

Tropical Timber Market Report

Volume 18 Number 18, 16th – 30th September 2014



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

Contents

Central/West Africa	2
Ghana	2
Malaysia	4
Indonesia	4
Myanmar	5
India	6
Brazil	9
Peru	10
Guyana	12
Japan	12
China	16
Europe	19
North America	25
Currencies and Abbreviations	27
Ocean Freight Index	27

Top Story

High stocks of imported timber drive down timber prices in China

Zhu Guangqian, a consultant for the China National Forest Product Industry Association, has said that current stocks of imported timber exceed domestic demand and this is driving down wholesale prices in the domestic market

Analysts estimate current stocks are around 5 million cubic metres, up 52% from levels at the beginning of this year. Most of the stock is of imported timber purchased in the first quarter of this year when prices were firm.

See page 16

Headlines

	<i>Page</i>
Ghana's timber exports up 9%	2
Malaysia's certification scheme endorsed for further 5 years	4
Brazilian furniture exporters seek to expand US market share	9
Personal consumption key to growth in Japan	12
China's bamboo industry output to top US\$48 billion by 2020	17
All-out effort to prop up China's housing market	17
Rapid improvement in UK construction	21
Energy efficiency helps drive EU joinery demand	23
Promoting US-made building materials in public buildings	26

Report from Central/West Africa

Finely balance supply and demand

Over the past two weeks no price changes have been reported for either logs or sawnwood. Analysts say it is unlikely there will be any substantial change in the flow of orders over the coming weeks.

However, reports are circulating that, due to the Ebola outbreak, Liberia may suspend timber exports which will result in a diversion of orders to countries that are less affected.

At the moment supply and demand appear to be very finely balanced against a background of generally weak economic and market conditions in the EU but steady demand from the Middle East and China.

EU demand unlikely to expand in final quarter

Producers are satisfied with the current order book positions and consider these as about normal levels for this time of year. They are now more confident about log supplies and have indicated they could meet any increase in demand from EU buyers should they begin to restock. However, producers are not expecting any significant change in the flow of orders from Europe.

The Ukraine conflict and sanctions on Russia are beginning to weaken the economies of some EU member states, particularly Germany and France, compounding the impact of the depressed construction sector in many EU member states.

The UK economy is in better shape than that of most EU member states and the housing sector is very active. With a general election due in May 2015 it is likely that the UK government will continue with current fiscal policies.

Although recently there was an improvement in EU tropical timber imports from the very low levels in the first half of the year, buyers in the EU are uncertain of how demand will develop in the final quarter of the year. The pressure to tighten up on implementation of the EUTR is just one factor that could depress growth in imports.

Meeting the tough specifications in quality and dimensions is a major challenge for producers and this, coupled with the very narrow range of species required for the EU market, producers are keen to develop those new markets which are open to a larger range of sizes and qualities as profit margins tend to be better.

Boost to housing growth in China will benefit exporters

Demand from buyers for the Chinese market is strong and log and sawnwood prices have settled at around 15% higher than the average in 2013.

The recent easing of credit flows in China and the actions of regional administrations to boost housing growth could benefit West African producers.

Producers report demand from companies in Vietnam is good and the expansion of the woodworking and furniture industries is encouraging.

The current market outlook is positive with the expectation that the fine balance in supply and demand will maintain the current price stability into the final quarter of 2104.

Log Export Prices

West African logs, FOB	€ per m ³		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	230	230	160
Ayous/Obeche/Wawa	230	230	150
Azobe & Ekki	235	230	150
Belli	300	295	-
Bibolo/Dibétou	150	145	-
Iroko	330	290	260
Okoume (60% CI, 40% CE, 20% CS) (China only)	340	340	260
Moabi	330	300	220
Movingui	210	210	160
Niove	160	155	-
Okan	290	285	-
Padouk	300	275	210
Sapele	340	340	240
Sipo/Utile	365	365	250
Tali	320	320	-

Sawnwood Export Prices

West African sawnwood, FOB	€ per m ³
Ayous FAS GMS	350
Bilinga FAS GMS	520
Okoumé FAS GMS	480
Merchantable	275
Std/Btr GMS	350
Sipo FAS GMS	660
FAS fixed sizes	660
FAS scantlings	670
Padouk FAS GMS	820
FAS scantlings	870
Strips	500
Sapele FAS Spanish sizes	660
FAS scantlings	670
Iroko FAS GMS	620
Scantlings	695
Strips	440
Khaya FAS GMS	450
FAS fixed	470
Moabi FAS GMS	580
Scantlings	560
Movingui FAS GMS	420

Report from Ghana

Timber exports up 9%

According to data available from the Timber Industry Development Division (TIDD) of the Forestry Commission, Ghana's timber exports for the period January to July climbed by just over 9% year on year.

The total export volume of 177,399 cubic metres for the first seven months earned the country euro71.9 million; only marginally up from the euro 71.56 million from 162,410 cubic metres in the same period last year.

Table below shows the wood product classifications performance for 2014/2013.

January to July exports

Product	cu.m	euro
Primary	20,735	2,999,459
Secondary	150,267	65,509,212
Tertiary	6,397	3,417,397
Total	177,399	71,926,068

Source: TIDD, Ghana

Secondary wood products accounted for 91% of the total wood export for the first seven months of 2014 and these included air and kiln dry sawnwood, veneers, plywood and blockboard.

Primary and tertiary wood products each accounted for between 4-5% of exports during the period reviewed. The export of poles increased to 4,688 cu.m from a volume 36 cu.m in the same period in 2013. Profile boards (mouldings) exports doubled.

Commission launches REDD+ Campaign

The Forestry Commission (FC) plans to embark on a REDD+ campaign aimed at drawing the attention of all Ghanaians to the negative effects of Climate Change which result from the destruction of the forest amongst other causes. The Chief Executive of the FC made this known at the launch of the campaign saying, deforestation has been assessed as the third leading cause of global warming.

REDD+ (Reduce Emissions from Deforestation and forest Degradation) is an international mechanism that creates an incentive for developing countries to protect and better manage their forest resources to address Climate Change.

The FC chief executive hinted a „REDD EYE“ campaign, targeting the youth, would soon be launched to secure their active involvement in series of activities to create awareness for the REDD+ mechanism.

Relief for manufacturers as exchange rate stabilises

The cedi:dollar exchange rate was relative stable in the second half of the month for the first time this year. At the beginning of this year the cedi was trading at 2.70 to the US dollar but fell to 3.78 to the US dollar in August.

Since then it has recovered slightly to between 3-3.25 to the US dollar. This year alone the cedi has depreciated against the US dollar by about 40 percent.

In a related development and because the depreciation of the currency is having a serious negative impact on industry, the head of the Association of Ghana Industries said, while speaking at the opening of the first Industry and Technology (Indutech) Fair in Takoradi, the association will continue to seek better incentives for domestic manufacturers so they can contribute to sustainable development in the country.

BOG keeps interest rates on hold

The Ghana Central Bank has kept its policy rate unchanged at 19% citing its forecast that inflation will peak in the near future and then begin to fall to with the Bank's target of 13% plus or minus 2%. Data from the Ghana Statistical Service showed that year on year consumer inflation rose to 15.9% in August 2014 from the 15.3% in July.

Boule Export prices

	Euro per m ³
Black Ofram	245
Black Ofram Kiln dry	415
Niangon	469↓
Niangon Kiln dry	550↓

Export Rotary Veneer Prices

Rotary Veneer, FOB	€ per m ³	
	CORE (1-1.9 mm)	FACE (2mm)
Ceiba	265	346↑
Chenchen	320	366
Ogea	326↑	350
Essa	318	364↑
Ofram	333	350

Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afromosia	1.19↓	0.48
Asanfina	1.40↑	0.59
Avodire	1.60	0.75
Chenchen	1.10	0.40↑
Mahogany	1.30	1.07
Makore	1.30	0.53↑
Odum	1.76	0.99↑

Export Sawnwood Prices

Ghana Sawnwood, FOB	€ per m ³	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up		
Afromosia	860↑	945
Asanfina	485↑	564
Ceiba	260↑	310↑
Dahoma	297↓	365↑
Edinam (mixed redwood)	457↑	465↓
Emeri	370↓	550
African mahogany (Ivorenensis)	593	720
Makore	580	618
Niangon	595↑	710
Odum	610	750↓
Sapele	567	640
Wawa 1C & Select	275	340

Export Plywood Prices

Plywood, FOB	€ per m ³			
	BB/CC	Ceiba	Ofram	Asanfina
4mm	420↓	600	641	
6mm	400↓	575↑	622	
9mm	382	423	510↑	
12mm	374	440↑	450↑	
15mm	350	380	386↓	
18mm	300↓	357↓	370	

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	13.70	15.70	18.80
Odum	10.80	12.20	12.52
Hyedua	14.67	14.93	18.45
Afromosia	14.00	18.65	18.55

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

Report from Malaysia

MTCS endorsed for further 5 years

The Malaysian Timber Certification Scheme (MTCS) has been reviewed and endorsed by PEFC International for a further five years.

In a press release, the Malaysian Timber Certification Council (MTCC) said: “The re-endorsement of MTCS means that the scheme has passed the most stringent test and continues to meet the PEFC strict international sustainability benchmarks.

The re-endorsement is an attestation of the robustness of the MTCS. It further reaffirms and recognises the efforts taken by the stakeholders in Malaysia towards achieving sustainable forest management (SFM) and that the forests certified under the MTCS are being managed responsibly in line with globally recognised best practice requirements”. See: www.mtcc.com.my/

PEFC International requires all national schemes to re-examine their certification standards every five years and revise them where necessary. The process of review ensures that the latest developments in PEFC requirements, new scientific information, practical experience gained in the field as well as the expectations and aspirations of society towards SFM are considered and incorporated.

MTCC’s Chief Executive Officer, Yong Teng Koon, expressed satisfaction that the tremendous work which MTCC had invested in the revision of the MTCS documentation has been duly rewarded.

As of August this year there were 10 Forest Management Units and two Forest Plantation Management units certified and, when assessed in July, some 290 Chain of Custody certificates had been issued.

Sarawak foresters armed to tackle illegal logging

Adenan Satem, the new Chief Minister of Sarawak, signalled his seriousness in tackling illegal logging by calling for the arming of enforcement agents. Fifty of the most senior enforcement officers in the state’s Forestry Department are expected to be trained and then issued with firearms from next month.

Additional resources will be provided to ensure the operations of the Department remain efficient. The Chief Minister has indicated the new anti-illegal logging effort will be reviewed in six months and if progress is not satisfactory more drastic measures will be taken.

Adenan, who became the state’s fifth chief minister recently, has pledged not to allow his immediate family members to apply for state land or logging concessions and has advised the state ministers to make a similar pledge.

Export update from Sabah

The Statistics Department Sabah released the latest export statistics covering the period January to July 2014.

Sabah exports of sawnwood (January – July 2014)

Destination	Vol.(m ³) 2014	Vol.(m ³) 2013
China	28,006	22,501
Thailand	22,653	37,329
Taiwan	21,915	18,866
Philippines	19,208	8,936
Japan	14,329	13,326
South Africa	12,361	13,394
Netherlands	5,721	2,445
Pakistan	3,446	2,807
Total of above	127,639	119,604
Total all destinations	149,483	149,157

Source: Statistics Department, Sabah

Sabah exports of plywood (January – July 2014)

Destination	Vol.(m ³) 2014	Vol.(m ³) 2013
Japan	73,996	72,854
Peninsular Malaysia	60,430	63,395
Korea, Rep. Of	46,110	44,289
USA	25,819	32,151
Mexico	24,148	34,784
Philippines	21,575	20,764
Thailand	19,042	15,100
Egypt	16,541	29,995
Total of above	287,661	313,332
Total all destinations	338,280	382,873

Source: Statistics Department, Sabah

Report from Indonesia

Will Australia recognise SVLK

Indonesian Forestry sources are suggesting that recognition of Indonesia’s timber legality assurance scheme (SVLK) by the Australian government may be included in a memorandum of understanding to be signed between Indonesia and Australia. This, said Dwi Sudharto of the Ministry of Forestry, would pave the way for expansion of wood product exports to Australia.

Australia has enacted a Illegal Logging Prohibition Act to prevent illegal wood products entering Australia. If, indeed, the SVLK is recognized as meeting the conditions of the Australian then Indonesia’s wood product exports will get a boost.

5% of global furniture market in 10 years

The Indonesian Furniture Entrepreneurs Association (Asmindo) is aiming to supply 5 percent of the world's furniture demand within 10 years.

Asmindo Chairman, Taufik Gani, said Indonesia's current international furniture trade is small compared to countries such as Vietnam, Poland and Brazil, which contribute around 2 percent, or China which contributes around 30 percent to the world trade in wooden furniture.

It has been estimated that the Indonesian wood processing industry employs around 4 million direct and indirect workers making the sector one of Indonesia's priority areas for development.

Previously, Asmindo had targeted US\$2 billion in furniture exports but this has been revised given the success and international acceptance of the country's timber legality verification system (SVLK). Last year, the industry exported furniture worth US\$1.83 billion.

Domestic Log Prices

Indonesia logs, domestic prices	US\$ per m ³
Plywood logs	
core logs	210-230
Sawlogs (Meranti)	200-240
Falcata logs	150-190
Rubberwood	95-120
Pine	120-140
Mahoni (plantation mahogany)	130-150

Domestic Ex-mill Sawwood Prices

Indonesia, construction material, domestic	US\$ per m ³
Kampar (Ex-mill)	
AD 3x12-15x400cm	510-620
KD	-
AD 3x20x400cm	590-630
KD	-
Keruing (Ex-mill)	
AD 3x12-15x400cm	550-720
AD 2x20x400cm	490-520
AD 3x30x400cm	415-440

Export Plywood Prices

Indonesia ply MR BB/CC, export FOB	US\$ per m ³
2.7mm	650-680
3mm	670-700
6mm	-

Domestic Plywood Prices

MR Plywood (Jakarta), domestic	US\$ per m ³
9mm	370-420
12mm	350-400
15mm	320-350

Export and Domestic Other Panel Prices

Indonesia, Other Panels, FOB			US\$ per m ³
<i>Particleboard</i>	Export	9-18mm	720-750
	Domestic	9mm	900-990
		12-15mm	650-670
		18mm	520-600
<i>MDF</i>	Export	12-18mm	700-750
	Domestic	12-18mm	430-530

Myanmar China cooperation on deforestation

The Myanmar media (New Light of Myanmar) has reported on a meeting between President Thein Sein and Han Changfu, the Chinese Agriculture Minister. Discussions focused on cooperation in prevention of deforestation in Kachin State and prospects for expanding exports.

Myanmar Kyat falls against US dollar

The Kyat fell sharply against the US dollar in late September. The exchange rate at the beginning of the fiscal year was about MMK 963 to the dollar. In May the Kyat strengthened to 960 but has now fallen back and stood at 991 on 26 September.

Analysts view this fall against the dollar with some concern. While exporters may gain the price of essential imports along with fuel will drive up production costs.

Forest Products Joint Venture Corporation open tender

The Forest Products Joint Venture Corporation (FJV) offered 2,051 hoppus tons of kanyin logs for sale by competitive bidding on 24 September but only 492 tons were sold.

The total income from the sale was MMK 211.285 million (approximately US\$435 per hoppus ton). Observers report that the logs were reasonably fresh as they were harvested within this fiscal year. The tender reserve price is thought to have been around MM K425,000 per h. ton.

Considering the August FJV open tender resulted in an average of US\$537 per hoppus ton, the average price in the September tender was disappointing.

Analysts suggest that, if the reserve price had been revealed, it is likely that more would have been sold. In contrast to the FJV system, at MTE open tenders MTE advise prospective buyers of the reserve price.

The photograph below gives an indication of the size and quality of kanyin sold by FJV on 24 September.



Log harvests slashed

A senior official from the Forest Department has indicated that the annual harvest for 2014-15 would be only 40% of the harvest level in 2010-11.

This fiscal year only 670,000 tons of hardwoods and 60,000 tons of teak will be available for extraction. Extraction in Homalin (Sagaing) and Tanintharyi areas will be reduced and Bago area will be totally stopped.

According to a spokesperson from the Timber Merchants Association (TMA), there are about 300 wood processing factories in Yangon. Seventy TMA member companies and 10 rattan factories are exporting to Europe, USA, and Australia.

See:

www.thetradetimesmedia.com/?p=8983#sthash.GKOz9RIP.dpuf

Prices for sawnwood for domestic consumption

Specification	MMK per cubic ton
Teak, length 6 ft. and up	27 mil.
Teak, Length less than 10 f.t	23 mil.
Pyinkado, Length 10 ft. and up	17 mil.
Pyinkado, Length less than 10 ft.	12 mil.
Others, Length 10 ft. and up	0.7 mil.

Tenders and sealed tender prices

The Myanmar Timber Enterprise (MTE) offered for sale around 7,000 tons of teak logs and baulks of various hardwoods on 26 September. Some of the lots were in Yangon but most are outside of the city.

Prices (US\$) secured in the sealed tender 26 September 2014

Sawing Grade Teak logs

Grade	H. tons	Avg Price	Location
SG-7	281	\$750	Yangon
SG-6	58	\$2468	Gangaw
SG-7	212	\$1289	West Mawlike
SG-8	69	\$810	Myit Kyee Na
SG-9	7	\$540	Myit Kyee Na

Hardwood logs sold in Yangon

Local Name	Botanical name	H. tons	Avg. Price
Pyinkadoe 2nd	Xylia dolabiformis	50	\$526
Kanyin 2nd	Dipterocarpus spp.	377	\$372
In 2nd	Dipterocarpus tuberculatus	124	\$271
Thitsi 2nd	Melanorrhoea usitata	20	\$260
Thadi 2nd	Protium serratum	140	\$254
Panga 2nd	Terminalia chebula	37	\$242
Thabye 2nd	Eugenia	119	\$245

Hardwood logs located in East Mawlike, Taung-dwin-gyi and Toung Oo

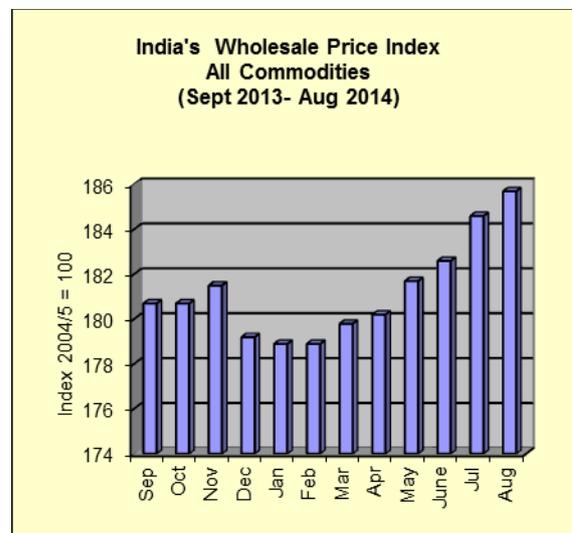
Local Name	Botanical name	H. tons	Avg. Price	Location
Kanyin 2nd	Dipterocarpus spp.	4000	\$274	East Mawlike
Padauk Domestic	Pterocarpus macrocarpus	54	\$2239	Taung-dwin-gyi
Pyinkadoe 2nd	Xylia dolabiformis	71	\$528	South Toung Oo

Report from India

Wood product price index drops

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 August, 2014 rose by 0.6 percent to 185.7 (provisional) from 184.6 (provisional) for the previous month. The annual rate of inflation, based on monthly WPI, stood at 3.74% (provisional) for the month of August, 2014.

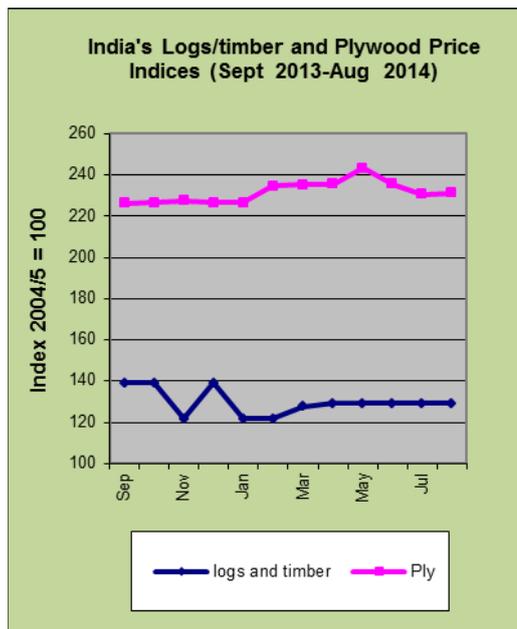
For more see: <http://www.eaindustry.nic.in/cmonthly.pdf>



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

Timber and plywood wholesale price indices

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 August 2014 logs/timber index continued almost unchanged but the plywood price index rose marginally.



Data source: OEA, India

Update on Red Sander logs auction

The Andhra Pradesh government (AP) postponed the e-tender e-auction of red sanders from September 19 to October 10-17, 2014. The rescheduling was done to facilitate visits by foreign buyers.

The company MSTC Ltd. (a subsidiary of Steel Authority of India Limited (SAIL)) was appointed to manage the sale and was directed by the AP Forest Department to furnish only the highest bid for each lot to the principal Chief Conservator of Forests without disclosing the identity of the purchaser.

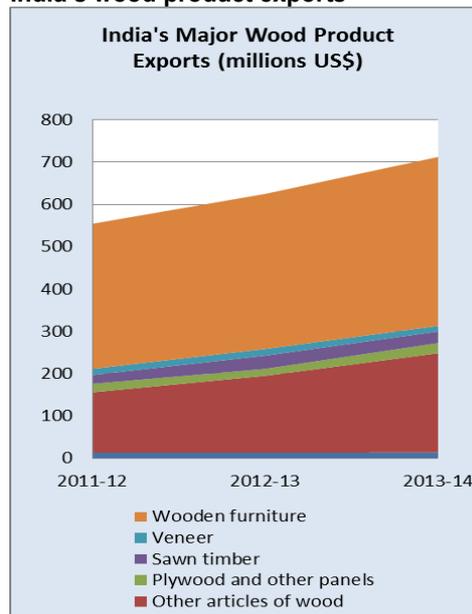
The Government earlier announced the sale of about 8,584 tonnes of red sanders. In the first phase, 4,000 tonnes would be e-auctioned with a reserve price of Rs.700,000 per tonne. So far, 415 prospective buyers have visited the depots of which 249 were foreign of which 109 were from China. Foreign buyers will be allowed to export the timber from Chennai or any other port in the state.

Red sanders planting programme in Andhra Pradesh

The AP government is promoting the planting of red-sanders. In October the AP Forest Department will begin raising red-sander seedlings and plans to distribute between 10-20 million seedlings to farmers in the Rayalaseema region.

A senior official said organised plantings on farms could help increase the availability of this valuable timber and also help reduce illegal felling and smuggling of red-sanders. Each farmer planting red sanders will be allowed to sell for export 310 metric tonnes.

India's wood product exports



Value of wood product exports first half 2014

For the first quarter of the 2104/15 financial year exports totaled US\$173.7 million.

	Apr-June 2014 US\$ mil.
Cork and cork products	0.53
Hardboard of wood fibre	3.12
Other articles of wood	54.68
Plywood and other panel products	7.49
Sandalwood chips	1.11
Sawn timber	8.5
Tea chest panel	0
Veneer	3.64
Wooden furniture	94.63
Total, 1st Qtr. of financial year	173.7

Source: Capexil

The trade feels that the performance of the timber export sector could be improved if the following were addressed:

- Value added tax on sawnwood exports should be lowered to 5% to improve international price competitiveness.
- Cochin Port should be included in the list of permissible ports for log imports and export of sawnwood produced from imported logs as Cochin is one of the busiest ports on the Western Coast. The inclusion of Cochin Port and grouping this with Tuticorin and Mangalore ports would benefit exporters of sawnwood in the states of Karnataka, Kerala and to some extent Tamil Nadu.
- Waiver of Transit Permit (exporters' warehouse to the port of shipment) for movement of

sawnwood destined for export. States such as Andhra Pradesh, Tamilnadu and now Karnataka are also allowing the free movement of imported logs and timber as well as exports of sawnwood without the Transit Pass. This change would lower the transaction cost and eliminate the risk of delayed shipments.

- Eliminate the import duty on rough sawn timber and lower the rate on processed timber and wood based products to 5%.
- Update phyto-sanitary rules and regulations to align India's with those of other countries involved in the timber trade and encourage wood product exports to increase job opportunities.

Current C&F prices for plantation teak

	US\$ per cu.m C&F
Belize logs	350-400
Benin logs	320-680
Benin sawn	400-800
Brazil logs	390-750
Brazil squares	360-680
Cameroon logs	390-510
Colombia logs	320-650
Congo logs	450-710
Costa Rica logs	360-840
Côte d'Ivoire logs	330-720
Ecuador squares	300-540
El-Salvador logs	340-695
Ghana logs	370-650
Guatemala logs	270-550
Guyana logs	300-450
Kenya logs	350-600
Laos logs	300-605
Liberia logs	350-460
Malaysian teak logs	350-525
Nicaragua logs	370-535
Nigeria squares	340-450
Panama logs	275-660
PNG logs	400-575
Sudan logs	450-700
Tanzania teak, sawn	350-885
Thailand logs	460-700
Togo logs	230-715
Trinidad and Tobago logs	420-680
Uganda logs	440-860
Uganda Teak sawn	680-900

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

Ex-mill prices for sawnwood

Sawnwood Ex-mill	Rs per cu.ft
Merbau	1550-1650
Balau	1700-1900
Resak	1200-1400
Kapur	1250-1300
Kempas	1100-1200
Red Meranti	925-975
Radiata pine AD	550-650
Whitewood	600-650

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

Rising prices for Myanmar timbers

Indian companies with remaining stocks of Myanmar timbers keep are continually raising prices which encourages end-users to look for alternative species.

Sawn teak prices

Sawnwood (Ex-mill)	Rs. per ft ³
Myanmar Teak (AD)	
Export Grade F.E.Q.	7500-17500
Plantation Teak A grade	5700-6200
Plantation Teak B grade	4200-4700
Plantation Teak FAS grade	3400-3700

Price variations depend mainly on length and cross section

Imported 12% KD sawn wood prices per cu.ft ex-warehouse

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

Price variations depend mainly on length and cross section

Plywood manufacturers squeezed

Manufacturers of paper laminates have increased prices by 3-4% as raw material costs are increasing and analysts suggest further rises are likely.

Plywood manufacturers are also worried about the steadily increasing costs of peeler logs from Sarawak as the domestic plywood market is dull offering little prospect for price increases. However, manufacturers are optimistic that demand will pick up as agricultural has risen due to the favourable weather during the monsoon and this leads to higher overall consumer spending.

Prices for WBP Marine grade plywood from domestic mills

Plywood,	Rs. per sq.ft
Ex-warehouse, (MR Quality)	
4 mm	37.00
6 mm	50.00
9mm	63.50
12 mm	78.40
15 mm	104.00
18 mm	109.70

Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	Rs.19.50	Rs.28.70
6mm	Rs.29.90	Rs.37.00
9mm	Rs.37.50	Rs.44.60
12mm	Rs.44.60	Rs.54.30
15mm	Rs.55.00	RS.66.30
19mm	RS.63.30	Rs.74.20
5mm Flexible ply	Rs.39.00	

Report from Brazil

Tropical sawnwood exports rise

Rising demand for wood products in the main markets serviced by Brazilian exporters is fueling optimism in the Brazilian timber sector.

In August this year Brazil’s tropical sawnwood exports increased 9.0% in value and 11.4% in volume compared to the same month last year.

The main markets were China (15.3%), the United States (15.3%), Vietnam (9.5%) and France (8.4%).

China continues to be the main importer of Brazilian tropical sawnwood followed by the United States, Vietnam and India. Combined, these countries account for nearly half of Brazil’s exports of tropical sawnwood.

Tropical sawnwood export in August 2013 totalled 26,746 cu.m while in August this year exports rose to 29,795 cu.m. This year exports to India and Vietnam have been growing fast.

Exporters in Pará state accounted for 27% of all tropical sawnwood exports in August followed by Mato Grosso (23.1%) and Rondônia (21.3%).

Furniture exporters seek to expand market share in the US

Brazilian furniture makers are looking to expand exports to the US and see the ORCHESTRA BRAZIL project as core to this effort. The ORCHESTRA BRAZIL project is the brainchild of the Brazilian Agency for Export and Investment Promotion and Bento Gonçalves Furniture Industry Association (SINDMÓVEIS).

Despite the increase in furniture production since 2000 the Brazilian furniture sector has seen its international market share fall due to competition mainly from Asian exporters.

ORCHESTRA BRAZIL is developing the competitiveness of Brazilian furniture companies for example by supporting the creation of Brazilian designed furniture for the American market.

In December SINDMÓVEIS will benefit from advice from two US experts who will help link trends and consumer preferences in the US with domestic capacity.

According to APEX - BRAZIL, in 2013 the US accounted for US\$47.3 million, out of the total US\$148.2 million exported by nearly 200 companies which are part of the ORCHESTRA BRAZIL Project. In the first half of this year exports to the US amounted to US\$ 24.5 million out of the total US\$66 million exported in the first half of the year.

The ultimate aim is for the project to have a physical presence in the United States through retail outlets or as partnerships with established brands.

August export trends

In August 2014, wood product exports (except pulp and paper) increased 13% in value compared to August 2013, from US\$203.4 million to US\$229.8 million.

Pine sawnwood exports increased significantly (up 39.5%) in value in August 2014 compared to August 2013. In terms of volume exports rose from 64,700 cu.m to 87,200 cu.m over the same period.

August pine plywood exports rose 7.3% in value in comparison with August 2013, from US\$33.0 million to US\$35.4 million. The volume of pine plywood exports increased 91.600 cu.m to 96,800 cu.m during the same period.

Tropical plywood exports also increased in August by 7.5% from 3,100 cu.m in August 2013 to 3,300 cu.m in August 2014 (but still exceptionally low compared to level of exports over the past 10 years).

In terms of value, tropical timber exports climbed 6.5%, from US\$ 5.3 million in August 2013 to US\$ 5.7 million in August 2014.

Wooden furniture exports in August 2014 were almost unchanged from a year ago.

Forest regeneration through reforestation in land clearings

Researchers at the Brazilian Agricultural Research Corporation (EMBRAPA) have reassessed a forest restoration system in São Domingos do Araguaia in Pará state where a trial is underway as part of the Biomes Project which aims at restoring natural forest cover on denuded land through the initial planting of fast growing species.

Among the species being tested are *Schizolobium parahyba* and *Swietenia macrophylla*. *Schizolobium parahyba*, known as the Brazilian fire tree or guapuruvu tree (formerly used for dugout canoes) is used for toys, boxes, shoe heels, the inner layers of laminated wood, and paper.

The current survey aims to evaluate whether the restoration of the forest canopy after planting with fast growing species provides conditions for natural regeneration of native species.

In the trial area regeneration of native species of commercial interest (such as *Dipteryx odorata*, *Pachira aquatica* and *Handroanthus* sp.) was observed. The recovery system under study is simple and economically feasible compared to alternative methods of restoration says EMBRAPA.

Meeting of forest sector players in Mato Grosso

Representatives of the Brazilian forest sector gathered in the state of Mato Grosso in early September to discuss actions taken by the State including the implementation of the Sustainable Forestry Development Plan of Mato Grosso (PDFS); monitoring of Sustainable Forest Management Plans (PMFS); the expected reduction of the government's timber price list and attempts to create an instrument to trace/certify the legal origin of Mato Grosso's timber.

During the meeting representatives from the Center for Wood Producers and Exporters of Mato Grosso (CIPEM) pointed out the value of information exchange that takes place in the sector such as monthly meetings with union presidents. CIPEM is recognized by the Ministry of Labor and Employment as providing guidance to the timber sector on labour and legislation issues.

According to CIPEM, despite advances and improvements in the state's forest sector over the past six years, challenges remain. There is uncertainty on how the state laws can be effectively applied and the environmental liability in an industry which generates large volume of residues. Doubts also exist in the minds of entrepreneurs as to how state actions can lead to expand output of added value timber products.

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per m ³
Ipe	1279↑
Jatoba	1029↓
Massaranduba	741↑
Miiracatiara	731↑
Pine (KD)	223↓

Export Plywood Prices

Pine Plywood EU market, FOB	US\$ per m ³
9mm C/CC (WBP)	353↓
12mm C/CC (WBP)	328↓
15mm C/CC (WBP)	318
18mm C/CC (WBP)	314↓

Export Prices For Added Value Products

FOB Belem/Paranagua Ports	US\$ per m ³
Decking Boards Ipê	2,320↑
Jatoba	1,520↑

Domestic Log Prices

Brazilian logs, mill yard, domestic	US\$ per m ³
Ipê	192↑
Jatoba	113
Massaranduba	121↓
Miiracatiara	126↓
Angelim Vermelho	116↓
Mixed redwood and white woods	105↓

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US\$ per m ³
Ipê	945↑
Jatoba	537↓
Massaranduba	449↑
Muiracatiara	496↑
Angelim Vermelho	432↑
Mixed red and white	268↑
Eucalyptus (AD)	259↑
Pine (AD)	192↓
Pine (KD)	210↑

Domestic Plywood Prices (excl. taxes)

Parica	US\$ per m ³
4mm WBP	795
10mm WBP	648↓
15mm WBP	554↓
4mm MR	716↑
10mm MR	539↓
15mm MR	509↓

Domestic prices include taxes and may be subject to discounts.

Prices For Other Panel Products

Domestic ex-mill Prices	US\$ per m ³
15mm MDParticleboard	332↓
15mm MDF	481-

Report from Peru

Final consultations on Forest Act

A total of seven organisations representing indigenous peoples met on September 29 to finalise the preparation of proposals for the Forest Act.

During the two-day meeting involving stakeholders presentations and proposals were made by the various working groups charged with addressing issues of zoning forestry, forest management; forest and wildlife inventories; wildlife management and water rights;

supervision, inspection and control: violations and penalties; promotion for forestry and wildlife management; plantations; management of forest through concessions; use of wildlife and management in native and rural communities.

Domestic construction sector gets stimulus boost

The Institute of Economics and Management (IEDEP) within the Lima Chamber of Commerce (CCL) is forecasting the domestic construction industry would grow 6.8% in 2014 driven by the stimulus provided to the sector as the government moves to revive the economy.

César Peñaranda, IEDEP executive director said "Despite its low share of global GDP (5.1%), the construction sector is labour intensive, and is linked to many other sectors. Moreover, since 2004, the sector has registered high growth rates." Between 2009 and 2013 the accumulated growth in the sector exceeded 60%.

See: <http://www.camaralima.org.pe/principal/noticias/3>

Exports down in first quarter

Analysis by the Center for Foreign Trade (CCEX) of the Lima Chamber of Commerce has shown that, in the first half of this year, the value of exports totalled US\$18.132 million down 11% from the same period last year. However, in terms of tonnage, exports increased by 9%.

From January to June, traditional exports totalled US\$12.617 million or 70% of all exports however, this was a decline of 17% year on year. Of the traditional sectors most affected were mining (-23%) and oil and gas (-14%). The mining sector accounts for almost 50% of total exports from Peru.

For more see:

<http://www.camaralima.org.pe/principal/noticias/noticia/exportaciones-cayeron-11-en-el-primer-semester/200>

Export Sawnwood Prices

	US\$ per m ³
Peru Sawnwood, FOB Callao Port	
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

	US\$ per m ³
Peru Sawnwood, FOB Callao Port (cont.)	
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	871-916
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

	US\$ per m ³
Peru Sawnwood, FOB Iquitos	
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	369-426

Domestic Sawnwood Prices

	US\$ per m ³
Peru sawnwood, domestic	
Mahogany	-
Virola	1562-184
Spanish Cedar	296-355
Marupa (simarouba)	123-129

Export Veneer Prices

	US\$ per m ³
Veneer FOB Callao port	
Lupuna 3/Btr 2.5mm	221-249
Lupuna 2/Btr 4.2mm	234-266
Lupuna 3/Btr 1.5mm	219-228

Export Plywood Prices

	US\$ per m ³
Peru plywood, FOB Callao (Mexican Market)	
Copaiba, 2 faces sanded, B/C, 15mm	328-365
Virola, 2 faces sanded, B/C, 5.2mm	466-489
Cedar fissilis, 2 faces sanded.5.5mm	759-770
Lupuna, treated, 2 faces sanded, 5.2mm	373-399
Lupuna plywood B/C 15mm	413-441
B/C 9mm	366-385
B/C 12mm	350-360
C/C 4mm	389-425
Lupuna plywood B/C 4mm Central Am.	370-393

Domestic Plywood Prices

	US\$ per m ³
Lupuna Plywood BB/CC, domestic (Iquitos mills) 2440x1220	
4mm	508↑
6mm	513↑
8mm	522↑
12mm	488↑
(Pucallpa mills)	
4mm	503↑
6mm	508↑
8mm	444↑
12mm	429

Domestic Prices for Other Panel Products

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

Export Prices for Added Value Products

	US\$ per m ³
Peru, FOB strips for parquet	
Cabreuva/estoraque KD12% S4S, Asian market	1287-1388
Cumaru KD, S4S	
Swedish market	915-1043
Asian market	1224-1254↓
Cumaru decking, AD, S4S E4S, US market	1187-1278
Pumaquiro KD # 1, C&B, Mexican market	479-554
Quinilla KD, S4S 2x10x62cm, Asian market	493-519
2x13x75cm, Asian market	732-815

New timber magazine from the Forestry Commission

At the recent „Incentive and Investment Seminar“ held at the Guyana Forestry Commission Multiplex the Forest Products Development and Marketing Council (FPDMC) launched a new forestry magazine, „The Guyana Timber Trade and Investment Magazine“. The Minister of Natural Resources and the Environment, Robert Persaud was on hand to receive a first issue.

The publishing of the magazine stems from recommendations in a report „Marketing Strategy for Guyana’s Wood Products Industry“ and reflects the thoughts and ideas of a number of knowledgeable contributors“ as it examines market and investment opportunities.

The FPDMC says the aim is to encourage investment that supports innovation and efficiency in the sector with a particular emphasis on added value production, utilisation of lesser used species and the introduction of market opportunities.

Export Log Prices

There were no log exports in the period reviewed

Logs, FOB Georgetown	SQ - US \$ Avg unit value per m ³		
	Std	Fair	Small
Greenheart	-	-	-
Purpleheart	-	-	-
Mora	-	-	-

Export Sawwood Prices

Sawwood, FOB Georgetown		\$ Avg unit val. per m ³	
EU and US markets		Undressed	Dressed
Greenheart	Prime	1,060	-
	Standard	-	700-1,102
	Select	575-805	-
	Sound	-	-
	Merchantable	586	-
Purpleheart	Prime	1.080	-
	Standard	-	750-1,158
	Select	590-1295	-
	Sound	-	-
	Merchantable	-	-
Mora	Prime	-	-
	Select	500-595	-
	Sound	-	-
	Merchantable	500	-

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

Export Plywood Prices

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

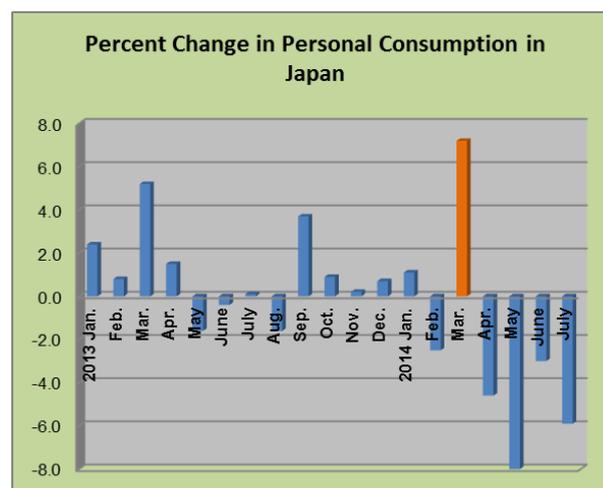
Personal consumption key to growth

Japan’s annualised growth in the first quarter of this year was almost 6% as companies and consumers brought forward spending to beat the 60% rise in the consumption tax (from 5% to 8%) 1 April 2014.

As expected, personal spending fell back sharply in the second quarter and the Bank of Japan has warned that it is taking longer than forecast for spending to recover.

Personal spending accounts for over 60% of GDP growth in Japan and the rapid fall in household spending, coupled with the yen’s depreciation, has slowed recovery from the „tax shock“.

The average monthly household expenditure for July was yen 280,293 down 5.9% in real terms from the previous year.



Data source: Statistics Office, Japan

Will 2015 consumption tax increase to 10% derail growth?

The Japan Center for Economic Research (JCER) in its short-term forecast for the Japanese economy forecasts that economic expansion would resume in the July–September quarter as the effects of the consumption tax increase subside and they forecast an upswing in capital investment at the beginning of next year.

See: <http://www.jcer.or.jp/eng/pdf/sa158-eng2.pdf>

JCER notes that the last-minute consumer spending, especially on durable goods, in the first quarter increased more than recorded in the same period prior to the previous consumption tax increase in 1997.

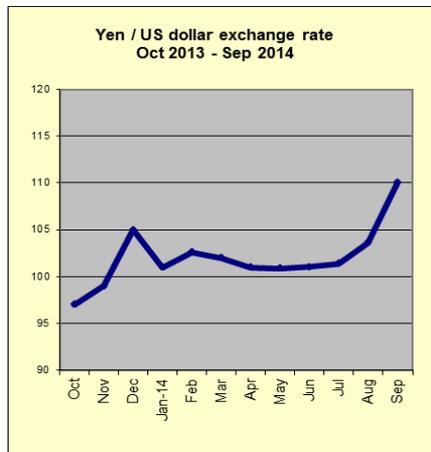
In 2015 the consumption tax is due to be raised to 10% from the current 8% and while there will be once again a degree of last-minute spending by consumers, this is not expected to greatly affect overall growth for 2015 such that the Japanese economy is expected to expand in real terms by 1.1% in fiscal 2015.

There are risks however and JCER point to a possible drag on growth brought on by a 2015 consumption tax hike; a downswing in net exports as the electronics and other industries continue to hollow out; effects on markets in emerging economies from tapering of QE3 measures in the United States; fragility of the Chinese financial market; geopolitical instability, such as the situation in Ukraine and foreign exchange market fluctuations.

Yen at six year low

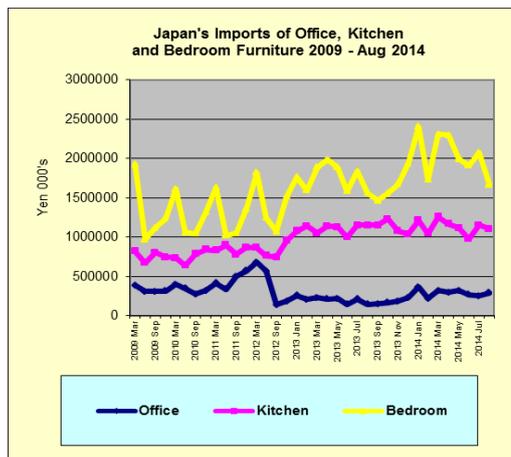
The yen fell to a six-year low against the US dollar during the second half of September. Behind the yen weakness was the improving US economy and signals from the US Federal Reserve that it could raise borrowing costs faster than expected.

While the Federal Reserve has said it would keep interest rates near zero for a "considerable time" investors are moving money out of yen into dollars in anticipation of an interest rate hike. Such a move makes dollar-denominated assets more attractive since both Japan and the EU rates are likely to remain low for some time.



Trends in office, kitchen and bedroom furniture imports

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



Source: Ministry of Finance, Japan

Japan’s imports of bedroom furniture fell sharply in August. If it were not for the modest increase in July then the trend would have been down for four consecutive months. Demand for imported kitchen furniture remains flat largely a reflection of the slow housing market.

Imports of office furniture have settled back into the steady levels seen before the minor peak just before the consumption tax increase in April this year.

Office furniture imports (HS 9403.30)

Japan’s August 2014 imports of office furniture were up 15% compared to levels in August. China remains the major supplier (49%) but its market share fell slightly in August. Exports of office furniture by both Italy and Portugal increased and there was a big jump in imports from the US in August.

August 2014 office furniture imports

Source	Imports, Aug 2014 Unit 1,000 Yen
S. Korea	548
China	141503
Taiwan P.o.C	-
Hong Kong	-
Vietnam	1266
Thailand	-
Singapore	634
Malaysia	4297
Philippines	-
Indonesia	8397
Sweden	-
Denmark	2787
UK	514
Netherlands	-
Belgium	-
France	-
Germany	17005
Switzerland	988
Portugal	30680
Italy	35515
Poland	22631
Lithuania	4633
Slovakia	2809
Canada	-
USA	14353
Mexico	506
Australia	-
Total Aug	289066

Source: Ministry of Finance, Japan

Kitchen furniture imports (HS 9403.40)

The top suppliers of kitchen furniture to Japan in August continued to be Vietnam (45%, an increase over July levels), China and the Philippines, each of which accounted for between 17-18% of all August imports of kitchen furniture.

Year on year, August 2014 imports of kitchen furniture were barely changed from levels in August 2013.

August 2014 kitchen furniture imports

Source	Imports Aug 2014 Unit 1,000 Yen
S. Korea	-
China	200203
Taiwan P.o.C	571
Vietnam	495853
Thailand	11663
Malaysia	23574
Philippines	202986
Indonesia	99076
India	-
Sweden	-
Denmark	-
UK	4165
France	-
Germany	46309
Portugal	-
Italy	11440
Poland	-
Austria	1010
Romania	1490
Lithuania	1165
Canada	2904
USA	2355
Total Aug	1104764

Source: Ministry of Finance, Japan

Bedroom furniture imports (HS 9403.50)

China, Vietnam and Thailand dominated bedroom furniture imports in August as they have since early in the year but each suffered a decline as Japan's overall imports of bedroom furniture fell by 9% in August.

Other major suppliers include Malaysia, Poland and Romania but all saw a correction in levels of demand in August. As the holiday season in Japan is over house builders are back at work so hopefully completions will increase which should lift demand for furniture.

August 2014 Bedroom furniture imports

Source	Imports, Aug 2014 Unit 1,000 Yen
S. Korea	-
China	944026
Taiwan P.o.C	13352
Vietnam	413122
Thailand	85383
Singapore	-
Malaysia	56920
Philippines	-
Indonesia	27677
Kazakhstan	-
Sweden	13038
Denmark	2620
UK	-
France	202
Germany	-
Switzerland	-
Spain	439
Italy	14246
Poland	38325
Austria	217
Romania	36919
Turkey	-
Latvia	2886
Lithuania	4668
Bosnia and Herzegovina	-
Slovakia	5832
USA	9698
Brazil	-
Australia	470
Total Aug	1670040

Source: Ministry of Finance, Japan

Trade news from the Japan Lumber Reports (JLR)

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

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

For the JLR report please see:

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

South Sea (tropical) logs

Log market in supplying regions continues firm. In Sarawak and Sabah, Malaysia, heavy rain started in middle of August, which could be a start of rainy season. In Sarawak, where log supply relies on rivers, barges are not able to navigate rivers so that logs stay upstream.

Log supply has been tight even before the rain started so Sarawak log prices are unchanged at US\$280-295 per cbm C&F on meranti regular for Japan. Low grade meranti for India is US\$260-270.

Since Sarawak log supply has been tight, more buyers are active in Sabah to supplement Sarawak supply. Sabah is also suffering foul weather and log supply is down. Log buyers try to procure enough logs before rainy season starts in September but rain started much sooner so many ships are waiting for logs at loading ports.

Sabah's yellow serayah regular prices are slightly up at US\$260-265 per cbm FOB. After Myanmar stopped log export, India has been everywhere to look for substitutions.

India's main use is keruing for plywood. There is not enough keruing in Sarawak so India has been buying meranti and melapi. India is also buying in PNG and okoume in Africa.

Log production has been dropping in PNG and Solomon Islands after rain started since July. Log market in Japan is holding weakly. Sarawak meranti regular log prices are yen 10,700 per koku CIF, unchanged from August.

Production curtailment of plywood

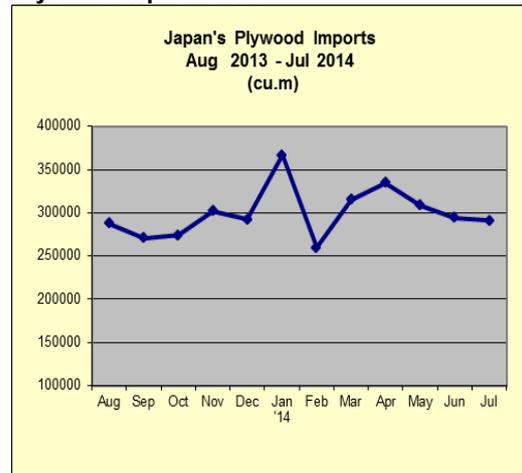
The market of softwood plywood has been weakly holding after the demand bottomed in May and June then recovered some in July and August. The shipment in July increased to about 200,000 cbms.

The domestic manufacturers reduced the production by about 15% in July and August to hold the market and expressed the plan to continue 15% production curtailment in September.

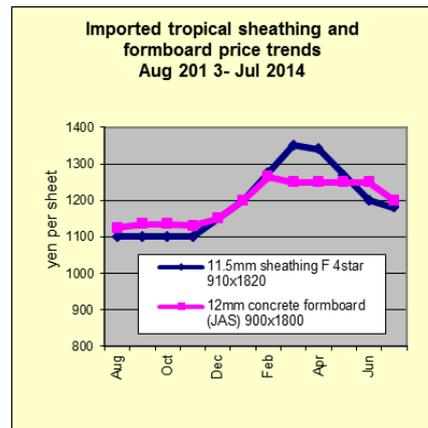
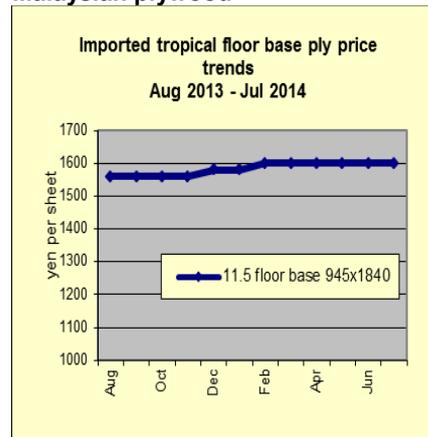
However, actual July production was 213,300 cbms, only 7.9% less than June production but the production in August is estimated down to 190,000 cbms because of summer vacation with the shipment of about 190-200 M cbms so that the inventories should be staying unchanged at about 220-230,000 cbms.

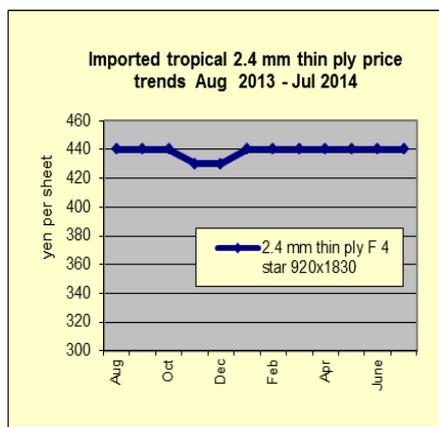
Abnormal heavy rain in the Western Japan in August slowed down construction activities. After things get back to normal, deliveries of plywood are affected by shortage of trucks.

Plywood import trend



Price trends for Japanese imports of Indonesian and Malaysian plywood





Import of European lumber for the first half of 2014

Import of European lumber for the first half of this year was 1,416,000 cbms, 11.0% less than the same period of last year but it is the second highest in last five years.

Because of this high level import, the market started slowing down and future purchases of lamina and stud are largely reduced. In the first half of last year, demand was expected to increase before the consumption tax increase in April so that monthly import has continued about 250,000cbms.

Also high Euro based export prices encouraged the European suppliers then the demand of European lumber and laminated lumber started lagging in Japan since spring with housing starts dropping. The arrivals finally dropped down to about 200,000 cbms in June and further import curtailment seems to continue through the year.

Export of domestic wood products

Export of wood products from Japan has been increasing consistently and the amount of the export for the first half of this year was yen 8.164 billion, 51.1% more than the same period of last year. This is much faster pace compared to the increase by 30% of last year.

By item, log export was yen 3.165 billion, 173.8% more than the same period of last year, exceeded total amount of last year in six months. Weaker yen made the Japanese logs much competitive so the log export to China, Korea and Taiwan has been climbing rapidly. Meantime, export of other products like lumber and plywood has also been increasing by 13.9% and 23.4% respectively.

The government plans to increase the export of forest products from yen 12.3 billion in 2012 to yen 25 billion in 2020 and the Forestry Agency allocated sixty million yen budget for performance experiments in China by Chinese standard, promotion to use the Japanese products in China, holding seminars and exhibition and making guidance manuals.

Logs for China are mainly C grade logs for crating lumber and engineering works. In Japan, thinning used to be abandoned in the woods but now they are encouraged to haul out so that the supply of C grade logs has been increasing.

Domestic logs and lumber

In Western Japan, heavy rain and typhoons hampered log production and the log market is in confusion.

Sawmills in the area reduced log purchase in rainy season of June and July in fear of beetle damage so their log inventories are not enough. Consequently, in Kyushu, cedar log prices are soaring and in Shikoku and Kansai region, log production has been disrupted rather extensively.

In Northern Japan and Hokkaido, unstable weather reduced log supply. This is time for sawmills to buy and build up log inventory so the log prices are firming generally. However, lumber movement is not so active and stagnating so sawmills are not able to go after high priced logs.

Nationwide average log prices are 12,300 yen on 3 meter post cutting cedar, 400 yen up from August, 10,300 yen on 4 meter purlin cutting cedar, 400 yen up, 16,800 yen on 3 meter post cutting cypress, 400 yen up, 27,400 yen on 6 meter post cutting cypress, 300 yen down.

Lumber market is one step weaker after the summer vacation season. Orders from precutting plants are not as much as expected. Despite climbing log prices in Western Japan, buyers are in no hurry to buy lumber. Present market is soft and further deterioration is possible if the demand continues sluggish. Meantime, some marketers see that considering tight log supply and possible rise of fall demand, the market prices should hold up.

Report from China

High stocks of imported timber drive down prices

Zhu Guangqian, a consultant for the China National Forest Product Industry Association has said that current stocks of imported timber exceed domestic demand and many timber traders fear they will lose money on recent imports. Despite the high stocks the level of imports continues to expand.

Prices for imported logs began to increase in the second quarter of 2013 and Chinese traders began to increase imports but as demand cooled stocks rose and from April this year prices for imported logs began to fall.

For example, from the middle of this year prices for imported logs from North America fell between RMB60-70 per cubic metre, prices for Russia timbers were down RMB30 per cubic metre and the current price for scots pine from Europe is down RMB60 per cubic metre.

Analysts estimate current stock are around 5 million cubic metres, up over 52% from the beginning of this year. Most of this stock is of timber imported in the first quarter of this year when prices were firm.

For more see:

<http://www.chinatimber.org/news/55289.html>

Bamboo industry output will top US\$48 billion by 2020

China has 7.2 million hectares of bamboo forest, accounting for one fourth of the global total of which 4.2 million hectares are unmixed bamboo forest and mainly distributed in 20 provinces of the Yangtze River Basin, southern China and the southwest region.

Moso bamboo (tortoise-shell bamboo, or mao zhu) is a temperate species of giant timber bamboo and is widely distributed in China. At present, the annual value of China's bamboo industry output is US\$14.5 billion.

According to the China Bamboo Industry Development Plan formulated in 2013, the total value of China's bamboo industry output will be US\$48 billion by 2020 and direct employment in the bamboo industry could grow to 10 million.

There are thousands of bamboo products which can be grouped into the following major categories: bamboo products for daily use, bamboo arts and crafts, bamboo panels, bamboo charcoal, paper making, furniture, packaging, medicine, food and textiles. Bamboo has even been used to make keyboards and hardware framework.

However, there are some problems in China's bamboo processing industry. Currently most of China's bamboo processing industries are very small scale. The number of bamboo processing enterprises with annual output value of RMB10 million account for only 8% of all enterprises. The quality of bamboo products from many small enterprises is said to be poor.

Plantation area steams ahead

It has been reported that the area of China's plantations, at 6.93 million hectares, has lifted the country into the ranks of top planters. The area of China's forest has been assessed at 20.8 million hectares, the national forest cover is 21.63% and the forest stock volume is said to be around 15.1 billion cubic metres.

The average annual growth in forestry output exceeds 20% and the total value of China's forest sector output reached RMB4.73 trillion in 2013 while the value of international trade in wood products in 2013 was US\$126 billion.

Redwood imports spike in the first half of 2014

According to data from China's Customs, timber first half imports rose 21% to 44.39 million cubic metres while the value of timber imports was up 40% to US\$10.44 billion.

Of the total, "redwood" imports increased more than 300% to 1.21 million cubic metres valued at US\$1.66 billion, up more than 500% in value from the same period of 2013.

Around 80% of the total redwood imports were through Guangdong, Shanghai and Yunnan provinces (84% of the total) and amounted to 990,000 cubic metres.

China's Redwood Committee notes that the surge in redwood imports reflects the current huge demand for

redwood products in domestic market. The rapid growth of redwood imports has tied up huge amounts of private capital and many enterprises are now feeling the financial strain from investing so heavily in redwood stocks.

MDF exports through Wuzhou City increasing 12 times

The international demand for MDF has been increasing since the beginning of this year and manufacturers in Wuzhou City have been successful in international markets.

According to the statistics from Wuzhou Customs of Guangxi Zhuang Autonomous Region, the value of MDF exports through Wuzhou City were RMB31.85 million accounting for 80% of the provincial export value and a 12 fold increase from the same period in 2013. Of the total, the value of all MDF exports to Iran amounted to RMB26.65 million or 84% of the total export value.

Chinese experts have suggested that regional governments should encourage and guide export enterprises to pay more attention to quality rather than volume.

Plywood production in Wen'an City

The plywood industry in Wen'an in Hebei Province has grown and the annual output accounts for one-seventh of the national total. The development of Wen'an wood-based panel industry started in 1986.

Wen'an County has become the Home of China's wood-based panel industry along with Shandong Linyi, Jiangsu Pizhou, Zhejiang Jiashan.

Wen'an County has more than 1500 wood-based panel processing and trade enterprises and companies are actively exporting to Japan, S.Korea, USA, Turkey and Southeast Asian countries.

The local administration in Wen'an county has been encouraging farmers to plant fast growing trees to support the growing industrial base. The area of plantations currently stands at around 28,700 hectares.

All-out effort to prop up housing market

The National Bureau of Statistics latest survey of house price trends points to a steady decline in most of the major cities.

In the 70 medium and large-sized cities included in the survey new home prices declined in 68 cities, remained unchanged in one and rose in only one. A similar trend was reported for second hand homes where prices fell in 95% of the total cities surveyed.

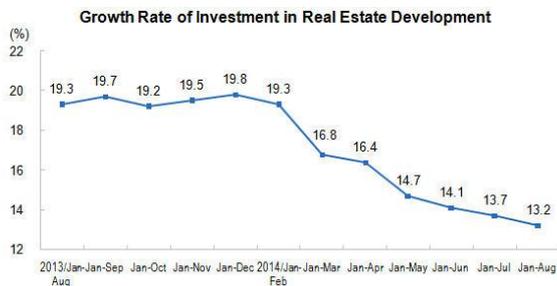
The real estate sector in China accounts for over 12% of GDP and the health of this sector has a huge impact on a wide range of industries from furniture to concrete manufacturers such that a depressed housing market is a drag on the overall economy.

See:
http://www.stats.gov.cn/english/PressRelease/201409/t20140918_611951.html

In a quick turn-around from trying to cool the housing market, today efforts are being ploughed into encouraging buyers with loans being offered even to those wishing to purchase a second property. The thrust of this development is being led by regional governments as they fear the impact on local employment of a housing slump.

See:

http://www.stats.gov.cn/english/PressRelease/201409/t20140915_609461.html



Source: National Bureau of Statistics, China

Guangzhou Yuzhu International Timber Market Wholesale Prices

Logs

	Logs	yuan/cu.m
Merbau	dia. 100 cm+	5200-5400
Bangkirai	dia. 100 cm+	5300-5500
Kapur	dia. 80 cm+	2800-3000
Ulin	All grades	6500
Lauan	dia. 60 cm+	2000-2200
Kempas	dia. 60 cm+	2000-2100
Teak	dia. 30-60 cm	8000-12000

	Logs	yuan/cu.m
Greenheart	dia. 40 cm+	2300-2450
Purpleheart	dia. 60 cm+	3100-3300
Pau rosa	dia. 60 cm+	4700-4800
Ipe	dia. 40 cm+	4000-4800
yuan per tonne		
Cocobolo	All grades	53000-58000

	Logs	yuan/cu.m
Wenge	All grades	4300-5200
Okoume	All grades	2200-2500
Okan	All grades	3700-3800
African blackwood	All grades	8000-15000
African rosewood	All grades	5000-6500
Bubinga	dia. 80 cm+	13000-15000

	Logs	yuan/cu.m
Ash	dia. 35 cm+	4200-4300
Basswood	dia. 36 cm+	3500-3800
Elm	dia. 36	2800-3600
Catalpa	dia. 36	2800-4200
Oak	dia. 36 cm+	4000-5500
Scots pine	dia. 36 cm+	2000-2200
Larch	dia. 36 cm+	1550-1900
Maple	dia. 36 cm+	2700-3050
Poplar	dia. 36 cm+	1650-1950
Red oak	dia. 30 cm+	2500-2600

Sawnwood

	Sawnwood	yuan/cu.m
Makore	Grade A	7300
Zebrano	Grade A	12000-15000
Walnut	Grade A	9500-10000
Sapelli	Grade A	7500-7900
Okoume	Grade A	4200-4500
Padauk	Grade A	14500-17000
Mahogany	Grade A	6500-7000
yuan/tonne		
Ebony	Special grade	16000

	Sawnwood	yuan/cu.m
Ulin	All grade	9000-10000
Merbau	Special grade	8600-9500
Lauan	Special grade	4600-4800
Kapur	Special grade	5500-6000
Teak	Grade A	9600
Teak	Special grade	14000-20000

	sawnwood	yuan/cu.m
Cherry	FAS 2 inch	10000-12800
Black walnut	FAS 2 inch	14000-16000
Maple	FAS	7500-10000
White oak	FAS	8000-11000
Red oak	FAS	6800-9000
Finnish pine	Grade A	3000

	Sawnwood	yuan/cu.m
Maple	Grade A	10000-10500
Beech	Special grade	5300
Ash	no knot	5000-5800
Basswood	no knot	2700-3500
Oak	no knot	4000-5500
Scots pine	no knot	2800

Shanghai Furen Forest Products Market Wholesale Prices

Logs

Logs All grades	000's yuan/tonne
Bois de rose	250-300
Red sandalwood	1600-2000
Siam rosewood	100-550
Burma padauk	27-45
Rengas	8-15
Mai dou lai	6000-8000
Neang noun	32-65
Burma tulipwood	28-60
Cocobolo	43-180
Morado	10 - 15
Ebony	15-40
Trebol	7-8
African sandalwood	18-32

Sawnwood

	Sawnwood	yuan/cu.m
Okoume	Grade A	4500-4700
Sapelli	Grade A	7600-7900
Zebrano	Grade A	8000-9000
Bubinga	Grade A	13500-15800
Mahogany	Grade A	6000-7000
Wawa	FAS	3700-3900
Ayous	FAS	4000-4200

	Sawnwood	yuan/cu.m
Lauan	Grade A	3700-3900
Merbau	All grade	8000-10000
Teak	All grade	11500-36000

	Sawnwood	yuan/cu.m
Beech	Grade A	4200-4800
Ash	Grade A	5500-6500
Elm	Grade A	4900-5300
Red oak	2 inch FAS	8000-8600
White oak	2 inch FAS	7500-8500
Maple	2 inch FAS	9800-10500
Cherry	2 inch	9500-10500
Black walnut	2 inch	15000-17000

Zhangjiagang Timber Market Wholesale Prices

Logs, all grades	yuan/tonne
Sapelli	4500-5700
Kevazingo	8700-34000
Padouk de africa	3000-3800
okoume	2100-2600
Okan	3490-3650
Dibetou	2200-2500
Afromosia	5500-6500
Wenge	4500-5000
Zingana	4200-5500
Acajou de africa	3100-3600
Ovengkol	3850-4300
Pao rosa	5950-6600

Logs, all grades	yuan/tonne
Merbau	3500-5800
Lauan	1600-2400
Kapur	2020-2500
Keruing	1700-2200
Geronggang	1600
kauri	1700-1850

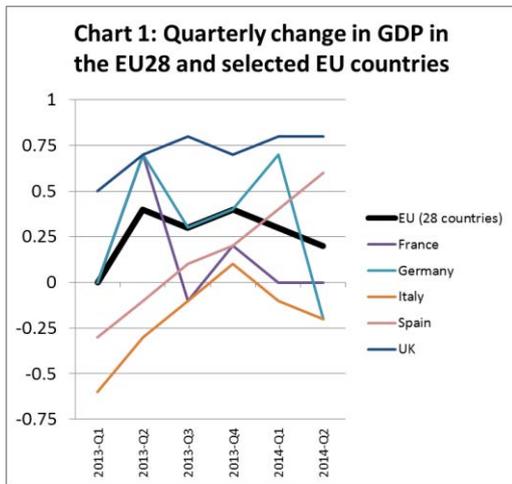
Logs, all grades	yuan/tonne
Amoora	1900-2080
Calophyllum	2150-2350
Red ganarium	1300-1400
Gray Canarium	1100-1200
Red-brown terminalia	1680-1750
Basswood	1200-1400
Sureni toona	1500-1650
Bunya	1400-1550
Walnut	2900-3350

Report from Europe *

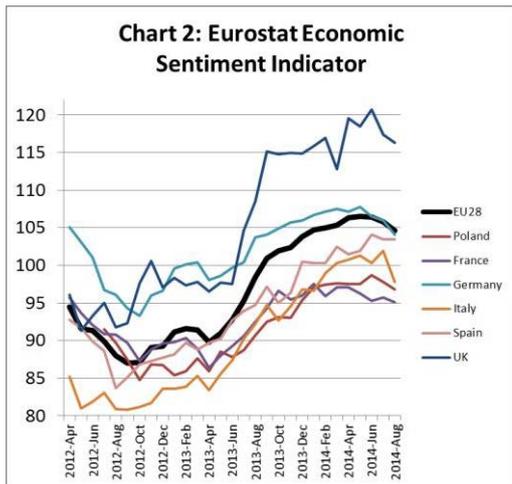
Slowing German economy drags down EU growth

The EU28 group of nations recorded only 0.2% GDP growth in the second quarter of 2014, down from 0.3% in the first quarter (Chart 1). The slowdown was largely due to contraction in Germany, Europe's biggest economy.

After expanding 0.7% in the first quarter of 2014, Germany's economy slipped 0.2% in the second quarter of the year as foreign trade and investment, particularly in the construction sector, weighed on growth. Meanwhile France recorded zero growth for the second quarter in a row between April and June 2014, while Italy's economy continued to contract.



Source:FII Ltd analysis of Eurostat



Source:FII Ltd analysis of Eurostat

Investor and business confidence in central and east Europe has been undermined because of the crisis in Ukraine - straining relations with Russia - raising fears of an even weaker recovery because of the threat of deepening sanctions.

There was better news from Spain where the recovery has continued to gather pace this year, with GDP expanding 0.6% in the first quarter.

However, the UK is currently the strongest performer of large European economies, with GDP growth of 0.8% in both the first and second quarters of 2014.

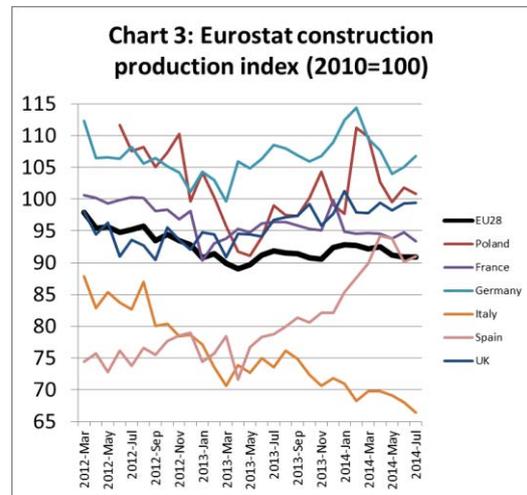
Trends in GDP growth are mirrored in Eurostat's Economic Confidence Indicator (ECI), a forward-looking index that measures perceptions and expectations in five surveyed sectors (industry, services, retail trade, construction and consumers) in all EU Member States.

The ECI for the EU as a whole was still over 100 in August – indicating above average economic sentiment. However the ECI was declining between June and August this year. The decline is apparent in all the major EU economies with the exception of Spain.

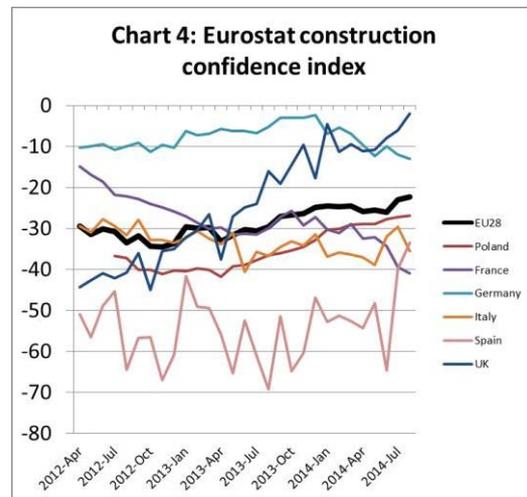
Overall economic sentiment remains strong in the UK, moderate in Germany and Spain, but weak and declining in France, Italy and Poland (Chart 2).

European construction flat at a low level

Although overall European construction activity hit bottom in March 2013, it has risen only slowly since then (Chart 3). Activity was strengthening to February this year but has dipped again since April. The Eurostat



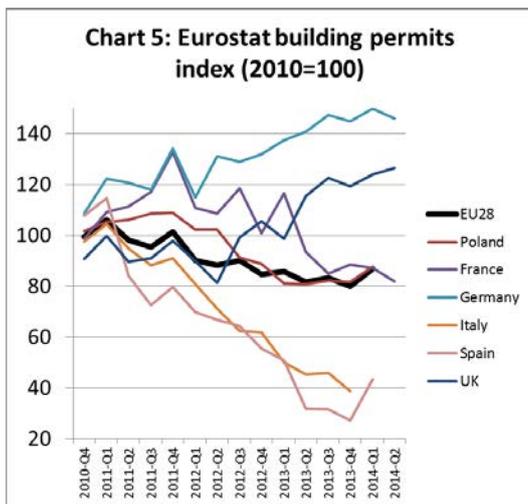
Source:FII Ltd analysis of Eurostat



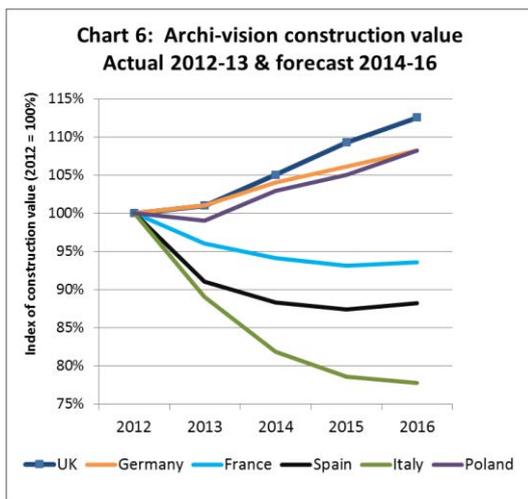
Source:FII Ltd analysis of Eurostat

Construction Confidence Index in the EU is still in negative territory, indicating that many in the industry still expect market conditions to deteriorate rather than to improve in the next 3 months. However the trend in market sentiment is gradually improving (Chart 4).

The latest EU-wide data for building permits shows that these were declining until the last quarter of 2013 but experienced an upturn in the first quarter of 2014 (Chart 5).



Source: FII Ltd analysis of Eurostat



Source: FII Ltd analysis of Eurostat

Rapid improvement in UK construction

Construction industry trends in 2014 have varied widely between EU countries. The UK stands out this year as a country where construction is recovering very rapidly. The UK Construction Products Association (CPA) Summer Forecasts suggest that total construction output will grow by 4.7% in 2014 and a further 4.8% in 2015.

Furthermore, this expansion should continue with total construction output forecast to rise 22.2% over the next five years. In the 12 months of end of June this year, UK housing starts were nearly 138000, 22% up on the previous year and the highest level of house building since 2007. Private housing starts are now expected to grow 18% during 2014 and 10% in 2015.

Commercial construction in the UK has also seen a significant resurgence in 2014. This is mainly due to big ticket projects in London, although there are now also signs of improving activity in other parts of the country. The CPA expects commercial offices output in the UK to grow 10% in 2014 and 8% in 2015.

The CPA's forecasts are slightly more optimistic than those of the 2nd quarter Archi-vision survey of 1600 architects across Europe.

For the UK, Arch-Vision predict 4% growth of the UK construction market in 2014 with this rate of growth continuing in 2015 (+4%) and slowing to +3% in 2016 (Chart 6).

Slowdown in German and Polish construction in 2nd Quarter

Construction activity in Germany and Poland has been relatively robust compared to other European countries in recent years. However seasonally-adjusted activity in both countries fell away dramatically in the second quarter of 2014.

This seems to be primarily the result of the mild winter which meant that many projects were brought forward into the first quarter. There are indications that construction activity in both countries will recover in the second half of 2014.

The 2nd quarter Archi-vision survey shows that architects' order books and turnover development in both Germany and Poland were positive in the second quarter of 2014, suggesting plenty of new building projects in the pipeline. Archi-vision forecast continued slow growth in construction activity in both countries between 2014 and 2016 (Chart 6)

Construction activity in Spain has been regaining strength since the start of 2013. The Archi-vision survey indicates two positive quarters for Spanish construction in a row in the first half of 2014 as more architects report increasing order books. Residential building permits have also been rising in Spain this year for the first time since the recession.

However, government austerity is still a major constraint in Spain and building permits for non-residential construction have fallen again this year. Arch-Vision forecast that Spanish construction activity will decline 3% in 2014 and a further 1% in 2015, but will recover by 1% in 2016 (Chart 6).

Depressed construction in Italy

Construction activity in Italy remains depressed. The construction production index for Italy continued to decline to July 2014 and is now only 65% of the level of 2010 (Chart 3). The latest data for Italian building permits shows these falling sharply during 2013.

The Archi-vision survey shows that, after several bad quarters in 2013, Italian architects experienced another big drop in order book and turnover development in the second quarter of 2014.

The confidence indicator for Italian construction is stable, but at a low level (Chart 4). Therefore the outlook for the next twelve months is not promising. Archi-Vision predict that the Italian construction market will fall by 8% in 2014 and a further 4% in 2015. The decline might then level off in 2016.

Construction activity in France declined sharply at the end of 2014 and confidence in the sector remains low. The Archi-vision survey indicated a sharp fall in architect's order books in the fourth quarter of 2013.

The Construction Confidence Indicator for France has continued to fall this year (Chart 4). However, other indicators suggest the market may be close to bottom.

French building permits for residential buildings showed a negative trend for the whole of 2013, but stabilised in the first two quarters of 2014. Building permits for non-residential construction registered a slight increase. Archi-Vision forecast that French construction activity will decrease in 2014 (-2%) and 2015 (-1%), but will stabilise from 2016 onwards.

Slow improvement in Dutch and Belgian construction

There are signs of improving construction activity in the Netherlands. The Archi-vision survey indicates that order books and turnover for architects in the country increased in the second quarter of 2014, the third consecutive quarter of growth.

Other indicators suggest gradual improvement in both residential and non-residential construction in the Netherlands. This positive development is partly driven by a temporary reduction in VAT on rebuilding, renovation and repair, a measure now due to end on 1 July 2015. Archi-vision predict a small increase in Netherlands construction activity in 2014 (+1%), gradually strengthening in 2015 (+2%) and 2016 (+3%).

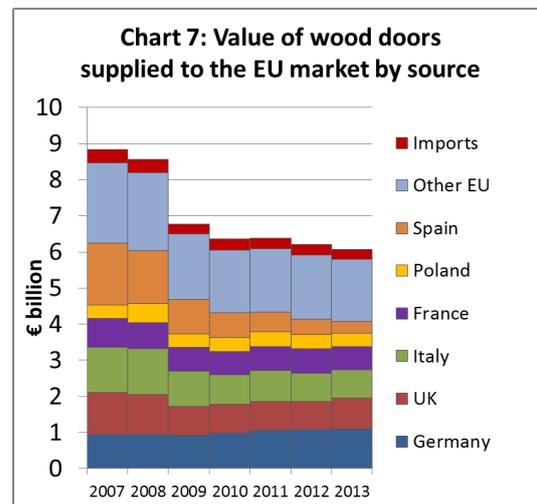
In Belgium, the Archi-vision survey also indicates a gradual improvement in construction sentiment and activity since mid-2013. Belgian building permits are rising slowly, mainly due to growth in the residential sector. Archi-vision forecasts consistent 2% per annum growth in Belgian construction during the period 2014 to 2016.

European wood joinery production continues to decline

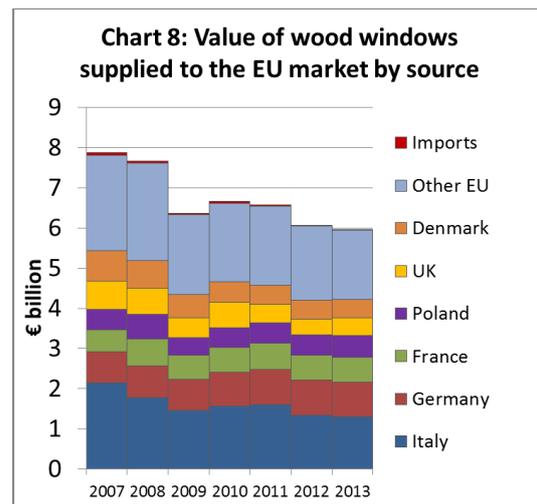
According to newly-published Eurostat data, the total value of EU production of wooden doors and windows declined in 2013. EU imports of both commodities fell even more sharply. Domestic producers increased their already hugely dominant position in these market segments.

EU wooden door production was €5.79 billion in 2013, down 2.1% compared to the previous year (Chart 7). Wooden door production increased in all three of the largest manufacturing countries: Germany (+2.6% to €1110m), the UK (+6.9% to €840m) and Italy (+2.2% to €780m).

However, this was offset by a sharp fall in production in France (-7.3% to €640m) and Spain (-25.2% to €330m). Production in Poland remained static at €380m.



Source:FII Ltd analysis of Eurostat



Source:FII Ltd analysis of Eurostat

EU wood window production fell 1.76% from €6.07 billion in 2012 to €5.96 in 2013 (Chart 8). The decline was mainly due to a 3.2% fall in production in Italy, the largest wood window manufacturing country, from €1340m in 2012 to €1300m in 2013.

Production in Denmark also continued a long-term downward trend, falling a further 4.7% to €440m in 2013. Production in Germany and France remained stable, respectively €870m and €610m in both 2012 and 2013. However, production increased in Poland (+7.1% to €550m) and the UK (+14% to €450m) during 2013.

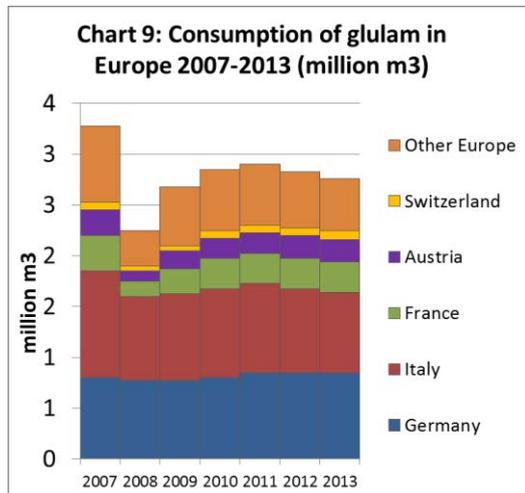
The downward trend in EU production of wood windows and doors is partly the result of the decline in overall construction activity. This has been particularly pronounced in the new build sector with the result that renovation and refurbishment activity is now a much more important driver of demand.

Around 60% of all windows manufactured in Europe are now utilized in the renovation sector and only 40% in the new build sector.

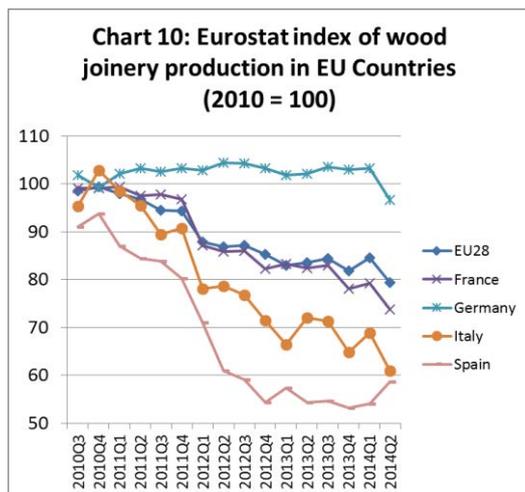
European production and consumption of glulam, used in large dimensions for structural applications and smaller dimensions for windows, also declined in 2013 (Chart 9).

Consumption declined 4% in Italy to 790,000 cu.m and 2% in Austria to 220,000 cu.m. However consumption was stable in Germany and France in 2013 at around 830,000 cu.m and 300,000cu.m respectively.

The Eurostat index of joinery production in EU countries (which excludes flooring but includes doors, windows and glulam) shows that production increased slightly in the first quarter of 2014 but then fell away sharply in the second quarter (Chart 10). An upturn in joinery production in Spain and the UK in the second quarter of this year was insufficient to offset a downturn in Germany, France and Italy.



Source:FII Ltd analysis of Eurostat



Source:FII Ltd analysis of Eurostat

Energy efficiency helps drive joinery sector demand

In addition to underlying economic growth, future development of the construction sector is heavily dependent on legislation to improve energy efficiency of the existing building stock in European countries. Various new measures are expected to encourage more rapid growth in the window and doors sector than in the overall construction sector.

In December 2012, the EU published a new Energy Efficiency Directive requiring Member States to implement most of its provisions by 5 June 2014.

The Directive establishes a common framework of measures for promotion of energy efficiency to ensure the achievement of the EU's 2020 20% headline target on energy efficiency and to pave the way for further energy efficiency improvements beyond that date.

All EU-28 countries are now required to use energy more efficiently at all stages of the energy chain – from the transformation of energy and its distribution to its final consumption. Most countries have identified improvements in existing building stock as one of the most cost-effective ways to meet the Directive. They are therefore introducing building regulations with tighter energy efficiency requirements for windows and doors.

EU Member States are also obliged under the Directive to renovate at least 3% of buildings owned and occupied by the central governments starting from 1 January 2014. They must also include energy efficiency considerations in public procurement so as to purchase energy efficient buildings and products.

Given wood's strong natural insulation qualities and recent improvements in wood manufacturing technology, the wood window and door sector is well placed to exploit these new opportunities. However, competition is intense and other material sectors are gearing up research and development and marketing activities.

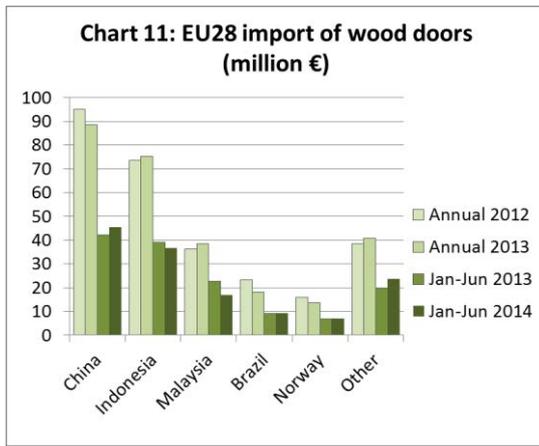
The wood industry in Europe faces a particularly strong challenge from the PVC sector which accounts for at least two thirds of the windows market in many EU Member States. Aluminium windows also account for a comparatively large share of the market, particularly in Spain, Portugal and Italy, partly explained by relatively low price for these windows.

A recent report by independent market analysts Ceresana forecasts a consistent rise in demand for window and door units across the EU until 2020 driven by a gradual improvement in construction activity and a significant rise in refurbishment. Solid wood windows are anticipated to lose market share, both to PVC and to wood/aluminium composite windows.

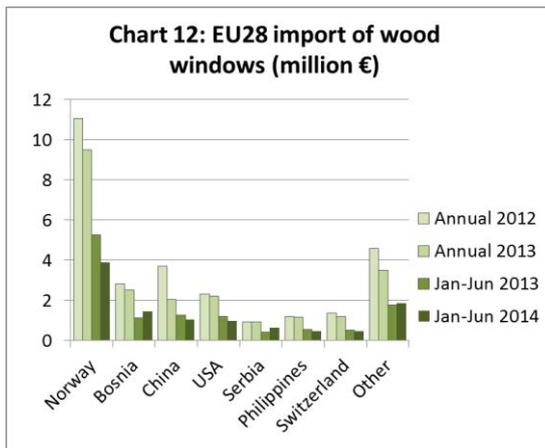
However, wood (mainly veneer and laminate doors) is expected to continue to dominate the interior door market and to maintain share (currently around one third) of the external door market.

No change in EU imports of wood doors in 2014

Imports of wood doors into the EU were valued at €139m in the first 6 months of 2014, exactly equivalent to the same period the previous year (Chart 11). Imports from China increased 7.6% to €45.6m, but these gains were offset by declining imports from Indonesia (-5.8% to €36.8m) and Malaysia (-25.6% to €16.8m). Imports of wood doors from Brazil remained stable at €9.2m during the period. Imports currently account for around 4.5% of the total value of EU wooden door consumption, down from 5% in 2010.



Source:FII Ltd analysis of Eurostat



Source:FII Ltd analysis of Eurostat

EU imports of wood windows continue to decline

The EU market for wood windows is very heavily dominated by domestic producers. Imports currently account for only 0.4% of the total value of EU wooden window consumption, down from 0.8% in 2007. Most wood windows imported into the EU derive from other European countries, notably Norway and Bosnia.

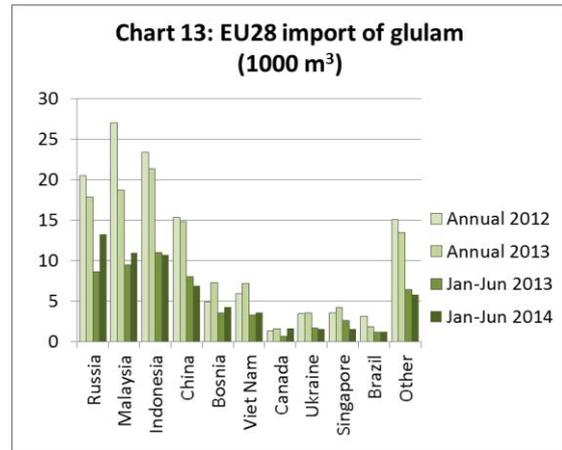
In the first 6 months of 2014, imports fell from most of the leading supply countries including Norway, China, the USA, Philippines, and Switzerland. However there was a slight increase in imports from Bosnia and Serbia (Chart 12).

Recovery in EU glulam imports in 2014

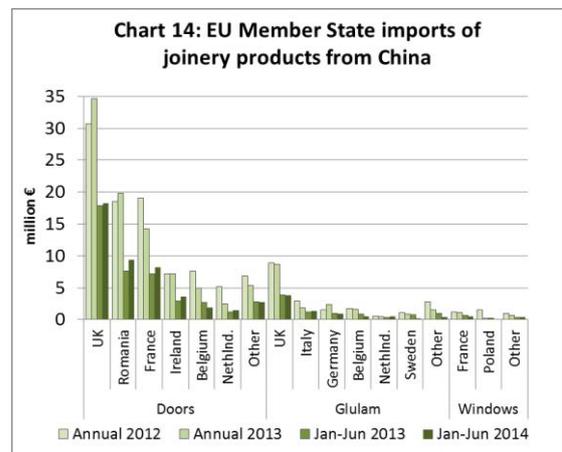
The EU imported 61,400 cu.m of glulam products in the first half of 2014, 9% more than the same period in 2013. Imports from Russia increased 54% to 13,300 cu.m in the first six months of this year (Chart 13). As a result Russia has overtaken Malaysia to become the largest external supplier of glulam to the EU this year.

However there was also a 16% increase imports from Malaysia to 11,000 cu.m this year. Meanwhile imports declined 2% to 10,700 cu.m from Indonesia and 14% to 6,900 cu.m from China. Imports of glulam account for around 5% of total EU consumption of this commodity.

Much of the imported glulam consists of dimension product for window manufacturing. Glulam imports from Russia and China are primarily pine and larch. Imports from Malaysia and Indonesia consist of meranti.



Source:FII Ltd analysis of Eurostat



Source:FII Ltd analysis of Eurostat

EU28 imports of joinery products (excluding flooring) from China had a value of €54.5 million in the first 6 months of 2014, 3% more than the same period the previous year. This partially reverses the 9% decrease (to €108m) in EU28 imports of Chinese joinery products between 2012 and 2013.

Chart 14 summarises EU imports of joinery products from China by product group and EU Member State. Doors make up the bulk of EU joinery trade with China, with total value of €88.5 million in 2013. The EU and Romania are the main European markets for China’s wooden doors and both countries have been importing rising quantities over the last 2 years.

Imports of Chinese wooden doors by France, the third largest market, declined between 2012 and 2013, but have increased again this year.

The UK is the only EU country importing significant quantities of glulam products from China, with value of around €8.7 million in both 2012 and 2013. UK imports of Chinese glulam products were €3.8 million in the first 6 months of 2014, 1.6% less than the same period in 2013.

EU imports of finished wood windows from China are negligible and declining. EU imports of this commodity fell from €3.7 million in 2012 to €2.1 million in 2013. In the first half of 2013, EU imports of Chinese wood windows were only €1 million, mainly destined for France and Poland.

Report from North America

Decline in US imports of ipe and virola sawnwood

US imports of all hardwood sawnwood grew by 6% in July to 80,280 cu.m. The growth was in temperate species, while tropical imports declined by 11% to 18,258 cu.m. Year-to-date tropical imports were 6% higher than in July 2013.

	July 2014	Change from previous month	Year-to-date July 2014	Change from previous year
Balsa	4,998	11%	33,088	46%
Sapelli	1,953	10%	19,587	50%
Acajou d'Afrique	1,357	-18%	11,348	-23%
Keruing	1,115	-32%	10,455	-12%
Ipe	1,235	-49%	14,602	6%
Mahogany	2,095	9%	9,321	7%
Virola	628	-67%	5,309	-29%
Meranti	642	-35%	4,525	47%
Cedro	1,306	53%	5,559	7%
Jatoba	440	142%	1,471	-52%
Teak	590	26%	3,374	-47%
Iroko	3	-94%	192	25%
Padauk	81	62%	382	47%
Aningre	10		194	60%
Other tropical	1,805	-13%	11,946	-13%
Total	18,258	-11%	131,353	6%

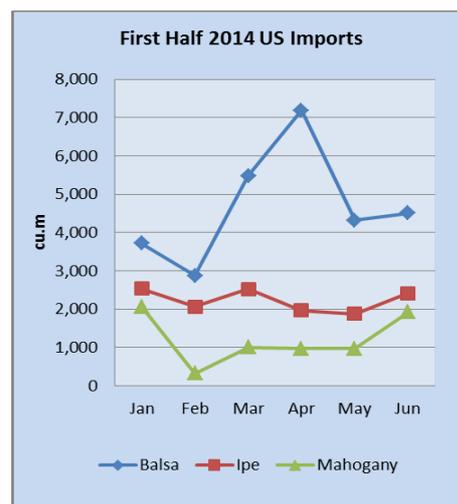
Data source: US Department of Commerce, US Census Bureau, Foreign Trade Statistics

The month-over-month decline was primarily in ipe and virola sawnwood imports (1,235 cu.m and 628 cu.m respectively). The largest growth in imports was in cedro (1,306 cu.m), balsa (4,998 cu.m), jatoba (440 cu.m) and sapelli (1,953 cu.m).

Imports from most major tropical suppliers declined in July, with the exception of Ecuador, Congo (Brazzaville) and Cote d'Ivoire.

Ecuador's exports of balsa to the US were 4,980 cu.m, up 10% from June. Compared to last year, balsa imports from Ecuador increased by 50% to date in 2014.

The growth in wind turbine manufacturing supports US demand for balsa.



Brazil's shipments fell by 27% to 2,458 cu.m in July. The decline was mainly in ipe sawnwood (1,136 cu.m). Jatoba sawnwood imports from Brazil increased to 440 cu.m in July. Peru shipped less virola to the US in July (257 cu.m) with lower virola shipments, down from 1,604 cu.m in June.

Keruing sawnwood imports from Malaysia decreased by 27% to 1,032 cu.m in July. Overall sawnwood imports from Malaysia were 1,469 cu.m, down 34% from June.

Imports from Indonesia declined by 11% to 896 cu.m, but meranti shipments were up in July.

Cameroon shipped 1,349 cu.m of sawnwood to the US in July. Both sapelli and acajou d'Afrique imports from Cameroon were slightly down compared to the previous month.

Imports from Ghana also declined in July, mainly due to lower acajou d'Afrique imports. The US imported 1,272 cu.m of sawnwood from Ghana in July, down 24% from the previous month but year-to-date imports were one third higher than in July 2013.

First half tropical sawnwood imports

Source	Cu.m
Ecuador	28,078
Brazil	17,371
Cameroon	11,912
Malaysia	11,433
Congo (Brazzaville)	7,007
Peru	4,566
Indonesia	4,780
Ghana	6,066
Cote d'Ivoire	4,240
Other	17,642
Total	113,095

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

Canadian meranti imports up

Canadian imports of tropical sawn hardwood were worth US\$2.3 million in July, down 24% from June. Year-to-date imports in 2014 remained 18% higher than in July 2013.

Imports from Canada's largest supplier countries declined in July (Brazil, Cameroon, Ecuador and Indonesia), while imports from Malaysia, Bolivia and Ghana grew.

Sapelli imports fell by 28% to US\$503,743 in July, but year-to-date imports were 55% higher than at the same time last year. Virola, imbuia and balsa imports (combined) declined by 8% to US\$239,890.

Imports of mahogany were worth US\$125,731, up 4% from June. Meranti imports jumped to US\$57,673 with a recovery in shipments from Malaysia.

Bio-Preferred programme open to wood products

The US Department of Agriculture (USDA) has eliminated the restrictions on including mature market wood products in the BioPreferred programme.

The BioPreferred programme is part of the 2014 Farm Bill. It promotes "biobased products, including forest products, that apply an innovative approach to growing, harvesting, sourcing, procuring, processing, manufacturing, or application of biobased products regardless of the date of entry into the marketplace."

The BioPreferred programme will be used in procurement by federal agencies. Voluntary consumer labelling is also part of the program. The USDA has certified about 1,800 biobased products for the label to date.

Mature market products, with a significant market share before 1972, were previously excluded from the program. Now wood product manufacturers can register with the program if they apply an innovative approach in any part of the life cycle of their product.

The USDA is now working on defining and evaluating the eligibility of innovative approaches for the BioPreferred programme. In the meantime wood product manufacturers can use interim guidelines regarding innovative approaches when applying for a BioPreferred label.

Environmental Product Declarations (EPDs) are thought to help manufacturers prove innovative approaches by demonstrating the environmental impact of products. EPDs have been developed for most major wood and building products in North America.

Promoting US-made building materials in public buildings

A bill is progressing through the US Senate that would require the use of US-made building products when public buildings are built or repaired. The bill applies to all building products, including wood. It is too early to tell whether the bill will pass and change current procurement practices in public construction.

Other levels of government have recently supported initiatives to increase the use of wood versus other materials in public buildings, without specifying where the wood products are manufactured. For example, the state of Georgia passed a bill in May that allows greater use of wood in the construction of schools.

In Canada, several provinces and cities went one step further and implemented the so-called Wood First Act in recent years. It mandates that where feasible wood has to be used as a primary building material for all publicly funded buildings. The province of Quebec also promotes the use of wood in appearance applications in public buildings.

A federal bill was defeated in Canadian parliament in 2010 that would have made wood the preferred material in the construction or repair of federal public buildings. The construction industry opposed the change.

Canada supports indigenous forest companies

The Canadian government and the province of Saskatchewan have announced a \$1.1 million investment in the Prince Albert Model Forest Association. The association will provide guidance to forest companies in management practices, manufacturing, product development and marketing for international export.

The assistance will be made available to all forest companies, but an important goal is to support indigenous companies owned by First Nations and Métis. The forest sector in Saskatchewan generates about \$1 billion in sales every year, and First Nations and Métis account for over 15% of the workforce.

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.*

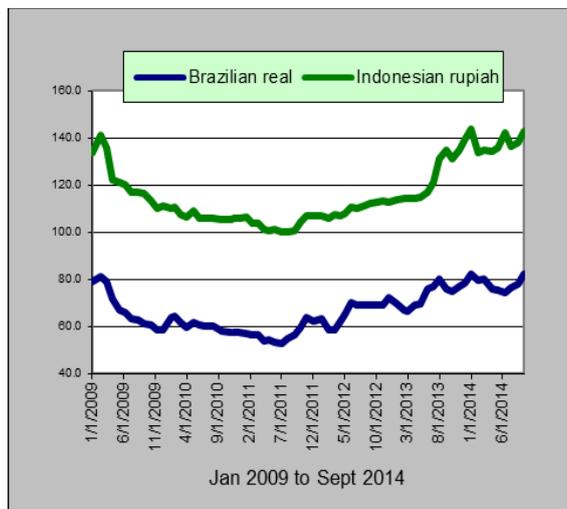
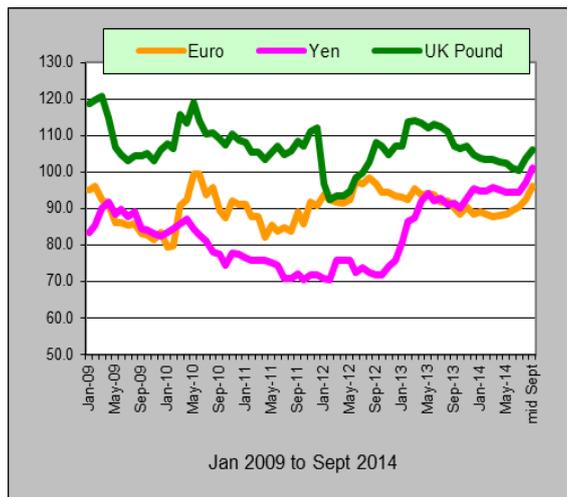
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

US Dollar Exchange Rates

As of 25th September 2014

Brazil	Real	2.42
CFA countries	CFA Franc	515.20
China	Yuan	6.1272
EU	Euro	0.7884
India	Rupee	61.39
Indonesia	Rupiah	12,144
Japan	Yen	109.29
Malaysia	Ringgit	3.2737
Peru	New Sol	2.8934
UK	Pound	0.6155
South Korea	Won	1044.351

Exchange rate index (Dec 2003=100)

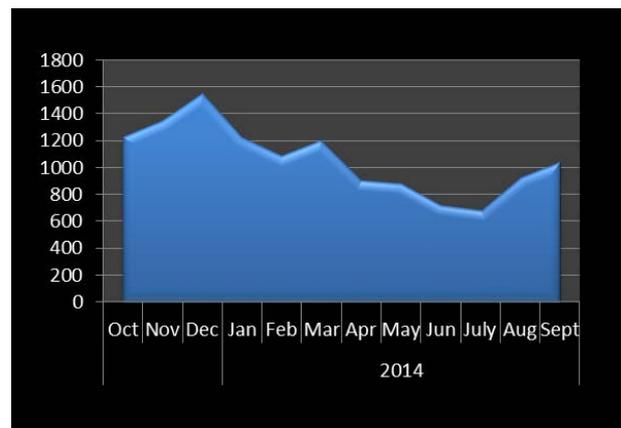


Abbreviations and Equivalences

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
TEU	20 foot container equivalent
CIF, CNF	Cost insurance and freight
C&F	Cost and freight
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

Ocean Freight Index

Baltic Supramax Index
October 2013 – September 2014



Data source: Open Financial Data Project

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.

To have a free copy of this twice-monthly ITTO Market Information Service bulletin emailed to you on the day of production, please register at:

http://www.itto.int/en/mis_registration/