### Seeking a recovery of the forestry sector

The Forest Products Association of Ucayali (Aprofu), the Roundtable for Sustainable Forestry Development Ucayali (MCDFSRU) region, the National Forestry and the Forest Department and Wildlife (DGFFS) conducted a series of meetings during the first four months of this year to contribute to the recovery of the forest sector.

#### Breaking the poverty trap

Cesar Peñaranda, an official from the Lima Chamber of Commerce has said "around one million people will escape from poverty in Peru if the country's economy posts a growth rate of over 5.5 percent".

Currently around 25 percent of the population in Peru live below the line of poverty according to a recent report from the National Statistics Institute.

### 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	439-508 ↑
Grade 2, Mexican market	388-423 ↑
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	606-631 ↑
Marupa (simarouba) 1", 6-11 length Asian market	444-495

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	433-474 ↑
Grade 2, Mexican market	342-381 ↑
Grade 3, Mexican market	161-176
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	359-409 ↑

### Domestic Sawnwood Prices

Peru sawnwood, domestic	US\$ per m <sup>3</sup>
Mahogany	867-911
Virola	152-177
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	221-249
Lupuna 2/Btr 4.2mm	234-266
Lupuna 3/Btr 1.5mm	219-228

### 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	486
122 x 244 x 6mm	489
122 x 244 x 8mm	497
122 x 244 x 12mm	446
(Pucallpa mills)	
122 x 244 x 4mm	463
122 x 244 x 6mm	439
122 x 244 x 8mm	430
122 x 244 x 12mm	429

### Domestic Prices for Other Panel Products

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

### Export Prices for Added Value Products

Peru, FOB strips for parquet	US\$ per m <sup>3</sup>
Cabreuva/estoraque KD12% S4S, Asian market	1287-1388
Cumaru KD, S4S Swedish market	915-1043
Asian market	1309-1355
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

### Wamara logs proving popular

There were no exports of greenheart logs in the period reviewed however, purpleheart Standard Sawmill quality logs attracted a favourable top end FOB price of US\$325 per cubic metre.

Fair Sawmill quality purpleheart log FOB prices remained at US\$170 per cubic metre while Small Sawmill quality logs were traded at US\$150 per cubic metre FOB. Mora log prices were unchanged, except for Standard Sawmill Quality logs which earned US\$120 per cubic metre FOB.

Wamara (*Swartzia leiocalycina*) logs are becoming more popular and prices have moved up for all categories.

Standard Sawmill quality wamara logs were traded at US\$210 to US\$215 per cubic metre FOB, Fair Sawmill quality logs attracted a price of US\$125 to US\$210 per cubic metre FOB while Small Sawmill quality log FOB prices moved up to US\$120 to US\$200 per cubic metre.

### Weaker Caribbean market for dressed greenheart

Sawnwood exports were active and attractive prices were earned on the export market. Undressed greenheart (Prime quality) commanded a price as high as US\$1,338 per cubic metre FOB and was shipped to buyers in the Middle East and Oceania.

Undressed greenheart (Select quality) was sold at a significantly higher price than recently earning as much as US\$1,314 per cubic metre FOB in Caribbean, European and North American markets.

Undressed purpleheart sawnwood prices remained stable at US\$1,200 per cubic FOB while, in contrast, Undressed Mora Select category earned a favourable price as high as US\$679 per cubic metre FOB in Caribbean markets.

Despite the overall positive price movements Dressed greenheart prices in Caribbean markets declined marginally from US\$1,158 to US\$1,039 per cubic metre FOB. Dressed purpleheart sawnwood FOB prices held firm at US\$1,158 per cubic metre FOB.

Guyana made plywood was traded at a fair price earning as much as US\$537 per cubic metre FOB in the North American market.

Splitwood (shingles) attracted a significant FOB price earning as much as US\$1,341 per cubic metre in Caribbean and North American markets.

Select quality greenheart piles continue to earn attract favourable market prices ranging from US\$350 to US\$1,043 per cubic metre FOB. Sound category greenheart piles were traded at prices ranging from US\$298 to US\$438 per cubic metre FOB in North American and European markets.

**Community harvesting plan supported by GEF**

Kaburi, with a population of 275 people, primarily Akawaio and Patomona descendants, occupy an area of 41.57 square miles. Kaburi Village, located along the Bartica-Potaro Road in Region 7 (Cuyuni/Mazaruni) received a grant of US \$3.4m from the Global Environment Facility (GEF) to ensure the sustainable management of the forest.

The capital of Region 7 is Bartica, with other major towns including Issano, Isseneru, Kartuni, Peters Mine, Arimu Mine, Kamarang, Keweigek, Imbaimaidai, Tumereng and Kamikusa.

**Guyana’s Region 7**



Source:wikipedia

The funding will support development of a timber harvesting plan for the village and has been provided by the Global Environmental Facility (GEF) Small Grants Programme (SGP) that provides financing directly to civil society, community-based and non-governmental organizations to design and implement projects that will bring environmental and livelihood benefits to communities.

The SGP is implemented by the United Nations Development Programme (UNDP) and executed by the United Nations Office for Project Services (UNOPS).

The village of Kaburi was established in 1935 and recently received land title from the Government of Guyana. Some residents are involved in small scale timber harvesting and the Kaburi Village Council had requested assistance to implement a forest management project they can sustain in the village.

**Export Log Prices**

Logs, FOB Georgetown		SQ - US \$ Avg unit value per m <sup>3</sup>		
		Std	Fair	Small
Greenheart*		-	-	-
Purpleheart		200-325	170	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	537
	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	954-1,338	-
	Standard	-	650-1,039
	Select	575-1,314	-
	Sound	-	-
	Merchantable	-	-
Purpleheart	Prime	-	-
	Standard	-	700-1,158
	Select	950-1,200	-
	Sound	-	-
	Merchantable	-	-
Mora	Prime	-	-
	Select	594-679	-
	Sound	-	-
	Merchantable	-	-

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

**Report from Japan**

**Machinery orders surge ahead**

Japan’s Cabinet Office has released details of its latest business survey. This shows that the total value of machinery orders received by 280 manufacturers operating in Japan increased by 4.0% in March from the previous month. In the period January-March machinery orders rose by 4.3% compared with the previous quarter.

Private-sector machinery orders ( excluding volatile ones for ships and those from electric power companies) increased a seasonally adjusted by 19.1% in March, and showed an increase of 4.2% in the first quarter signalling that private investment may support the economy as consumers cut back on spending to adjust to the new consumption tax rate.

For the full details see:  
<http://www.esri.cao.go.jp/en/stat/juchu/juchu-e.html>

Releasing private sector capital investment is a major target of the Japanese government as this is seen as providing a pillar upon which the economy can grow. The latest data on machinery orders has boosted the confidence of government analysts who say they foresee good prospects for economic expansion during the next 2 to 3 months.

**Fifth straight drop in consumer confidence index**

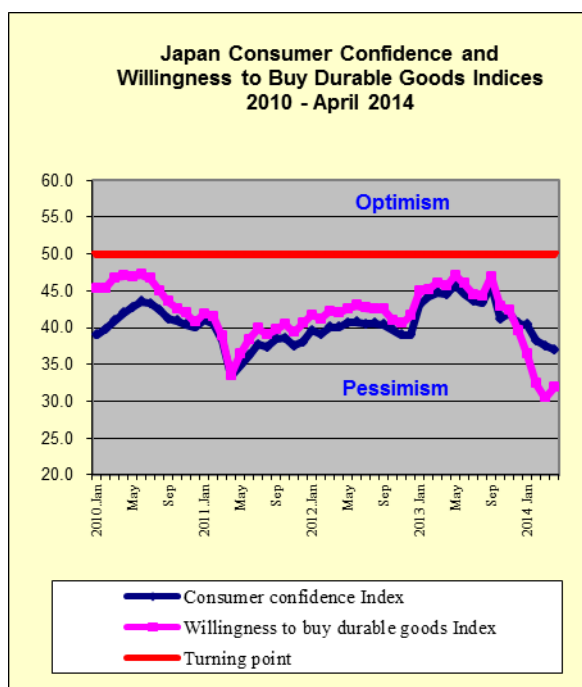
Japan’s Cabinet Office has released the results of the latest Consumer Confidence Survey conducted 15 April 2014.

The Consumer Confidence Index fell 0.5 points to a seasonally adjusted 37.0 in April, the fifth straight monthly decline but the pace of decline in April was the slowest recorded during the current downtrend.

However, the index remains at its lowest point for the past two years when the index dropped to a low of 36.9 in August, 2011.

Most of those surveyed were pessimistic on three of the four sub-indices in the survey ( economic well-being, income growth and job prospects), but the sub-index on the willingness to purchase durable goods rose after four months of decline.

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



Data source: Cabinet Office, Japan

**Retail sales down but by less than expected**

Data from Japan’s Ministry of Economy, Trade and Industry (METI) shows that retail sales for April were down 4.4% from the same period last year and down almost 14% from March this year, a rather modest fall given the boom in consumer spending prior to the 1 April increase in sale tax.

The numbers show that the declines were spread across most products but were steepest for the more expensive consumer durables such as cars, televisions, refrigerators and air-conditioners.

For the full details see: <http://www.meti.go.jp/english/statistics/tyo/syoudou/>

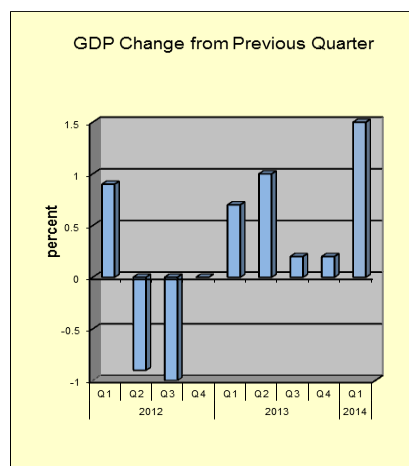
**First quarter GDP ‘shock’**

Japan’s first quarter GDP was up 1.5 percent from the last quarter of 2013. This figure is way beyond analysts’ expectations and reflects the surge in consumer spending prior to the increase in consumption tax.

Personal consumption was so high in the first quarter that any impact from the slowing of the US was overwhelmed. Private consumption in the first quarter was up an annualised 8.5%!

The boost to GDP growth defies the overall sluggish economic performance and is a one-off surge unlikely to be repeated in the quarters to come. Second quarter figures due in July are expected to be very sobering.

Analysts are forecasting a correction in monthly GDP growth which hit a record high of 5.9% on an annualized basis in March.

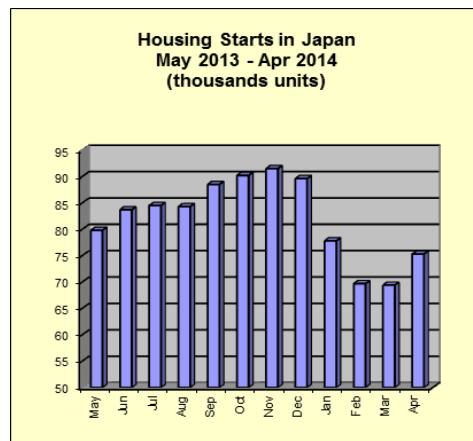


Source: Cabinet Office, Japan

**April housing starts better than expected**

April housing starts were up on levels in March, a particularly poor month but, at 75,300, were some 4% down on April 2013.

However, the April figures were much better than expected as analysts had forecast starts to fall as much as 8% year on year.



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

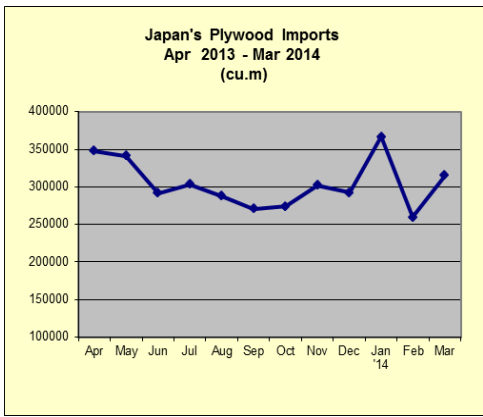
**BoJ sticks to weak yen policy**

The Japanese yen strengthened against the dollar in the latter half of May with the US dollar trading at only 101.5 at its lowest point.

The yen may have derived some of its strength as money moved out of dollars after the US stocks have tended towards weakness. Even at yen 101.5 to the dollar the yen is down about 16 percent against the dollar year-on-year.

The Bank of Japan (BoJ) governor has warned that that a sustained rise in the value of the yen would undermine the targets set by the Bank clearly signalling that it will act to stem any major rise in the yen.

The BoJ has is sticking firmly to its 2% inflation goal and appears determined to provide substantial monetary stimulus to achieve its goal.



Movement in wholesale channel remains stagnant in April and the prices are weakly holding at 1,010 yen per sheet on 12 mm 3x6 delivered (special type/ F ☆☆☆☆). Thick 24 mm panel prices are unchanged at 2,050 yen. 9mm 3x10 long panel prices are 1,450 yen.

Plywood mills say that movement of plywood had been 120-130% of production capacity before the tax increase then things go back to normal and drop of demand is within initially forecasted. With very limited inventory, mills are not worried about so much about future market.

Log production in Sarawak, Malaysia continues low with continuous dry weather so that log market prices stay up high and plywood mills struggle to procure logs even with high prices.

Plywood mills have to ask high export prices because of high log cost. In Indonesia, argument on timber harvest tax increase continues and log suppliers and plywood mills have already asked higher prices.

In Japan, supply and demand are balancing on 3x6 coated concrete forming panel with the supply being tight because of delayed shipment. JAS concrete forming 3x6 panel prices are 1,250 yen per sheet delivered.

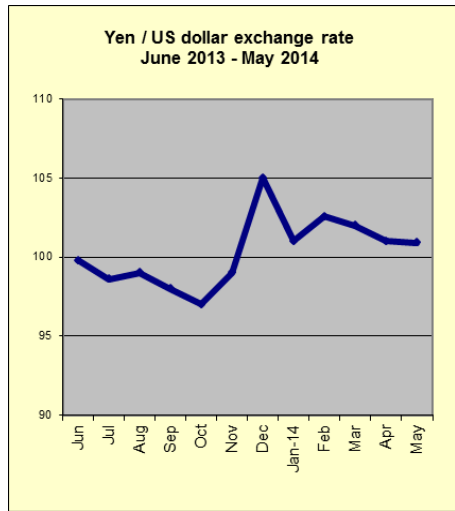
JAS coated concrete forming panel prices are 1,350 yen. Both are unchanged from April. 12 mm structural panel is about 1,300 yen, which is the only weak item.

**Indonesian timber harvest tax to impact prices**

Indonesia changed ordinance on timber harvest tax in February, which is in force since March 14. However, there has been continuous argument on this issue between the government and the industry and this has not been actually applied yet.

Once this is applied, it will be sizable increase of tax, Ordinance is effective next to law in Indonesia and the ordinance was signed by the President and the Minister

Focus of this is higher tax on logs produced by clear cutting for the purposes of replanting, mining and agricultural development. Tax on meranti will be about 600,000 rupiah (about \$60) per cbm and about 360,000 rupiah (about \$36) on MLH.



**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>

**Plywood mills easing back on production**

Shipment of softwood plywood from domestic mills for large house builders and pre-cutting plants continue firm even after consumption tax increase since April but the orders in wholesale channel are declining.

March softwood production was 226,800 cbms, 5.4% more than February and the shipment was 222,300 cbms, 0.7% more and the inventory was 92,000 cbms.

So far tax of 60,000 rupiah is imposed on all the species of IPK logs (wood utilization permit logs) then non tax on HTI logs (industrial plantation logs). Generally IPK is timber harvest for purpose of changing property to oil palm or mining and HTI is logs from clear cut with the purpose of replantation.

In any case, prices of MLH logs with less than 30 cm in diameter, which had been traded with \$70-80 per cbm, would go up to \$110-140 so they would be as high as MLH logs in Sarawak, Malaysia (\$120-130).

Now the tax is collected by each provincial government and each province has different tax system and the provincial governments are busy coordinating with the local industry so it is not actually in effect yet.

Announcement of the change came all of a sudden so there are various conjectures as to why this came up now but tendency in Indonesia is that the government has been trying to increase tax for every sector of industry.

One view is there are increasing number of changing of plantation to oil palm plantation without any permit so that palm oil market prices are declining by oversupply and the government is trying to control and manage such transfer business.

**Log demand statistics for 2013**

The Ministry of Agriculture, Forestry and Fisheries disclosed the statistics of log demand in 2013. Total log demand was 26,029,000 cbms, 5.6% more than 2012.

With active housing starts, log demand for lumber and plywood increased by 6.3% and 9.0% respectively.

Demand for domestic logs increased by 6.3% while that for imports increased by 3.3% so share of domestic logs increased to 75.9% (74.9% in 2012). Log demand had increased for four consecutive years. Compared to the recent low of 2009, 2013 was 14.1% more, out of which domestic log demand increased by 18.2%.

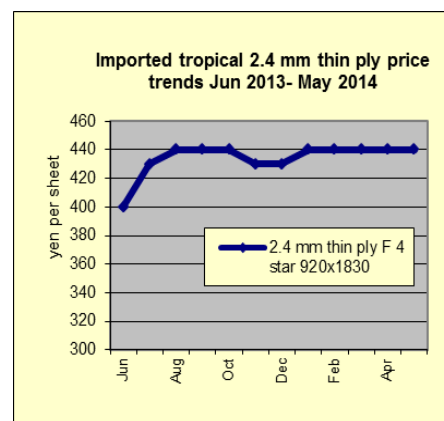
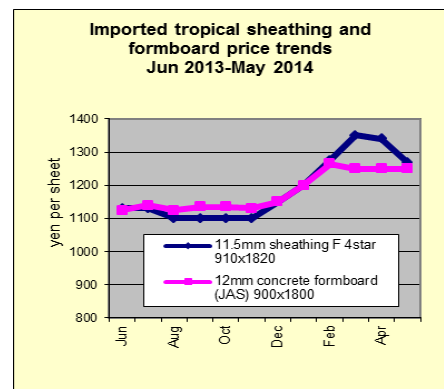
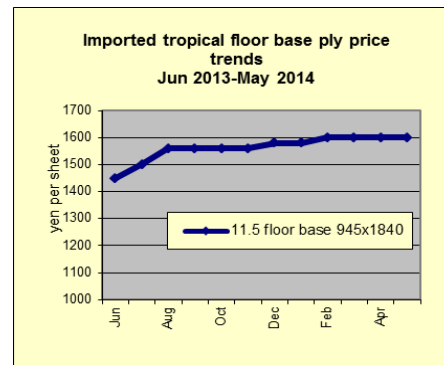
Logs for lumber were 17,271 M cbms, out of which domestic logs were 12,058,000 cbms, 6.5% more than 2012 and imported logs were 5,213,000cbms, 5.8% more.

Share of domestic logs was 69.8%, almost the same as 2012. In imports, South Sea and New Zealand logs decreased by 7.8% and 17.2% but North American and Russian logs increased by 11.8% and 4.0%. Logs for plywood were 4,181,000 cbms.

In this, domestic logs were 3,016,000 cbms, 15.9% more and this was the first time that the volume exceeded three million cubic metres.

Imported logs for plywood dropped down to 1,16,000 cbms, 5.7% less than 2012 so that the share of domestic logs was 72.1% from 67.1% in 2012. North American logs for plywood increased by 1.9% but South Sea (tropical) logs decreased by 18.7%.

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



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

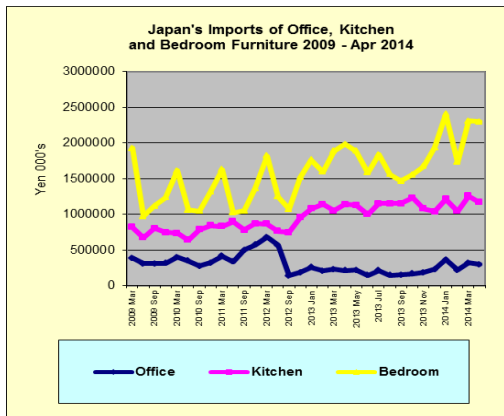
Japan's office, kitchen and bedroom furniture imports from 2009 to the end of April 2014 are shown below.

Japanese imports of furniture exhibited a cyclical trend between 2009 and 2012. However, from 2012 bedroom furniture imports began to increase while imports of office and kitchen furniture have remained within a narrow range.

April imports of office, kitchen and bedroom furniture fell as stocks were readjusted to account for the anticipated fall in demand in the wake of the consumption tax increase on 1 April.

Consumer purchases of furniture are expected to be slow in the coming months as consumers adapt household

spending to absorb the impact of the higher consumption tax.



Source: Ministry of Finance, Japan

### Office furniture imports (HS 9403.30)

April imports of office furniture into Japan fell 6.5% compared to March. In April, while China was the major supplier, it saw sales to Japan fall by around 29%.

#### April 2014 office furniture imports

	Imports Apr 2014 Unit 1,000 Yen
S. Korea	685
China	98125
Taiwan P.o.C	3683
HG KONG	5460
Vietnam	6313
Thailand	5896
Malaysia	4688
Indonesia	14131
Sweden	2224
Denmark	5155
UK	26999
Netherlands	-
Belgium	1028
France	-
Germany	9115
Switzerland	209
Portugal	32809
Italy	14305
Poland	42672
Lithuania	4006
Slovakia	6860
Canada	1115
USA	11733
Mexico	-
Australia	-
<b>Total</b>	<b>297211</b>

Source: Ministry of Finance, Japan

On the other hand, Portugal and the UK saw exports of office furniture to Japan rise. Japan's imports of office furniture from Portugal accounted for 11% of all imports of office furniture; double that in March, while imports from the UK rose from zero in March to account for 9% of April imports.

The top three SE Asian suppliers in April were Indonesia, Vietnam and Thailand (approx. 9% of April office furniture imports).

### Kitchen furniture imports (HS 9403.40)

The top three suppliers of kitchen furniture to Japan in April remained Vietnam, 39.5%, China, 20.1% and Indonesia 17.8%. Overall, Japan's imports of kitchen furniture fell almost 7% from levels in March. The top three suppliers accounted for over 75% of April imports of kitchen furniture.

EU furniture exporters do not have a significant share of the Japanese kitchen furniture market and in April only Germany and Italy featured as important suppliers but together they only accounted for around 2% of all April kitchen furniture imports by Japan.

#### April 2014 kitchen furniture imports

	Imports Apr 2014 Unit 1,000 Yen
S. Korea	-
China	235378
Taiwan P.o.C	670
Vietnam	461992
Thailand	4485
Malaysia	27330
Philippines	188563
Indonesia	207503
Denmark	1653
UK	-
France	517
Germany	15918
Portugal	420
Italy	7730
Austria	273
Romania	3232
Lithuania	827
Canada	670
USA	11868
<b>Total</b>	<b>1169029</b>

Source: Ministry of Finance, Japan

### Bedroom furniture imports (HS 9403.50)

After the steep rise in bedroom furniture imports in March a correction in April would have come as no surprise however, April imports were largely unchanged and so



avoided the downswing seen with office and kitchen furniture imports.

The top supplier of bedroom furniture to Japan is China which accounted for more than half of all bedroom furniture imports in April. Surprisingly, China's April bedroom furniture exports to Japan rose by around yen 63 million.

The second ranked supplier in April was Vietnam (27%) followed by Malaysia, a distant 5.6%. Other suppliers in Asia, the EU and the Americas struggle to secure a market share with China and Vietnam holding over 80% of the market for imported bedroom furniture.

#### April 2014 Bedroom furniture imports

	Imports Apr 2014 Unit 1,000 Yen
S. Korea	-
China	1256791
Taiwan P.o.C	28028
Vietnam	622679
Thailand	102881
Singapore	-
Malaysia	126121
Philippines	1362
Indonesia	46935
Kazakhstan	-
Sweden	3959
Denmark	6737
UK	-
France	-
Germany	3404
Spain	-
Italy	15490
Poland	37761
Austria	4481
Romania	6479
Turkey	-
Latvia	207
Lithuania	4488
Bosnia and Herzegovina	1929
Slovakia	11349
USA	18551
Brazil	1478
Total	2301110

Source: Ministry of Finance, Japan

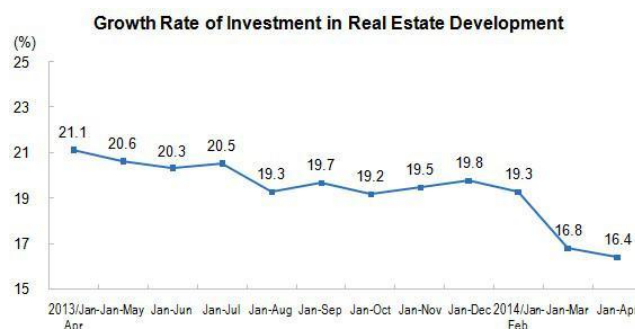
## Report from China

### Falling investment in real estate

Total investment in real estate development in the first four months of 2014 increased 16.4 percent year-on-year but the pace of investment has been falling since the beginning of the year.

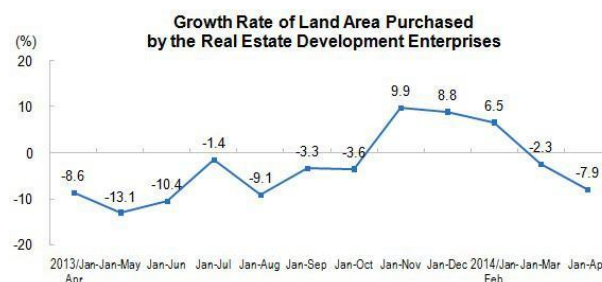
Of total investment, that in residential buildings was up by 16.6 percent year on year and accounted for 68.5 percent of all real estate investment.

In the first four months of this year real estate investment in the eastern region stood at yuan 1,323.0 billion, up by 17.7 percent year-on-year; growth in the central region stood at yuan 426.8 billion, up by 12.2 percent while in the western region investment totalled yuan 482.3 billion, up by 16.6 percent.



Source: National Bureau of Statistics, China

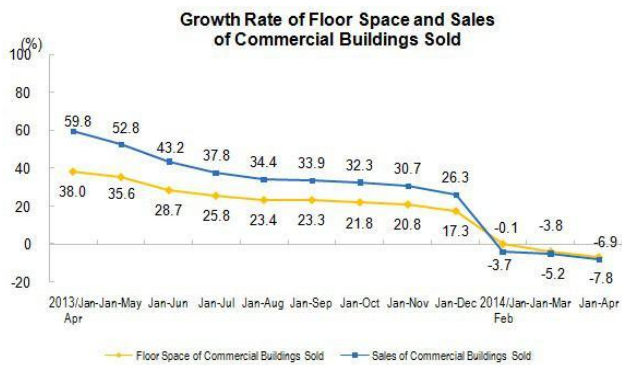
Between January and April this year the land area purchased by real estate development enterprises totalled 81.30 million square metres, a year-on-year decline of 7.9 percent.



Source: National Bureau of Statistics, China

### Slower sales of commercial buildings

In the first four months of this year sales of commercial buildings, in terms of floor space, fell almost 7 percent a year-on-year and sales of commercial buildings (yuan 1,830.7 billion) fell 7.8 percent.



Source: National Bureau of Statistics, China

For more see:

[http://www.stats.gov.cn/english/PressRelease/201405/t20140513\\_552613.html](http://www.stats.gov.cn/english/PressRelease/201405/t20140513_552613.html)

### April prices for residential buildings in medium and large cities

The National Bureau of Statistics in China has issued a press release on the prices of newly built residential buildings (excluding affordable housing).

See:

[http://www.stats.gov.cn/english/PressRelease/201405/t20140519\\_555182.html](http://www.stats.gov.cn/english/PressRelease/201405/t20140519_555182.html)

Amongst some 70 cities surveyed prices of newly constructed residential buildings fell in 8 cities, prices were unchanged in 18 cities and increased in the other cities. The highest month-on-month increase was 0.4 percent while the lowest was minus 0.7 percent.

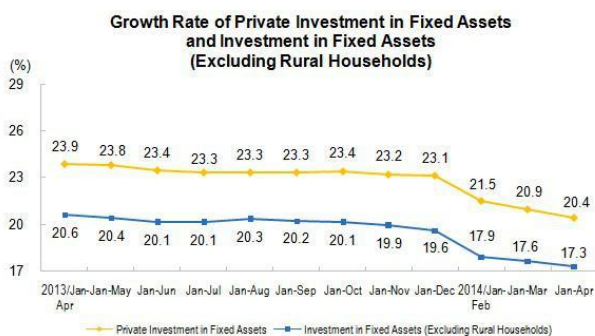
Prices for second-hand residential buildings declined in 22 cities, were unchanged in 13 cities and increased in 35 cities surveyed.

The press release also provides Price Indices of Newly Constructed Residential Buildings for the 70 cities included in the survey.

Compared with the same month last year prices of second-hand residential buildings fell in 2 cities, remained at the same level in one city and increased in 67 cities.

### Private investment in fixed assets

In the first four months of this year private investment in fixed assets grew 20.4 percent year-on-year but has been falling since the beginning of the year.



Source: National Bureau of Statistics, China

In term of sectors, investment in fixed assets in the primary industries fell 24.5 percent year-on-year. Fixed asset investment in secondary industries was down 18.6 percent year-on-year and that in the tertiary industries fell 22.0 percent.

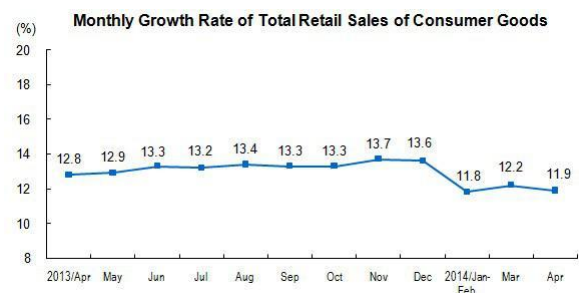
For more see:

[http://www.stats.gov.cn/english/PressRelease/201405/t20140513\\_552608.html](http://www.stats.gov.cn/english/PressRelease/201405/t20140513_552608.html)

### April consumer goods retail sales improve

In April retail sales of consumer goods grew 11.9 percent year-on-year.

From January to April retail sales of consumer goods was up by 12.0 percent year-on-year, largely unchanged from a month earlier. There was a stronger growth of retail sales in the rural areas but sales in the rural areas account for only about 15 percent of all retail sales.



Source: National Bureau of Statistics, China

For more see:

[http://www.stats.gov.cn/english/PressRelease/201405/t20140513\\_552615.html](http://www.stats.gov.cn/english/PressRelease/201405/t20140513_552615.html)

### Analysis of China's imported softwood timber

China's domestic timber production rose 2% to 83.67 million cubic metres in 2013. Timber imports (logs and sawnwood) rose 18% to 79.16 million cubic metres log equivalent and the value of China's timber imports grew 26% to US\$16.1 billion in 2013.

In terms of volume the proportion of domestic to imported timber in 2013 was 51:49 which is roughly similar to that in 2012.

Domestic timber is mainly used for fibreboard, mine timber and private purposes in rural areas while imported timber is mainly used for construction, home interior decoration and improvements and furniture production.

Softwoods dominate China's timber imports and have increased rapidly in recent years. China's softwood timber imports were 57.18 million cubic metres in 2013 and have been growing at almost 20% per year since 2008.

### Softwood log imports

Softwood log imports in 2013 amounted to 33.16 million cubic metres valued at US\$5.114 billion, up 24% in volume and 37% in value over 2012.

China's imports of softwood logs are mainly from Russia, New Zealand, the US, Canada, Australia, Ukraine and European countries.

The combined imports from these countries accounted for over 90% of all softwood log imports in 2013.

**Sources of imported softwood logs (mil. cu.m)**

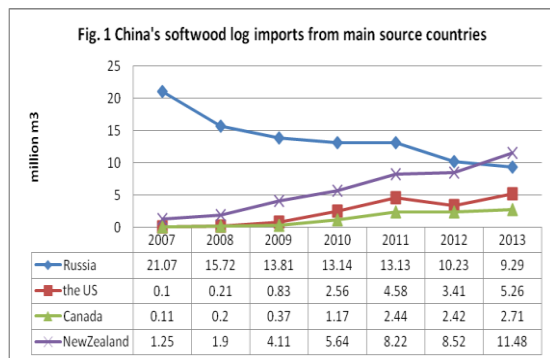
	2013	% Change on 2012	Proportion %	
			2013	2012
New Zealand	11.48	35%	35%	32%
Russia	9.29	-9%	28%	38%
USA	5.26	54%	16%	13%
Canada	2.71	12%	8%	9%
Australia	1.57	43%	5%	4%
Ukraine	1.36	223%	4%	1.60%
EU	1.19	165%	3.60%	1.70%
Other	0.3	165%	0.90%	0.40%
Total	33.16	24%	100%	100%

Source: China Customs

China's softwood log imports in 2013 from the listed countries increased except for Russia where imports fell 9% to 9.29 million cubic metres year- on-year.

China's softwood log imports from New Zealand, the largest supplier in 2013, increased by nearly 3 million cubic metres to 11.48 million cubic metres. In 2013, for the first time, imports from New Zealand exceeded those from Russia.

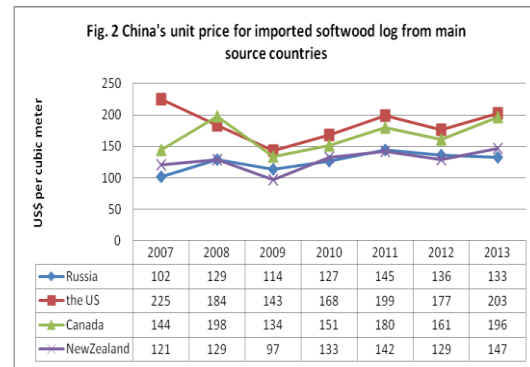
It will be seen from the figure below that there has been a steady rise in softwood log imports from the USA and Canada.



Source: China Customs

In terms of unit log price from the main source countries, in 2013 prices for US logs fell to an average US\$203 per cubic metre.

However, imports from Canada, Russia and New Zealand were all more expensive at US\$196, US\$133 and US \$147 per cubic metre respectively.



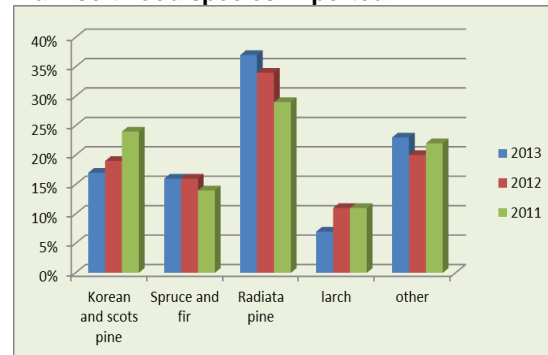
Source: China Customs

The main species of imported softwood logs were scots pine, spruce and fir, radiata pine and larch and imports of these species account for 77% of the total softwood log imports.

Before 2007, scots pine was the main species imported but between 2007 to 2013 imports of radiata pine rose sharply and now account for about 37% of all softwood log imports.

The figure below illustrates the changes in species imported over time.

**Main softwood species imported**



Source: China Customs

**Sawn softwood imports**

China's sawnwood imports were 23.95 million cubic metres in 2013. Of this total, sawn softwood imports accounted for about made up 70%.

Canada and Russia were the main suppliers of imported sawn softwood in 2013 at 6.79 million cubic metres and 6.43 million cubic metres respectively.

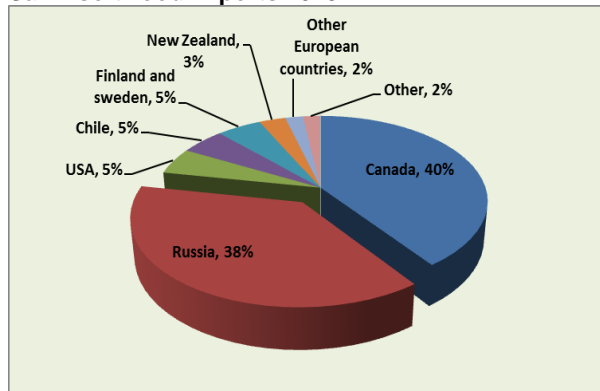
The faster growth in sawn softwood imports was recorded for Finland and Sweden (up 186% in 2013).

**Main sources of sawn softwood imports (mil. cu.m)**

Softwood sawnwood	2013 mil. cu.m	2012 mil. cu.m	% Change 2013 on 2012
Canada	6.79	6.39	6%
Russia	6.43	5.52	16%
The U.S	0.87	0.72	22%
Chile	0.82	0.48	70%
Finland and Sweden	0.77	0.27	186%
New Zealand	0.49	0.48	2%
Other European countries	0.37	0.11	229%
Other	0.36	0.24	52%
Total	16.91	14.22	19%

Source: China Customs

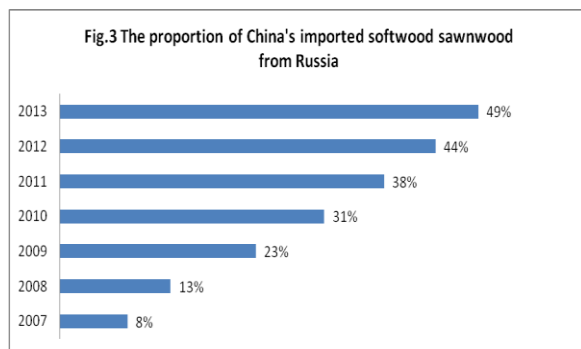
**Sawn softwood imports 2013**



Source: China Customs

The proportion of China's imported sawn softwood from Russia has been increasing since 2007. China's sawn softwood imports from Russia in 2013 rose 16% over 2012.

Analysts forecast that China's sawn softwood imports from Russia will exceed those from Canada this year and it may be that Russia will become the largest supplier of China's sawn softwood imports.



Source: China Customs

China's sawn spruce and fir imports have increased rapidly in recent years. In 2013 some 92% of China's spruce and fir imports were from Canada and amounted to 6.8 million cubic metres.

Imports of sawn spruce and fir from European countries have been increasing and last year totaled 1.91 million cubic metres.

The pattern of China's sawn softwood market has changed. In 2013, 80% of China's sawn softwood was imported by traders in Inner Mongolia, Jiangsu, Shanghai, Guangdong, Tianjin, Shandong and Heilongjiang provinces.

Some 76% of China's scots pine sawnwood was imported through Inner Mongolia while 56% of the spruce and fir imports came through ports in Jiangsu, Shanghai and Tianjin.

**Report from Europe \***

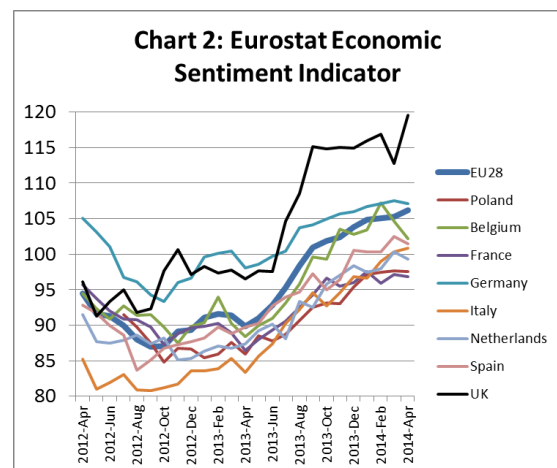
**German and UK recovery boost European GDP**

The European economy has climbed out of recession and, after six years of trauma, appears to be on the mend. The countries that required European Union-backed rescues are beginning to exit these.

However the latest GDP figures (released on May 15 by Eurostat) indicate that the recovery is very slow and tentative (Chart 1).

GDP in the 18-nation euro-zone expanded by just 0.2% in the first quarter of 2014, half the figure economists were projecting. Total EU growth in the first quarter was only a little higher at 0.25%, despite a strong performance by the UK outside the euro-zone where the economy expanded by 0.75%.

Source: FII Ltd analysis of eurostat

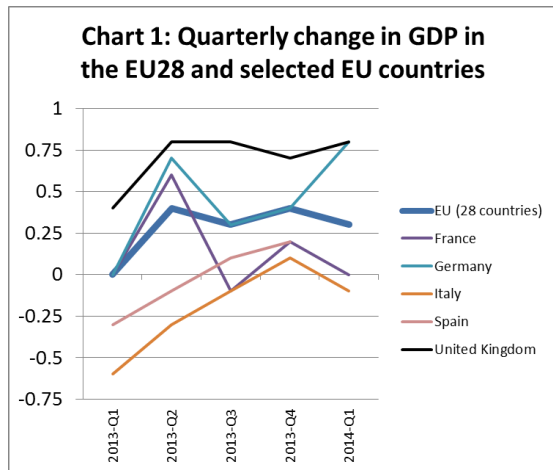


Source: FII Ltd analysis of eurostat

Germany, as usual, was the leader amongst European countries, posting a gain of 0.8%. After a very long period of economic contraction, Spain's economy is now growing modestly, expanding 0.4% in the first quarter of 2014.

More positively, economic sentiment in Europe has continued to rise sharply in recent months (Chart 2). The rise is apparent across the EU but is particularly dramatic in the UK and Germany.

Improvement in this indicator implies that both consumer and investor confidence will continue to rise during the European summer.



However, economic conditions in other countries of Southern Europe remain fragile. Italy's economy shrank by 0.1% in the first three months of 2014, matching the average of the three previous quarters.

France's recovery has faltered. France recorded zero growth in the first quarter of 2014, a big downturn compared to expansion of 0.6% in Q2 2013.

Portugal shrank 0.7% in the first quarter of 2014, following positive numbers in the preceding nine months. While figures weren't available for Greece in Q1, the signs there are not good. Greek GDP dropped 2.5% in the final three months of last year.

Economic growth in the EU is likely to remain very slow this year. The latest forecast from the International Monetary Fund estimates euro-zone GDP will expand a mere 1.2% in 2014, compared with 2.8% for the U.S.

With prices barely rising, there is mounting concern that the euro-zone could plunge into debilitating deflation. This would make the debt burden of Europe's weakest economies even heavier.

Europe has also made little progress in solving its' significant unemployment problem. The latest euro-zone jobless rate is 11.8%, only marginally better than 12% a year ago.

Only limited progress has been made to liberalise over-regulated labour markets which dampen job prospects throughout much of Europe.

There is also conflict between European politicians' need to encourage further economic integration to resolve the problems of the euro-zone and the increasing

disenchantment of many EU citizens with centralised control from Brussels.

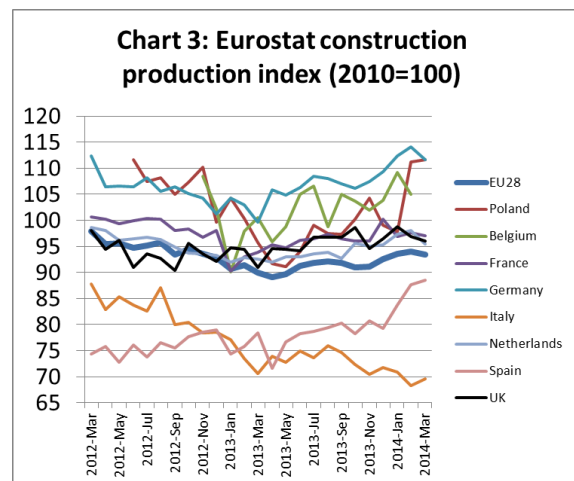
**EU construction – uninspiring forecasts for 2014**

Europe's construction sector is by far the most important driver of timber demand in the region. Recovery in this sector has been even weaker than in the overall economy.

There has been only a slow and faltering increase in the Eurostat construction production index since it hit an all-time low in March 2013 (Chart 3).

Construction production in Germany, Poland, and Belgium has strengthened significantly in 2014. Construction production has also improved significantly in Spain this year, although from a very low level.

Smaller gains have been made in the UK and the Netherlands. However construction production has been flat in France and continues to fall in Italy.



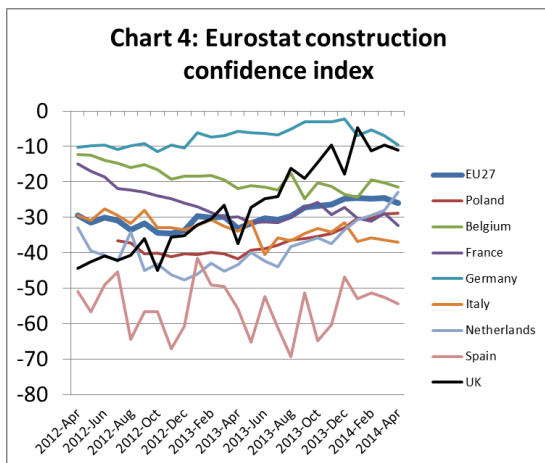
Source: FII Ltd analysis of eurostat

**Modest improvement in construction expected from 2015**

Various indicators of future construction activity suggest that the overall EU market will remain static at a low level in 2014. There is potential for a slow but sustained recovery to start next year, led by the UK and Germany and spreading into Belgium, Netherlands and Poland.

There was gradual improvement in Eurostat's EU-wide construction confidence index (CCI) between March 2013 and March 2014 (Chart 4). However the CCI declined slightly in April 2014 and remains firmly in negative territory.

This means that a balance of those surveyed still believe order books and employment in construction will continue to decline in the following 3 months.



Source: FII Ltd analysis of eurostat

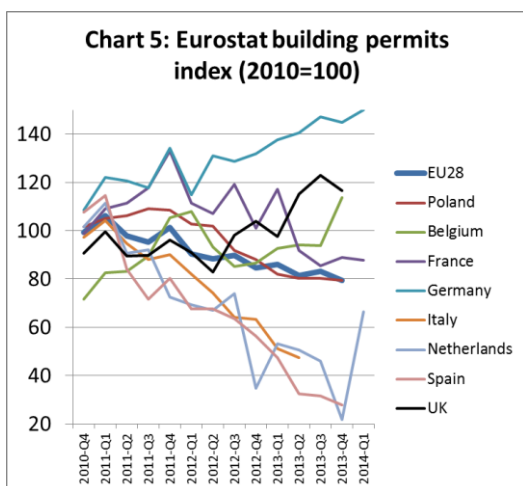
The German CCI remains high relative to other EU countries but weakened a little in the opening months of 2014. The UK CCI, which increased sharply over the winter months, has now flattened out at a higher level. The Belgium CCI has also remained static in recent months but is at least higher than in most other EU countries.

Confidence in the Netherlands construction sector has improved significantly over the last 12 months after hitting a very deep low at the start of 2013. Construction confidence in France, Italy and Spain remains at a low level.

The latest EU-wide building permits data, for the last quarter of 2013, is not encouraging from the perspective of future construction activity (Chart 5). The numbers of building permits issued across the continent continued to decline throughout last year.

While there was a rise in permits issued in Germany, the UK and Belgium, this was offset by declining permits in Italy, Spain, France, the Netherlands and Poland.

First quarter 2014 data for building permits from those few countries that have reported so far is more encouraging. Building permits issued in Germany have continued to rise this year, while there has also been a sharp rebound in building permits issued in the Netherlands.

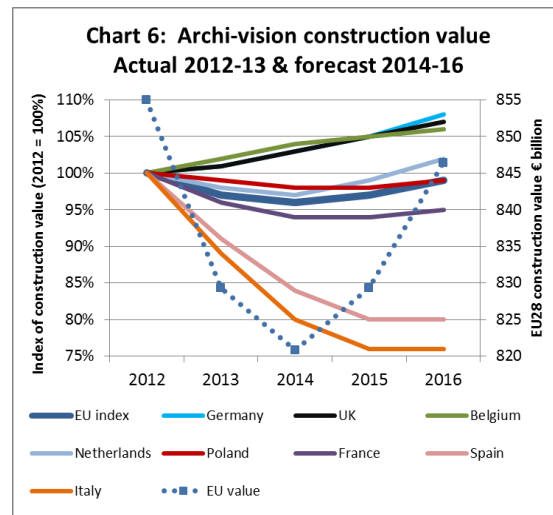


Source: FII Ltd analysis of eurostat

#### Value of EU construction forecast to fall in 2014

The independent research organisation “Archi-vision” estimates that total European construction value will fall from €830 billion in 2013 to €820 billion this year (Chart 6).

However, construction value is expected to rebound to €830 billion in 2015 and €845 billion in 2016. These forecasts draw on Archi-vision’s quarterly survey of 1600 architects across the EU combined with analysis of other European construction industry data.



Source: FII Ltd analysis of eurostat

Archi-vision forecast that construction value will rise at around 2% per year in the UK, Germany, Netherlands and Belgium between 2014 and 2016. Construction value is expected to remain static in France and Poland during this period.

Construction value is expected to continue to fall in Italy and Spain during 2014 and 2015 before stabilising at a low level in 2016.

#### Improvement in EU joinery production in first quarter of 2014

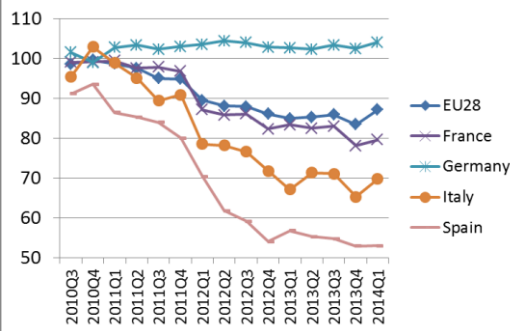
Overall joinery activity in the EU was static at a low level in the first nine months of 2013 and then fell sharply in the last quarter. However, activity picked up a little in the first quarter of 2014 (Chart 7).

In line with forecasts for the European economy and construction industry as a whole, joinery activity across the region is expected to recover only slowly during 2014.

Of all European countries, only Germany has maintained comparatively high levels of joinery activity over the last two years.

Recovery in the EU joinery sector is expected to be led by continued good levels of activity in Germany and a relatively strong rise in the UK.

**Chart 7: Eurostat index of wood joinery production in EU Countries (2010 = 100)**



Source: FII Ltd analysis of eurostat

**UK construction recovery now stronger and broader**

The UK Construction Products Association (CPA)'s latest forecasts highlight that the recovery in UK construction is becoming stronger and broader.

Rapid increases in private house building, together with growth in the infrastructure and commercial sectors, will drive activity. CPA forecast 4.5% growth in 2014 and a further rise of 4.8% in 2015.

According to CPA, UK private housing starts are set to rise 18.0% in 2014 and 10.0% in 2015, before falling to 5.0% in 2016 and 2017.

The current rise is assisted by a 'Help to Buy' scheme, which is subsidising mortgage provision, in addition to a strengthening UK economy.

Growth in private housing should lead also to increases in public housing. UK planning consent now usually requires provision of some public housing as part of large-scale private developments. CPA forecasts that public housing starts will rise 8.0% in 2014 and 5.0% in 2015.

The UK's private housing repair, maintenance and improvement sub-sector is forecast to rise 3.5% in 2014 and a further 4.0% in 2015. The CPA note that such growth is well below potential given considerable demand for energy efficiency measures in the UK's existing housing stock.

Poor implementation and lack of decent incentives has led to only poor uptake of the UK government's "Green Deal" and ECO schemes designed to increase work in this area.

Commercial offices construction remains one of the largest single components of UK construction and is expected to increase 7.0% in 2014 and 10.0% in 2015, although most growth will be concentrated in London.

Rising consumer confidence and pent-up demand for refurbishment mean that activity in the UK retail sub-sector should increase 4.0% in 2014 and 8.0% in 2015.

Public sector construction is forecast to marginally rise 0.7% in 2014 and 2.3% in 2015 as schools and hospitals

projects finally get underway after long delays during the period of austerity.

**Downturn in EU imports of joinery products**

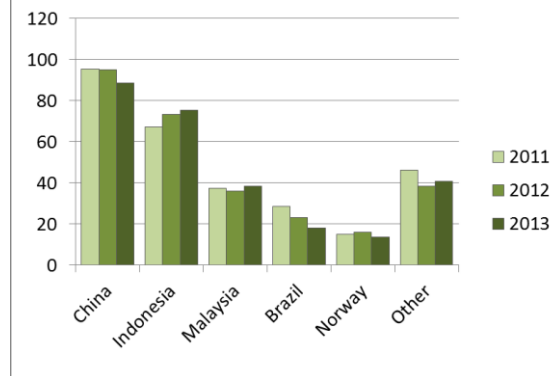
With the exception of flooring products, imports contribute only a small proportion of total EU consumption of joinery products. In terms of value, only around 4.5% of doors and glulam, and around 0.5% of wood windows installed in the EU are imported from outside the region.

This is indicative of the very strong commercial benefits from proximity to the consumer in the joinery sector and the essential need for detailed knowledge of national construction markets.

The EU imported wooden doors with total value of €275 million in 2013, 2.8% less than the previous year (Chart 8). The value of wooden door imports from China, the largest non-EU supplier, fell 6.8% to €88.5 million in 2013.

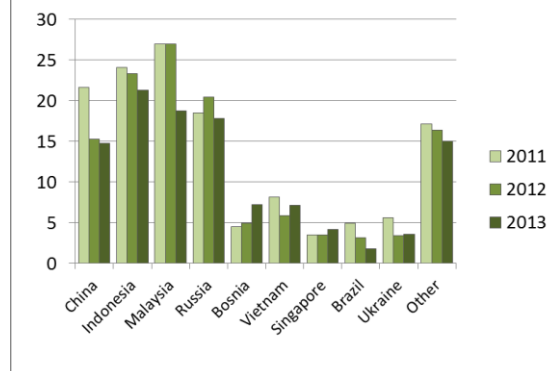
However imports increased from Indonesia and Malaysia - the second and third largest non-EU suppliers. Imports from Indonesia rose 2.6% to €75.4 million in 2013. Imports from Malaysia were up 6.3% at €38 million.

**Chart 8: EU28 import of wood doors Years 2011-2013 (million €)**



Source: FII Ltd analysis of eurostat

**Chart 9: EU28 import of glulam Years 2011-2013 (1000 m3)**



Source: FII Ltd analysis of eurostat

The EU imported 111,700 m3 of glulam in 2013, 9.5% less than the same period in 2012 (Chart 9). During 2013

there was a significant fall in imports from Malaysia, Indonesia and Russia, the three largest external suppliers of glulam to the EU.

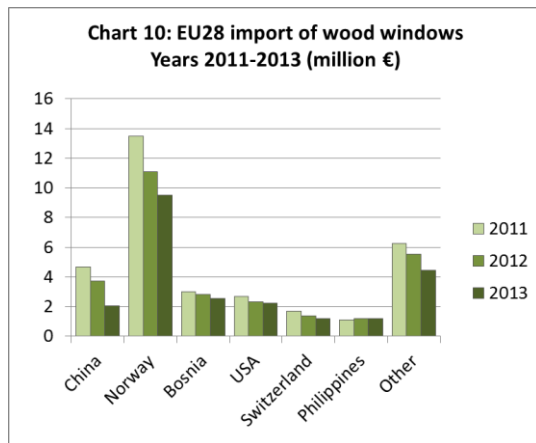
Imports from China, the fourth largest external supplier were at a similar level to the previous year. Imports of glulam from Vietnam increased slightly. The European glulam market is currently suffering from saturation, with too much production chasing limited demand.

EU imports of wood windows were €23.1 million in 2013, 17.6% less than the previous year (Chart 10). Most of these imports derive from other European countries, notably Norway, Bosnia and Switzerland.

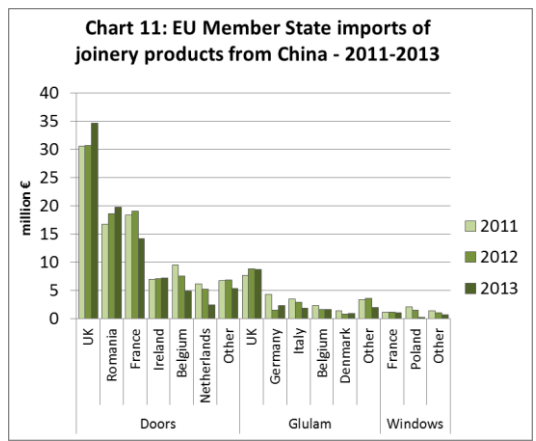
Imports from China, the largest supplier outside Europe, were only €2.1 million in 2013, 45% less than the previous year. Chart 11 provides more detail of recent trends in EU markets for joinery products imported from China.

Imports of wooden doors from China increased into the UK, Ireland and Romania during 2013, but declined into France, Belgium and the Netherlands. German and Danish imports of Chinese glulam increased during 2013, but this was insufficient to offset declining imports into UK, Italy, and Belgium.

EU imports of wooden windows from China have been mainly destined for France and Poland, both markets which weakened significantly in 2013.



Source: FII Ltd analysis of eurostat



Source: FII Ltd analysis of eurostat

**European flooring industry reports continuing challenges**

Discussions at the spring meeting of the European wood flooring manufacturers association FEP indicate that the industry continues to face major challenges. There are some signs of improving demand in a few countries and of a more stable situation in others.

However the market remains very difficult in Southern Europe. Lack of consumer confidence, the weak European construction sector as well as an ever increasing competition are daily challenges for the European wood flooring industry.

FEP country representatives reported as follows:

- **Austria:** a small increase of around 1% is forecast in consumption in the first quarter of 2014 compared to Q1 2013. There is increasing competition for wood flooring from Luxury Vinyl Tiles (LVT).
- **Belgium:** the wood flooring market has stabilised. Although total construction output fell 1.3% in 2013, there was improvement in non-residential construction, both new build (+2.2%) and renovation (+1%).
- **Denmark:** parquet sales were static at a low level in the first quarter of 2014, but the market is expected to grow by a few percentage points during the whole of the year.
- **Finland:** parquet consumption is expected to remain stable during 2014 with total sales of around 1 million m2.
- **France:** the year 2014 started badly with parquet sales down an estimated 8% to 10% in the first quarter of 2014 compared to the same period in 2013. Consumer confidence is still lacking. Traditional retailers no longer regard wood flooring as a priority product. Competition with other flooring types is becoming even more intense.
- **Germany:** Despite the good economic situation in Germany, the parquet market remains static with zero growth expected this year and intense competition from other products. As in the past, wider boards are becoming increasingly popular. DIY stores are moving towards new products such as LVT.
- **Italy:** parquet consumption is estimated to have decreased by 10% in the first quarter of 2014 compared to the same period in 2013. Conditions are very uncertain with a lot of new competitors on the market.
- **Netherlands:** After a very poor year in 2012, the market stabilised in 2013. First quarter sales in 2014 were the same as in the first quarter of 2013.



- **Norway:** sales increased by around 2% in the first quarter of 2014 compared to the same period in 2013. Imports of building materials into Norway increased by 18% in the first 3 months of 2014, an indication of an active market.
- **Spain:** parquet sales in the first quarter of 2014 were down 5% compared to the same period of last year. However, there is a slow rise in optimism as some macroeconomic indicators are recovering.
- **Sweden:** parquet consumption was up around 2% in the first quarter of 2014 compared to the same period in 2013. The housing sector is starting to recover.
- **Switzerland:** a very mild winter meant that parquet sales in the first quarter of 2014 were 5% higher than the same period in 2013. Wood flooring remains popular and the market mood is good.

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

### Report from North America \*

#### Higher sapelli imports from Cameroon

Total US sawn hardwood imports declined to 56,998 cu.m. in November 2013, but tropical sawnwood imports are only slightly lower than in October. Tropical sawn hardwood imports were 20,206 cu.m., accounting for 35% of total hardwood imports.

The largest increase was in imports from Peru which tripled from October to 1,108 cu.m., mainly due to higher imports of virola sawnwood (780 cu.m.).

Imports of sapelli from Cameroon increased to 3,525 cu.m. in November, while total imports from Cameroon were 4,785 cu.m. (+52%).

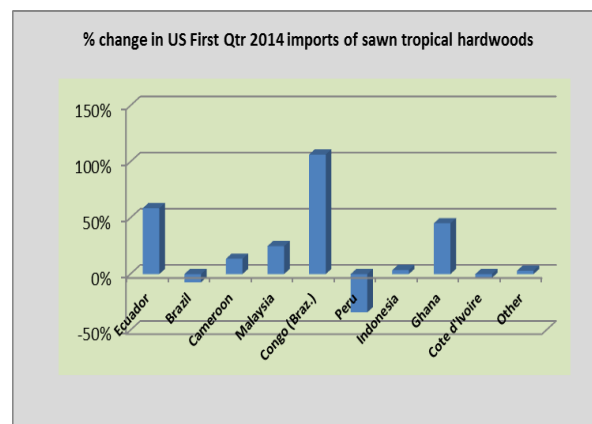
#### US imports of sawn tropical hardwood (cu.m)

	Jan-14	Feb-14	Mar-14
<b>Total</b>	17,299	17,030	19,368
<b>From</b>			
Ecuador	3,715	2,874	5,483
Brazil	3,170	2,421	3,497
Cameroon	1,960	2,493	1,061
Malaysia	1,476	2,425	1,839
Congo (Braz.)	1,287	1,835	572
Peru	420	174	1,488
Indonesia	720	292	1,116
Ghana	729	1,166	932
Cote d'Ivoire	459	899	979
Other	3,363	2,451	2,401

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

Brazilian shipments to the US declined by one third from October to 1,895 cu.m. Ipe imports were down (1,209 cu.m.) in November, and shipments of jatoba, cedro and other species were also lower than in October.

Keruing imports from Malaysia fell to 856 cu.m. in November, contributing to a 31% decline in overall sawnwood imports from Malaysia.



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

#### US imports of sawn tropical hardwood by species

	Jan-14	Feb-14	Mar-14
Balsa	3,715	2,874	5,483
Sapelli	2,507	4,720	1,458
Acajou	1,360	2,452	1,458
Keruing	1,161	1,987	1,745
Ipe	2,535	2,066	2,517
Mahogany	2,059	322	995
Virola	307	164	1,624
Meranti	601	461	645
Cedro	600	528	847
Jatoba	85	148	226
Teak	701	303	277
Iroko	47	30	0
Padauk	16	33	49
Aningre	106	0	0
Other tropical	1,499	942	2,044

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

#### Canada imports more from Cameroon, Brazil

Canadian imports of tropical sawn hardwood declined by 12% in November to US\$2.0 million, but year-to-date imports remain well above 2012 levels.

Imports from Brazil (US\$ 437,450) and Cameroon (US\$305,763) increased in November, while most other suppliers shipped less.

Sapelli sawnwood imports were worth US\$379,183 in November. Imports of mahogany were US\$95,836 and of

virola, imbuia and balsa combined US\$257,683, more than double than 2012 on a year-to-date basis.

### **Wood component market**

Wood components are primarily used in cabinetry (28%), building products (26%) and furniture (23%), according to the Wood Component Manufacturers Association's 2013 market study. See: Wood Products Almanac, December 2013

Building products are a growing market for wood component manufacturers. The market includes moulding and trim, which Freedonia estimates to grow by 11% per year to 2016.

Specialty products account for 12% of the market, which includes musical instruments and sporting goods. 10% of components are used in pallets, reels, vehicle parts and other industrial products. US component manufacturers mainly use red oak (25%), followed by maple, cherry and poplar.

### **Increased funding requested to enforce Lacey Act**

Two members of the US House of Representatives requested an increased in funding in 2015 to enforce wood import requirements under the Lacey Act.

The letter to the Office of Management and Budget claims that the illegal timber trade costs American producers of furniture, flooring and other wood products about US\$1 billion every year.

The bipartisan letter also warns that two bills would weaken the Lacey Act and make it easier to import illegal timber.

One bill proposes to limit the application of the Lacey Act to certain imported timber and wood products. The second bill, the Lacey Act Paperwork Reduction Act, proposes to simplify the declarations required under the Lacey Act.

### **US hardwood plywood producer group intends to appeal**

The Coalition for Fair Trade of Hardwood Plywood has filed a summons with the US Court of International Trade on January 17 to appeal the decision against anti-dumping and countervailing duties on plywood from China.

The US International Trade Commission ruled last November that decorative plywood imported from China does not injure the US industry. Industry associations and importers had argued that most plywood from China is lower grade than US produced plywood and it is used in different applications.

Duties on Chinese plywood were also expected to create market uncertainty, price increases and job losses in US manufacturing.

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

**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.*

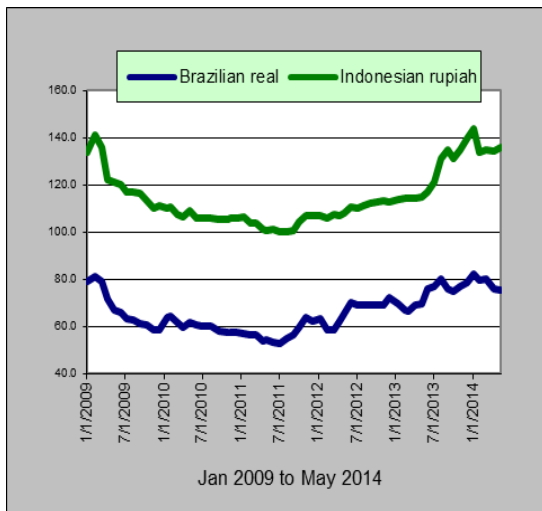
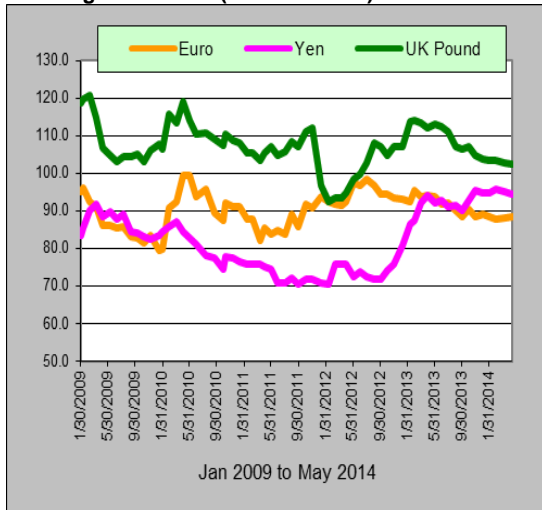
**The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO**

## Main US Dollar Exchange Rates

As of 26th May 2014

Brazil	Real	2.2240
CFA countries	CFA Franc	481.90
China	Yuan	6.2395
EU	Euro	0.7328
India	Rupee	58.66
Indonesia	Rupiah	11564
Japan	Yen	101.90
Malaysia	Ringgit	3.2097
Peru	New Sol	2.7895
UK	Pound	0.5938
South Korea	Won	1024.1

Exchange rate index (Dec 2003=100)

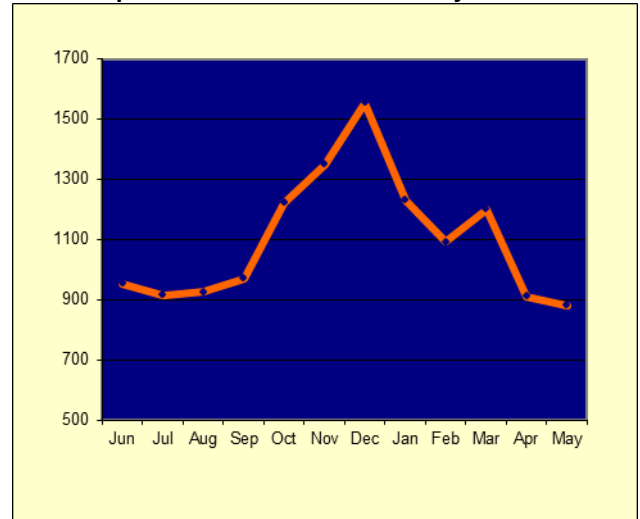


## Abbreviations and Equivalences

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 June 2013 – May 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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