Tropical Timber Market Report

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Contents

Headlines

Top Story

Recovery in EU tropical wood imports

The EU imported tropical wood products worth €517 million in the first three months of this year, a healthy increase of 20.9% compared to the same period in 2014. This strong performance should to be viewed against the weak 2014 imports.

Nevertheless, the volume of EU imports of tropical wood products also rose alongside the value of imports.

Recovery in European trade in tropical timber is becoming more resilient and extends to a wide range of products and market sectors.

See page 19

Report from Central/West Africa

Demand for high-end species lifts prices

In contrast to the rather unexceptional demand over the past month producers now report that market conditions have changed. On the one hand, stronger demand for high-end species for which availability is limited has lifted prices, conversely there is a downward pressure on prices for other, mainly lower end species, driven by tough competition in the market.

Demand for specialty timbers such as ovangkol has grown and prices have increased to around euro 100 per cubic metre. Prices for douka/makore have also risen in recent weeks jumping around euro 30 per cubic metre. For the mid-priced species there has been no change as yet.

For the species such as okoume and okan that have fallen out of favor, mainly because of over stocking in importing countries, buyers are negotiating hard and driving down price levels.

The apparent overstocking of okoume in China has been reported earlier but now it appears as if stocks held by millers have also increased and this is aggravating an already difficult trading environment.

Motive behind interest in mixed species

A noticeable and developing trend is that some buyers, particularly those in Middle East markets, are beginning to consider lower grades and mixed species instead of individual species and more stringent grade standards.

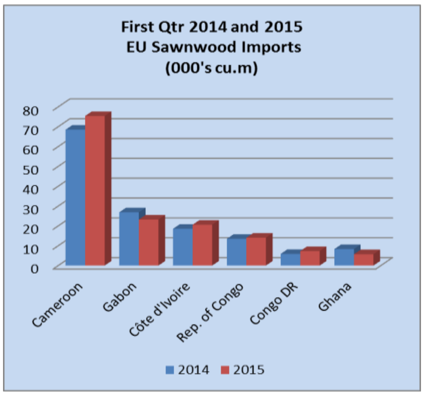
Analysts suggest it seems buyers want to drive average prices down by agreeing to accept a mixture of species. This trend has become most obvious for the redwoods where Malaysia has a strong market position in the Middle east markets. The interest in a wider range of timbers is a welcome development for producers as they can harvest a greater range of species.

First quarter exports improve slightly

Producers report that demand in European markets is steady but unexciting with buyers already looking ahead to quieter business during the traditional summer vacations period that now begin earlier and earlier, in some countries as early as the end June.

Despite the subdued demand in the EU, compared to export levels prior to the financial crisis West African exporters of sawnwood have scored some successes.

Compared to export volumes in the first quarter of 2014 millers in Cameroon, Côte d'Ivoire, Republic of the Congo and the Democratic Republic of the Congo, DR have seen exports rise in the first quarter of 2015. It is only Ghana that has not enjoyed this growth.



Source: Forest Industries Intelligence Ltd analysis of Eurostat

Bright prospects for FDI

The African Economic Outlook for 2015 has forecast foreign direct investment (FDI) into the continent will reach over US$70 billion in 2015 mainly as a result of investments from China, Africa's second largest trade partner after the European Union.

The report also demonstrates the increase in intra-African and outward FDI flows with South African companies leading the way.

For the full report see:
http://www.africaneconomicoutlook.org/en/outlook/

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	260	260	180
Azobe & Ekki	230	230	160
Belli	300⬇	280⬇	-
Bibolo/Dibétou	150	145	
Iroko	330	290	260
Okoume (60% CI, 40% CE, 20% CS) (China only)	240	240	160
Moabi	335	305	225
Movingui	210	210	160
Niove	160	160	-
Okan	250	250	-
Padouk	310⬆	285⬆	225⬆
Sapele	320⬇	320⬇	240⬇
Sipo/Utile	345⬇	340⬇	265⬆
Tali	320	320	-

Sawnwood Export Prices

West African sawnwood, FOB		€ per m^3
Ayous	FAS GMS	400
Bilinga	FAS GMS	500
Okoumé	FAS GMS	370⬇
	Merchantable	225
	Std/Btr GMS	300
Sipo	FAS GMS	610
	FAS fixed sizes	610
	FAS scantlings	660
Padouk	FAS GMS	900⬆
	FAS scantlings	980⬆
	Strips	500
Sapele	FAS Spanish sizes	600
	FAS scantlings	600
Iroko	FAS GMS	615⬆
	Scantlings	680⬆
	Strips	440
Khaya	FAS GMS	450
	FAS fixed	470
Moabi	FAS GMS	610
	Scantlings	615
Movingui	FAS GMS	420

Report from Ghana

Fuel prices continue to rise

Prices of petroleum products in Ghana have been increased 9% by the National Petroleum Authority (NPA) which justifies the rise on the basis of the higher costs of electricity.

In a statement following the announcement of the increase a spokesperson from the Association of Ghana Industries (AGI) said this is an additional burden on industry which is already facing problems due to the tough economic conditions in the country.

The fuel price rise comes at a time when interest rates on loans are in the region of 30% and the cedi has depreciated over 18% against the US dollar since January which is putting businesses under serious pressure. The AGI has called on government to quickly step in to protect local industries from collapse.

Because of the erratic power supply wood processing mills are having to utilise diesel powered generators so the fuel price rise will result in a sharp rise in production costs.

In a related development, the Monetary Policy Committee (MPC) of the Bank of Ghana increased the interest policy rate to 22 percent in an effort to curb inflation which stood at almost 17% in April.

Forestry week celebrated

The Ghana Forestry Commission (FC) celebrated Forestry Week and Greening Ghana Day from 23-29 May under the banner of ‘Healthy Forests Mitigate Climate Change’.

The celebrations were aimed at commemorating the International Day of Forests which falls on 21 March every year but Ghana celebrates the day in May to take advantage of favourable weather conditions in May for tree planting.

The focus of the celebrations was on education and awareness raising programmes in various institutions to strengthen sustainable forest and wildlife management.

Boule Export prices

	Euro per m^3
Black Ofram	305⬆
Black Ofram Kiln dry	395
Niangon	490
Niangon Kiln dry	520⬆

Export Rotary Veneer Prices

Rotary Veneer, FOB	€ per m^3	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	325⬆	400
Chenchen	320	355
Ogea	450	400
Essa	325	375
Ofram	350	500

Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afrormosia	1.19	0.84
Asanfina	1.40	0.56
Avodire	1.15	0.29
Chenchen	1.10	0 .51
Mahogany	1.30	0.82
Makore	1.60	1.15⬆
Odum	1.76	1.20

Export Sawnwood Prices

Ghana Sawnwood, FOB	€ per m^3	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	860	925
Asanfina	492	564
Ceiba	240	272
Dahoma	410	495
Edinam (mixed redwood)	525	580
Emeri	450	520
African mahogany (Ivorensis)	630	950
Makore	573	790
Niangon	560	580
Odum	660	850⬆
Sapele	642	790
Wawa 1C & Select	300	400⬆

Export Plywood Prices

Plywood, FOB	€ per m^3		
BB/CC	Ceiba	Ofram	Asanfina
4mm	485	510	641
6mm	400	535	615
9mm	393	460	510
12mm	360	445⬆	450
15mm	450	399	374
18mm	322	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 grade	FOB € per sq.m		
	10x60mm	10x65-75mm	14x70mm
Apa	14.00	16.00⬆	18.80
Odum	10.00	12.10	11.70
Hyedua	14.00	14.93	18.45
Afrormosia	15.50	18.65	18.55

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

Report from Malaysia

Export led growth in 2015

Malaysia's economy expanded by 5.6% year on year in the first quarter of 2015 on the back of strong private consumption (+9%) and private investment (+12%). However, GDP growth in the first quarter this year fell below the 6.3% growth recorded in the first quarter of 2014.

Output from the manufacturing sector in the first quarter rose to 5.6% from 5.4% in the previous quarter driven mainly by the electronics sector which has benefitted from firm domestic demand.

Analysts are optimistic that Malaysia can continue its export led growth this year and exports could get a boost if Malaysia and the EU revive stalled discussions on a free trade agreement.

Malaysian exports to the EU

(000's cu.m, *except flooring 000's sq.m)

	Qtr 1 2014	Qtr 1 2015	% change
Sawnwood	45	53	18
Mouldings	4.206	5.186	23
Glulam	5.274	5.115	-3
Flooring*	348	350	1
Plywood	22.967	30.658	33

Hundreds of timber company bank accounts frozen

The fight against illegal logging continues with the Malaysian Anti-Corruption Commission (MACC) freezing 375 company bank accounts in its latest strike against Sarawak timber companies suspected of illegal operations.

In a coordinated operation some 400 personnel from MACC, police, state Forestry Department and the Inland Revenue Board raided 48 log ponds, sawmills and business premises across the state.

Sarawak Chief Minister, Adenan Satem, has cautioned the public not to presume those whose accounts are frozen by MACC are guilty of corruption and illegal logging. However, Adenan added that the MACC means business and intends to stamp out illegal logging in the state.

Wong Kie Yik, chairman of the Sarawak Timber Association (STA), has voiced concern that the MACC action was too harsh as it has disrupted company operations and put the international competiveness of these enterprises at risk.

Area of FSC certified forests expands

The Sabah Forestry Department received four Forest Stewardship Council (FSC) certificates covering 155,440 hectares of managed forests in the Northern Gunung Rara Forest Reserve (61,330 hectares), Timimbang-Botitian Forest Reserves (13,610 hectares), Nuluhon Trusmadi and Sg. Kiluyu Forest Reserves (75,804 hectares).

Also included was the Pin-Supu Forest Reserve (4,696 hectares). All forest reserves have been certified by FSC for five years. The Sabah Forestry Department now has around 504,000 hectares of FSC certified forests under its management.

Report from Indonesia

Moratorium extended

In a press release from the Ministry of Environment and Forestry it has been confirmed that Presidential Decree No.6, 2013, the legal basis for the implementation of the moratorium the clearing of primary forests and peat land, has been extended. Further, the proposals for reinforcing the Decree submitted by the NGOs WALHI, Partnership, Sawit Watch, WRI, and others will be considered and amendments to the Decree may be made.

See: http://www.dephut.go.id/index.php/news/details/9789

IKEA to secure more furniture in Indonesia

IKEA, the international furniture retailer, has indicated it will be securing more furniture in Indonesia to help it achieve its sales target.

In particular, IKEA plans to procure more flat-pack wooden furniture in Indonesia next year.

According to a spokesperson from IKEA currently it has 11 suppliers in Indonesia, mainly in Java, but will soon be extending its supply base with the assistance of the Association of Indonesian Craft Development.

In related news, the Indonesian President has expressed disappointment that Indonesia's furniture exports are only around a third of that exported by Vietnam and has set exporters a US$5 billion export target to be achieved by 2019.

Azerbaijan seeks more trade with Indonesia

Azerbaijan says it is keen to boost trade with Indonesia as well as seeking fresh investment in order to strengthen economic.

The Azerbaijan Ambassador to Indonesia, Tamerlan Karayev, has praised the quality and competitive prices of Indonesian furniture and suggested there is a real opportunity for Indonesia to expand trade with his country.

Challenges faced by rattan product manufacturers

Indonesia produces a wide range of rattan products and exports worldwide but the domestic industry is still heavily dependent on imported accessories such as handles, hinges, drawer rails and other components as there is limited domestic production of these essential items.

In an interview with the media, Andrian Wonoto of Jaya Rattan, said "while 90% of the rattan used in manufacturing was obtained in the country the reliance on imported components needs to be addressed.

In addition, Wonoto pointed out that the requirements of the country's legality verification scheme (SVLK) are a major financial burden for SMEs in the sector.

Indonesia 'Barecore' Association formed

Indonesia exports a large volume of laminated panels locally termed 'barecore' and on 5 May manufacturers established the Indonesian Barecore Association (IBcA).

Plantation *Albazia falcata* is the primary raw material used and the main markets for Indonesian barecore are China and Taiwan P.o.C. Indonesian exports of barecore to these two markets are substantial amounting to between 4-5000 containers per month.

For more see:
http://finance.detik.com/read/2015/05/21/095225/2920692/1036/2/kuasai-90-pasar-bare-core-dunia-ri-bisa-stabilkan-harga

Domestic Log Prices

Indonesia logs, domestic prices	US$ per m^3
Plywood logs	
core logs	210-230
Sawlogs (Meranti)	135-150
Falcata logs	120-140
Rubberwood	115-1135
Pine	120-135
Mahoni (plantation mahogany)	130-145

Domestic Ex-mill Sawnwood Prices

Indonesia, construction material, domestic	US$ per m^3
Kampar (Ex-mill)	
AD 3x12-15x400cm	500-600
KD	-
AD 3x20x400cm	590-630
KD	-
Keruing (Ex-mill)	
AD 3x12-15x400cm	520-710
AD 2x20x400cm	490-520
AD 3x30x400cm	415-440

Export Plywood Prices

Indonesia ply MR BB/CC, export FOB	US$ per m^3
2.7mm	500-550
3mm	570-620
6mm	-

Domestic Plywood Prices

MR Plywood (Jakarta), domestic	US$ per m^3
9mm	420-450
12mm	390-420
15mm	340-360

Export and Domestic Other Panel Prices

Indonesia, Other Panels, FOB			US$ per m^3
Particleboard	Export	9-18mm	710-735
	Domestic	9mm	700-750
		12-15mm	650-700
		18mm	590-620
MDF	Export 12-18mm		590-620
	Domestic 12-18mm		430-530

Report from Myanmar

Stamping out corruption in forestry

The domestic media has reported statements by Zaw Win, Deputy Director General of the Forestry Department (FD) to the effect that government action has been taken against 700 Forestry Department employees who are suspected of corruption. This comes after almost 2000 employees were dismissed having been found complicit in timber smuggling.

According to a press release from the FD, search and seize operations were conducted in early May in Indaw, Ban Mauk, Pin Le Bu, Wuntho and Kawlin areas resulting in the capture of 15 smugglers and seizure of logging equipment along with teak, kanyin, tamalan and thitya timber.

Local analysts say that the Myanmar public is expressing concern about the loss of large stretches of forest and denuded mountains and hills in the Kachin State, Northern Shan State and now in Sagaing Division. This matter is one of the most serious issues the government is trying to solve.

As much of the smuggled timber is destined for China the government of Myanmar is working closely with authorities in China to bring the smuggling to an end.

The problem for the Myanmar FD is that the areas on the border subject to illegal operations and smuggling are conflict zones and it is impossible for FD to operate without military support.

The volume of timber seized from smugglers has increased each year since the new administration came to power. For more see:elevenmedia.com

May tender sale results

The following timber was sold by Myanma Timber Enterprise by tender on 22 May 2015. The quantity of logs is expressed in hoppus tons (H.tons) and 'conversions' and sawnwood (including hewn timber) are shown in cubic tons (C.tons).

Teak logs ex-site sold on 22 May

Grade	H.tons	Avg. US$/H.ton
SG-6	117	2459
SG-7	1008	1886

These teak logs were sold on ex-site in Upper Myanmar (Sagaing Division) and Central Myanmar (Magway Division). There were no teak logs sold in Yangon on 22 May.

Form-8 Teak hand sawn

Specification	C.Tons	Avg US$/C. ton
Hand sawn teak slabs	40	1081

Form-8 Hardwood hand sawn timber

Specification	C. tons	Avg US$/C.ton
Hand sawn tamalan slabs	287	2322
Hand sawnPadauk slabs	456	2777

Form-8 timbers are those that have been seized. Generally they are either hewn or hand sawn and are of huge dimension with thicknesses and widths of 4 inches to 20 inches.

Hardwood logs sold ex-site

Species	H. Tons	Avg. US$/H.ton
Kanyin 1st	1124	540.00
Kanyin1st	363	634.00
Kanyin 2nd	1511	470.00
Taungthayet 2nd	2815	192.00
Yemane 2nd	162	333.00
Padauk 4th	5	2500.00
Pyinkado 2nd	253	313.00
Kanyin 2nd	1847	285.00
Pyinkado 1st	164	353.00
Kanyin1st	216	297.00
Thitya 1st	86	245.00
Taukkyant 1st	281	293.00

Note: Yemane- Gmelina arborea; Thitya- Shorea oblongifolia; Taukkyant- Terminalia tomentosa

Report from India

Inflation rate trends down

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 April declined by 0.01% to 176.01 from 176.0 in March. The year on year annual rate of inflation, based on monthly WPI, stood at -2.65% (provisional) for April 2015 compared to -2.33 for March.

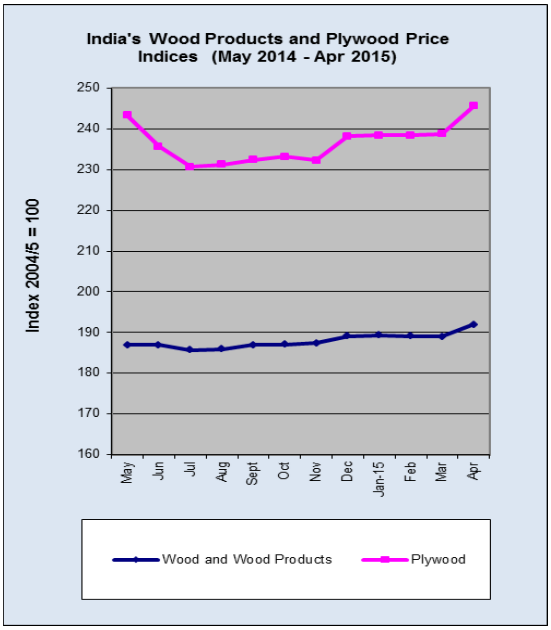
For more see: http://eaindustry.nic.in/cmonthly.pdf

Timber and plywood price indices climb

The OEA also reports Wholesale Price Indices for a variety of wood products. The Wholesale Price Indices for wood products and plywood are shown below.

The April price index for wood and wood products rose 3 points while the April price index for plywood rose almost 7 points marking the sharpest rise since December last year.

See http://eaindustry.nic.in/display_data.asp



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

Net increase in forest cover reported

The Minister of Environment, Forests and Climate Change, Prakash Javadekar, has reported on the ministry's web-based portal launched in July last year for online submission and monitoring of proposals for forest clearing for development projects.

Between 2004 and 2013 around 343,000 hectares of forest land across the country was diverted for development projects and up to May this year the ministry received 2,724 proposals for conversion.

Quoting the Indian State of Forest Report-2013 the Minister said there was an overall net increase of 5,871 square kilometers of forest cover of the country compared to the area quoted in the 2011 State of Forest Report.

Auction of sandalwood from Kerala

Some 59,000 kg of Marayoor sandalwood went under the hammer at an e-auction held 20-21May at the government-owned Marayoor Sandal Reserve Forest office in Kerala's Idukki district. The half-yearly auction is being conducted by the public-sector Metals and Scraps Trading Corporation.

The Marayoor sandalwood plantation, owned by the Department of Forests, currently has around 60,000 sandalwood trees. It is the largest natural sandalwood forest of the species *Santalum album* in the world.

While the results of the latest auction have not been released last year high quality Class 5 sandalwood was sold at Rs10,500 per kg. Analysts expect prices be even higher in the recent auction.

Soap makers, religious organisations and perfume manufacturers are the main customers for the top-quality Marayoor sandalwood.

Auction of domestic forest teak

Arrangements for e-auctions have been finalised to the satisfaction of both sellers and buyers and after many delays sales have ben conducted in the Dangs Division of Gujarat.

Observers report bidding was brisk and sales were good mainly because mills had run down stocks. Some 22,000 cubic metres were sold and only around 8% of the logs on offer remained unsold due to poor quality and age.

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

Teak logs	Per cubic foot
A quality for ship building	Rs.2800-3000
B quality for ship building	Rs.2500- 2800
A for sawing	Rs.2350-2500
B or sawing	Rs.2200-2300
A Long length logs	Rs. 2000-2100
B Long length logs	Rs 1800-1900
Long length, Medium Quality	Rs 1500-1600
Short Length, Medium Quality	Rs 1200-1300
Short Length, Average Quality	Rs 1000-1050

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

Good quality non-teak hardwood logs, 3 to 4 mtrs long having girths 91cms & up of haldu (*Adina cordifolia*), laurel (*Terminalia tomentosa*), kalam (*Mitragyna parviflora*) and *Pterocarpus marsupium*, fetched prices in the range of Rs.800-1000 per c.ft.

Medium quality logs were sold at between Rs600-700 per cubic foot while lower quality logs were sold for between Rs.350-450 per c.ft.

Another round of auctions is expected before the end of June as freshly felled logs are already arriving at the Dang's as well Surat division's depots.

Indian mills welcome arrival of mature and large girth plantation teak logs

The flow of plantation teak imports is balanced with demand. Shipments of larger girth more mature logs are being shipped and this is lifting prices.

	US$ per cu.m C&F
Belize logs	350-400
Benin logs	318-775
Benin sawn	530-872
Brazil logs	404-1063
Brazil squares	370-680
Cameroon logs	365-510
Colombia logs	415-836
Congo logs	408-710
Costa Rica logs	455-739
Côte d'Ivoire logs	435-720
Ecuador squares	264-740
El-Salvador logs	364-934
Ghana logs	295-808
Guatemala logs	303-603
Guyana logs	300-450
Kenya logs	515-600
Laos logs	300-605
Liberia logs	350-460
Malaysian teak logs	363-525
Nicaragua logs	350-596
Nigeria squares	333-450
Panama logs	286-750
PNG logs	400-575
Sudan logs	371-970
Tanzania teak, sawn	307-885
Thailand logs	460-700
Togo logs	388-803
Trinidad and Tobago logs	420-680
Uganda logs	408-909
Uganda Teak sawn	680-900

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

Prices for domestically milled sawnwood from imported logs

Prices remain firm.

Sawnwood Ex-mill	Rs per cu.ft
Merbau	1500-1650
Balau	1500-1600
Resak	1200-1400
Kapur	1250-1300
Kempas	1100-1200
Red Meranti	900-950
Radiata pine AD	600-725
Whitewood	600-700

Price variations depend mainly on length and cross section

Sawnwood (Ex-mill)	Rs. per cu.ft
Myanmar Teak (AD)	
Export Grade F.E.Q.	8000-14000
Teak A grade	5500-6500
Teak B grade	4500-5000
Plantation Teak FAS grade	3500-4000

Price variations depend mainly on length and cross section

Imported sawnwood

The prices for imported sawnwood KD 12% below are 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 prices

Manufacturers in the Haryana Plywood Manufacturers Association in Himachal Pradesh have increased plywood prices by 5% but nationally prices have not changed due to slow demand in the construction and housing sectors.

Prices for WBP Marine grade plywood from domestic mills

Plywood,	Rs. per sq.ft
Ex-warehouse, (MR Quality)	
4mm	41.00
6mm	54.50
9mm	69.10
12mm	85.60
15mm	113.20
18mm	119.30

Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	Rs.20.80	Rs.30.80
6mm	Rs.31.60	Rs.39.60
9mm	Rs.39.80	Rs.48.00
12mm	Rs.47.30	Rs.58.10
15mm	Rs.58.10	RS.71.00
19mm	RS.67.30	Rs.79.50
5mm Flexible ply	Rs.42.00	

Smart cities in India – a report from CREDAI

The Confederation of Real Estate Developers' Associations of India (CREDAI), with over 9000 Members in 23 State Chapters and 152 City Chapters, represents private real estate developers in India.

A recent CREDAI report 'Smart Cities' sets out a vision for urbanisation in India.

CREDAI offers a perspective on how smart cities will transform the Indian real estate sector pointing out that the rate of urbanising is unprecedented with 30 village dwellers moving every minute from villages such that the numbers of urban dwellers will more than double by 2030.

See:
http://www.credai.org/sites/default/files/Conclave-2014-Report-smart-cities.pdf

Report from Brazil

Tropical wood product exports improve

April exports of wood-based products (except pulp and paper) increased 12.4% in value compared to April 2014, from US$220.0 million to US$247.3 million.

Pine sawnwood exports grew almost 15% in value in April 2015 compared to April 2014, from US$18.9 million to US$21.7 million. In terms of volume the increase was just over 14% from 82,300 cu.m to 94,200 cu.m over the same period.

Tropical sawnwood exports surged around 23% in volume, from 28,000 cu.m in April 2014 to 34,400 cu.m in April 2015 which, in terms of value, was from US$14.5 million to US$17.9 million.

Pine plywood exports continued the upward trend and in April increased 25% year on year from US$38.0 million to US$47.4 million (102,200 cu.m to 133,100 cu.m, during the same period).

Tropical plywood exports, although now very small, more than tripled in April from 3,400 cu.m in April 2014 to 9,400 cu.m in April this year. In value terms the rise was from US$2.1 million in April 2014 to US$4.6 million in April this year.

Because of a weakening in regional and international demand for Brazil's wooden furniture exports fell from US$38.2 million in April 2014 to US$37.1 million in April 2015, a 3% drop.

According to data compiled jointly by the Foreign Trade Secretariat (SECEX) in partnership with the Furniture Industry Association of Rio Grande do Sul (MOVERGS) and the Innovation Manager Centre (CGI) Brazilian furniture exports have been declining since the beginning of the year.

From January to April the value of Brazil's furniture exports totaled US$196.6 million, a 6.6% decline over the same period of 2014. In Rio Grande do Sul, the country's second largest furniture exporting state, furniture exports fell 5.6% to US$59.5 million compared to US$63 million recorded in 2014.

Brazilian furniture exports fell to Angola (-76%), Argentina (-27%), France (-23%), Germany (-21%) and the Netherlands (-17%). However, some countries increased imports from Brazil, including Mexico (+ 97%), Cuba (+ 60%) and the United States (+ 25%).

Brazilian furniture makers discuss automation

Demand levels for Brazilian wooden furniture are changing, domestic demand has slowed and in international markets there is intense competition.

When this is set against a perceived lack of government support for the sector, the high tax rates and rising production costs it comes as no surprise that new production models involving higher levels of automation are being discussed.

The up-coming 6th Furniture Congress hosted by the Federation of Industries of Paraná State (FIEP) in September 2015 will, according to the organisers promote reflection on the changes in the furniture sector and rethink the products and processes most likely to deliver a greater international market share.

Mission to Ligna and Construmat

A group of timber companies from Mato Grosso State joined a mission to Germany (to visit Ligna) and to Spain (for Construmat) in order to assess the competition, assess markets opportunities and see what new products are being made available.

This visit was organised by the Federation of Industries of Mato Grosso (FIEMT) in partnership with the Brazilian Support Service to Micro and Small Businesses (SEBRAE).

The Ligna fair in Germany brings together representative companies from the entire production chain and around 1,500 exhibitors from 48 countries participated. The Construmat fair in Spain involves promotion of products for civil construction and provides an opportunity for entrepreneurs to observe products offered by companies from the countries participating in the fair.

According to FIEMT, the participation in such fairs provides insights on innovations in wood product and utilisation for civil construction. The EU construction industry is a potential target market for exports of Brazilian wood products.

Pará plans extensive rail link

Pará, one of the main timber producer states in Brazil, plans to create a rail link between the southern and southeastern to the northeastern regions of the state.

Despite having abundant natural resources such as one of the largest mineral reserves in the world, large areas suitable for agriculture, extensive forest resources along with a favorable investment environment the state lacks adequate infrastructure.

The rail project, called the Pará Industrial and Port Logistics Complex (COLINPORT) will have 1,200 km of railway administered by Para Railway (FEPASA) and a port in Colares municipality (Northeast region of the State).

This port will have capacity to receive large vessels and has the advantage of being located in a region which is close to Asian, European and North American markets.

The construction of COLINPORT is expected to start in 2018, with an investment of R$16 billion. The new railroad could be connected to the North-South Railroad in Brazil and could be used to transport minerals, grains and timber making Pará one of the most competitive regions in the world.

Inflation the highest in over a decade

Brazil's Consumer Price Index (IPCA) was 0.71% in April 2015 – the lowest the index has been in 2015. However, the index remains the highest since 2011. The accumulated IPCA topped 4.5% in the first four months of 2015, the highest since 2003 when it touched 6.15%.

The Monetary Policy Committee (COPOM) of the Brazilian Central Bank (BCB) raised interest rates for the fifth consecutive time by 0.5% to an annualized 13.25%.

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US$ per m^3
Ipé	770⬆
Jatoba	412⬆
Massaranduba	354⬆
Muiracatiara	381⬆
Angelim Vermelho	334⬆
Mixed red and white	209⬆
Eucalyptus (AD)	200⬆
Pine (AD)	145⬆
Pine (KD)	160⬆

Domestic Log Prices

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	155⬆
Jatoba	89⬆
Massaranduba	93⬆
Miiracatiara	97⬆
Angelim Vermelho	89⬆
Mixed redwood and white woods	78⬆

Domestic Plywood Prices (excl. taxes)

Parica	US$ per m^3
4mm WBP	571⬆
10mm WBP	457⬆
15mm WBP	398⬆
4mm MR	518⬆
10mm MR	386⬆
15mm MR	367⬆

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	249⬆
15mm MDF	361⬆

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US$ per m^3
Ipe	1336⬆
Jatoba	1976⬇
Massaranduba	736⬇
Miiracatiara	709⬆
Pine (KD)	222⬇

Export Plywood Prices

Pine Plywood EU market, FOB	US$ per m^3
9mm C/CC (WBP)	358⬇
12mm C/CC (WBP)	331⬇
15mm C/CC (WBP)	328⬇
18mm C/CC (WBP)	324⬇

Export Prices For Added Value Products

FOB Belem/Paranagua Ports		US$ per m^3
Decking Boards	Ipê	2,368⬆
	Jatoba	1,545

Report from Peru

Applying technology to battle illegal felling

The Special Prosecutor for Environmental Matters (FEMA) Public Ministry which is equipped with some advanced technology will support the authorities in the Ucayali region as they step up efforts to enforce forest laws.

A senior prosecutor, Pablo Sánchez Velarde, was recently in Pucallpa to inaugurate a satellite monitoring system to rapidly detect illegal logging so action can be taken on the ground.

FEMA's office in Ucayali will lead the way in the prevention, control and punishment of environmental crimes in the region.

MegaFlorestais 2015 yields multiple agreements

The Ministry of Agriculture and Irrigation (MINAGRI), through the National Forest and Wildlife Service (SERFOR) hosted the Annual Meeting MegaFlorestais 2015 which met for a week bringing together forest agencies from the ten countries with largest forest cover.

SERFOR Executive Director, Fabiola Muñoz, as a result of the meeting bilateral agreements were concluded with Canada on the forest industry, with Mexico for forest inventories and with Guatemala on support for small farmers.

MegaFlorestais 2015 was held in Cusco and the theme was "Combating deforestation and promoting the contribution of forestry to the green economy".

Peru's Deputy Minister of Agrarian Policy, Cesar Sotomayor, along with senior officials from state forestry agencies participated to exchange experiences and build alliances and synergies to move forward on issues of development, innovation, technology and development the forest industry, among others.

The meeting provided an opportunity for MINAGRI to underscore its commitment to promote the comprehensive and sustainable management of natural forests and combat deforestation in Peru.

New programme to promote productivity and exports

The Foreign Trade Society of Peru (COMEX) has reported on the success of its 'Sierra Exportadora' programme conducted in 2014 and has proposed the creation of 'Selva Exportadora' to promote productivity and competitiveness of the Peruvian products.

The trade group says that the Sierra Exportadora programme assisted with the development of business plans for over 300 enterprises which led to sales of about US$190 million in 2014, which represented an increase of 78% over 2013.

COMEX focused on non-mineral exports and in 2014 shipments were up 4% due to the good performance of the agricultural sector which exported 21% more than in 2013.

COMEX is encouraging the Council of Ministers (PCM), the private sector and regional governments to emulate Exportadora Selva.

More land to be made available for housing

Activity in one of the main drivers of the Peruvian economy, the construction sector, slowed significantly towards the end of last year but now the government has proposed a range of support measures to stimulate growth.

Peru's Minister of Housing, Construction and Sanitation, Milton von Hesse, has indicated that because one of the main hurdles to expansion of construction sector output was the shortage of land for building the government will auction around 5,000 hectares for housing construction.

For more see:
http://www.camaralima.org.pe/principal/categoria/boletin-virtual-la-camara-al-dia/19/c-19

In related news, the current economic slowdown in Peru is affecting the profitability of domestic enterprises with business goals now becoming unattainable. A recent study of business sentiment reported that over half the companies surveyed said that business conditions were either 'regular' or ' bad ' in the first months of the year.

Trans-Amazon railway

The east-west rail link across South America proposed by by the Chinese government has moved a step forward as the government in Peru agreed to contribute to a study of the proposal.

China, Brazil and Peru plan to begin a feasibility study for the 5,000 kilometre rail line which is expected to cost around US$10 billion. Such a railway would greatly reduce the cost of transporting goods destined for the Chinese and other international markets.

Export Sawnwood Prices

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

Peru Sawnwood, FOB Callao Port (cont.)	US$ per m^3
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	457-532
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	623-653
Marupa (simarouba) 1", 6-11 length Asian market	456-506

Peru Sawnwood, FOB Iquitos	US$ per m^3
Spanish Cedar AD Select Mexican market	911-931
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	451-514↓
Grade 2, Mexican market	355-391↓
Grade 3, Mexican market	161-176
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	369-426

Domestic Sawnwood Prices

Peru sawnwood, domestic	US$ per m^3
Mahogany	-
Virola	182-211↑
Spanish Cedar	305-364↑
Marupa (simarouba)	151-168

Export Veneer Prices

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

Export Plywood Prices

Peru plywood, FOB Callao (Mexican Market)	US$ per m^3
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 (excl. taxes)

Iquitos mills	US$ per m3
122 x 244 x 4mm	508
122 x 244 x 6mm	513
122 x 244 x 8mm	522
122 x 244 x 12mm	523
Pucallpa mills	
122 x 244 x 4mm	503
122 x 244 x 6mm	511
122 x 244 x 8mm	513

Domestic Prices for Other Panel Products

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

Export Prices for Added Value Products

Peru, FOB strips for parquet		US$ per m^3
Cabreuva/estoraque KD12% S4S, Asian market		1296-138
Cumaru KD, S4S	Swedish market	922-1058
	Asian market	1123-1142
Cumaru decking, AD, S4S E4S, US market		1262-1326↑
Pumaquiro KD Gr. 1, C&B, Mexican market		479-554
Quinilla KD, S4S 2x10x62cm, Asian market		493-519
	2x13x75cm, Asian market	732-815

Report from Guyana

LUS marketing trials for domestic consumers

It is estimated that the forestry and wood processing sectors contribute between US$40 million and US$60 million to export earnings annually representing between 3 and 4% of GDP.

Annual average timber and timber products production is estimated at 420,000 cubic metres, with plywood and furniture manufacturing being two key value added products.

The forests of Guyana contain a rich variety of timber species and government agencies have been promoting several lesser used species (LUS) in the domestic and international markets with some success.

Recently LUS marketing campaigns have targeted the domestic market. One such campaign saw furniture made from LUS and put on trial in cooperation with the National Parks Commission.

This trial will put to test the durability and usefulness of the LUS species being promoted to determine if they are suited for furniture making.

The Guyana Forestry Commission is convinced that the LUS are viable substitute for better-known species in terms of performance and aesthetics. Additionally, many LUS exhibit rich and exotic colours and textures providing the opportunity for unique furniture and interior decoration designs.

Export prices

There were no exports of greenheart, purpleheart or mora logs in the period reviewed.

Logs, FOB Georgetown	US$ price per m^3		
	Std	Fair	Small
Greenheart	-	-	-
Purpleheart	-	-	-
Mora	-	-	-

Export Sawnwood Prices

Sawnwood, FOB Georgetown		US$ price. per m^3	
EU and US markets		Undressed	Dressed
Greenheart	Prime	1820	-
	Standard	-	1102-1484
	Select	590-890	-
	Sound	-	-
	Merchantable	-	-
Purpleheart	Prime	-	-
	Standard	-	1060
	Select	1060	-
	Sound	-	-
	Merchantable	650	-
		-	
Mora	Prime	-	-
	Select	595	-
	Sound	450	-
	Merchantable	-	-

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

Export plywood prices

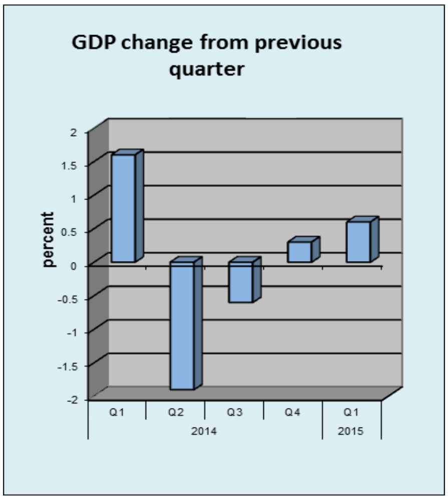
Plywood, FOB Georgetown Port			US$ Avg unit val. per m^3
Baromalli	BB/CC	5.5mm	No export
		12mm	460-584
	Utility	5.5mm	No export
		12mm	No export

Report from Japan

Exports the foundation of GDP growth in first quarter

International demand for Japan's exports held up well in the first quarter of 2015 despite a weakening of demand in China and a less than robust demand growth in the US. The positive export performance resulted in a first quarter growth at an annualised 2.4%, better than the 1.5% that had been forecast.

However, it is difficult to separate the effects of a big increase in manufacturing inventories in the first quarter and the impact of the sharp fall in oil prices.



Source: Cabinet Office, Japan

The Cabinet Office report on GDP confirmed that consumer spending was picking up as was business investment. The most encouraging news was that private consumption seems to be increasing but in the short term it is likely that exports will continue to underpin growth.

Sustainable Green Ecosystem Council seeks PEFC mutual recognition

A press release from PEFC announced that the Japanese forest certification scheme is open for public consultation.

See: http://www.pefc.org/news-a-media/general-sfm-news/1848-japanese-forest-certification-scheme-open-for-public-consultation.

The PEFC press release says "Japan's Sustainable Green Ecosystem Council (SGEC) has applied for the endorsement and mutual recognition of the Japanese Forest Certification System by PEFC.

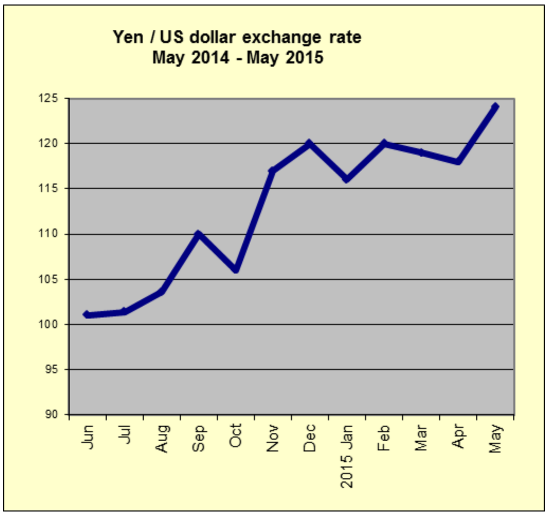
SGEC, which joined PEFC only in November 2014 is the largest forest certification system in Japan. Established in 2003, SGEC focusses on promoting sustainable forest management and forest certification especially among the 2.5 million small- and family owners who own at least 0.1 hectares of forests.

While the average forest holding is 2.7 hectares, some 1.5 million forest owners own less than 1 hectare of – often fragmented – forests."

Global stakeholder consultation is an important part of the PEFC assessment as it enables interested parties to provide insights and information on the system's compliance with PEFC requirements. Stakeholders are encouraged to submit comments on the SGEC Certification Scheme using PEFC's Online Consultation Tool by 13 July 2015.

US dollar buys 124 yen

The US dollar strengthened towards month end largely on account of US data on durable goods orders matching forecasts which, in turn resulted in the firming of opinion that US interest rates will soon be raised.



The US Commerce Department released a report showing that durable goods orders dipped by 0.5% in April but when orders for transportation items are eliminated there was a 0.5% rise in April compared to a revised 0.6% increase in March.

The US Federal Reserve will meet 16-17 June and analysts expect an interest rate rise to be announced.

The impact of the stronger dollar was immediately apparent on the yen/dollar exchange rate when, on 28 May, the dollar bought 124 yen.

Second consecutive rise in housing starts

A welcome rise in April housing starts has been reported by Japan's Ministry of Land, Infrastructure, Transport and Tourism. This was the second consecutive monthly rise in housing starts but because the April growth was slightly below that of seen in March, forecasts for the year as a whole fell to a seasonally adjusted 913,000 from 920,000 in March.

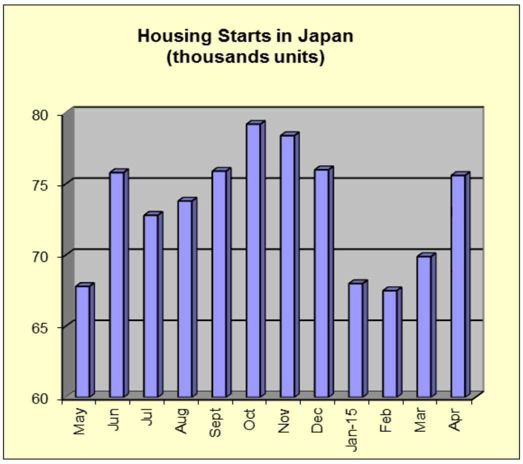
Despite the good news building firms reported a 12% drop in orders in April compared to the same time a year earlier.

Problem of abandoned homes to be tackled

The latest data indicates that one in seven of homes across Japan are vacant, a doubling of levels in 25 years. A new law providing for action where abandoned homes pose a risk has come into effect.

Now, local authority personnel can enter and survey such homes and request the owners renovate or remove the building. If an owner refuses to comply the authorities can demolish the building.

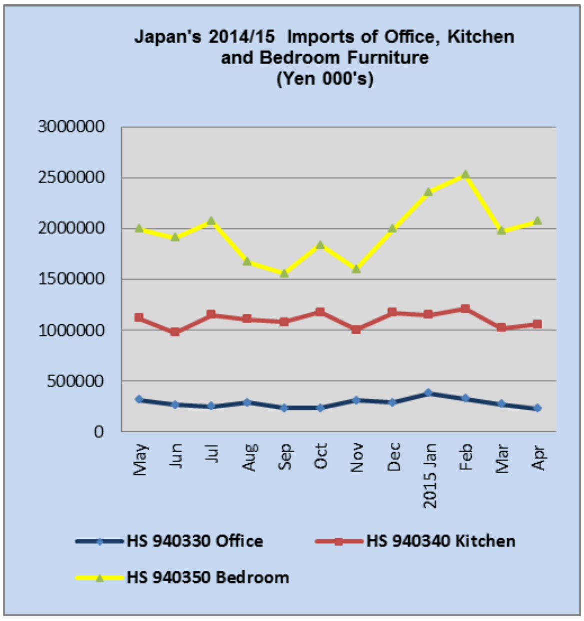
In most countries houses retain or even increase in value over time and used homes account for 60 to 90 percent of the housing market in such countries but in Japan second-hand homes have little value and account for only 10 percent of the housing market.



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

Japan's furniture imports

After the positive start to the new year Japan's imports of office, kitchen and bedroom furniture are struggling to recover. The value of imports of all three categories of furniture in April 2015 was around 11% below that in April 2014 despite the burst in bedroom furniure imports in February this year.



Data source: Ministry of Finance, Japan

Office furniture imports (HS 940330)

The top four suppliers of office furniture; China, Portugal, Poland and Italy maintained their dominance of the market in Japan accounting for over 75% of all office furniture imports in April, up 5% from March.

Office furniture imports continued to fall in April (down almost 17% from March) marking the fourth straight monthly decline. The big losers in April were South Korea, Taiwan P.o.C, France and Germany. Of note was the significant value of April office furniture supplied by manufacturers in Switzerland.

Office furniture imports

	Imports, Apr. 2015 Unit 1,000 Yen
S. Korea	-
China	86110
Taiwan P.o.C	4485
Vietnam	-
Thailand	1731
Malaysia	4119
Indonesia	5605
Lebanon	241
Sweden	-
Denmark	1959
UK	-
Netherlands	-
France	611
Germany	10096
Switzerland	15834
Portugal	41719
Italy	21882

Poland	21784
Austria	-
Turkey	-
Lithuania	3053
Czech Rep.	-
Slovakia	4875
Canada	-
USA	3062
Total	227166

Data source: Ministry of Finance, Japan

Kitchen furniture imports (HS 940340)

April Kitchen furniture imports were slightly higher (3.5%) in April partially making up for the 16% decline recorded in March.

The top four suppliers, accounting for 93% of total kitchen furniture imports, were Vietnam (up 30% compared to March), Philippines, China (-30%) and Indonesia (23%).

With Vietnam alone accounting for around 44% of Japan's kitchen furniture imports it will come as no surprise that when imports from Thailand, Malaysia Philippines and Indonesia are included, SE Asian suppliers are capturing the lion's share of the market for imported Kitchen furniture.

Kitchen furniture imports

	Imports, Apr. 2015 Unit 1,000 Yen
China	159131
Taiwan P.o.C	1285
Vietnam	459788
Thailand	13833
Malaysia	12265
Philippines	217493
Indonesia	141443
Sweden	-
Denmark	-
UK	438
France	-
Germany	15914
Italy	6830
Poland	6324
Austria	-
Romania	2124
Canada	3527
USA	15062
Total	1055457

Data source: Ministry of Finance, Japan

Bedroom furniture imports (HS 940350)

Imports of bedroom furniture remain dominated by two suppliers; China and Vietnam which together accounted for 86% of April imports by Japan. The latest data from the Ministry of Finance in Japan shows that bedroom furniture imports from China surged almost 45% in April 2015 but were still below levels recorded in April 2014.

The number three and number four suppliers of bedroom furniture in April 2015 were Thailand and Indonesia, together adding a further 6% of overall imports.

Of non-Asian suppliers Poland, Slovakia, Romania and the US emerged as serious suppliers in April with all three achieving better sales to Japan compared to those in March this year.

Bedroom furniture imports

	Imports, Apr. 2015 Unit 1,000 Yen
S. Korea	419
China	1221160
Taiwan P.o.C	16770
Vietnam	564573
Thailand	74169
Malaysia	39811
Philippines	229
Indonesia	44164
Sweden	-
Denmark	5501
UK	250
Belgium	227
France	-
Germany	-
Switzerland	1612
Spain	371
Italy	7884
Poland	39981
Austria	339
Romania	12550
Latvia	215
Lithuania	6447
Croatia	204
Bosnia and Herzegovina	-
Slovakia	15580
Cabnada	-
USA	21479
Total	2073935

Data 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 reproduce news on the Japanese market precisely as it appears in the JLR.

For the JLR report please see:
http://www.n-mokuzai.com/modules/general/index.php?id=7

Log supply and demand in 2014

The Ministry of Agriculture, Forestry and Fisheries disclosed wood statistic in 2014. Log supply in 2014 decreased by 1.7% because of drop of housing starts to 25,582,000 cbms. This is the first decline in five years

Logs for plywood were 4,405,000 cbms, 5.4% up but logs for lumber dropped by 3.5% and for wood chip dropped by 1.3%. By source, imported logs were 5,669,000 cbms, 11.2% down while domestic logs were 19,913,000 cbms, 1.4% up so the share of domestic logs in total log supply increased to 77.8% from 75.5% in 2013.

Decrease of total log supply was the first in five years but domestic log supply has been increasing for last five years. It increased by 19.8% compared to last bottom in 2009.

On logs for lumber, domestic logs increased by 1.3%, stimulated by active investment for sawmills while imported logs declined by 14.6% because of weakened yen.

On logs for plywood, domestic logs increased by 5.8% and imported logs also increased by 4.2%. The demand was active for general construction and more production of thick panels contributed for more log consumption.

Revised Building Standards Act

Revised Building Standards Act will come in force on June 1. Now wooden three stories school building can be built by quasi-fire resistive structure and restriction on floor space of over 3,000 square meters of wooden building is no longer applied if fire wall is provided.

The main revision is fire resistance of wooden building based on data collected from actual full scale fire experiments done in during 2011 and 2013. To build three stories wooden school building by quasi-fire resistance structure, full scale fire experiment was done three times to collect data.

Active investment by plywood mills

Capital investment by plywood mills this year is getting busy. Supply of structural panel of domestic softwood seems to be excessive but many plywood mills try to develop new products like concrete forming panel and floor base panel by building new mills.

Seihoku group (Tokyo), the largest plywood manufacturing group in Japan, is determined to develop demand of non-structural panels with concerted effort.

In particular, each manufacturer of the group will tackle to manufacture and market softwood coated concrete forming panel with all-out effort.

In May, Kitakami Plywood, one of the group companies, starts commercial production. The plant was built in 2014 and all the machineries are installed and JAS certificate is acquired. It will consume about 100,000 cbms of local Iwate prefecture logs to produce 55,000 cbms of plywood. At first, it starts with structural panel production then eventually it will produce non-structural panels like floor base.

Development of softwood concrete forming for coating demand is pressing issue with declining housing starts in future and plan to increase use of domestic logs. Then production of ‘Chisan Coat’ concrete forming panel, manufactured by Shinyei Plywood, one of Seihoku group mill, is about 60-70,000 sheets a month, 50% more than last fall.

The company renovated dryers capacity so that the production increased by 30%, which enables to manufacture more softwood concrete forming panels.

Hokuyo Plywood, another group company has started manufacturing and marketing of new product ‘New Ace’ gradually.

Nisshin group (Tottori prefecture) is having more orders of concrete forming panel for coating after imported South Sea hardwood concrete forming panel prices soar by weak yen.

Shimane Plywood, one of the group mill completed having manufacturing line of coated concrete forming panel at the end of March with supply capacity of 2,000 cbms a month.

Nisshin has veneer plant, which supplies veneer to group plywood mills whenever hot press has spare time to improve production efficiency. It prepares to develop floor base sales more since demand of structural panel is expected to decline.

Noda Corporation (Tokyo) newly built plywood mill at Fuji city of Shizuoka prefecture. This plant uses locally produced logs and cypress will be more than half so it will produces cypress floor base. The products are used for in-house consumption to make building materials. It will try to develop new market with unique products. It has already developed composite floor with cypress plywood base.

Plywood

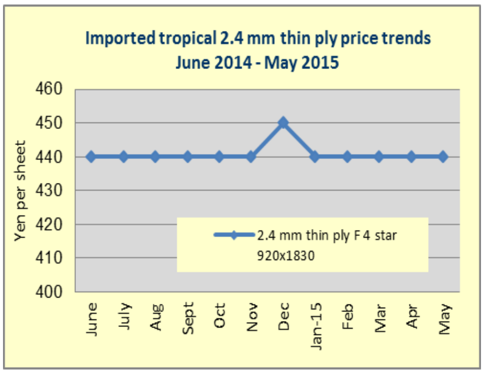
Demand stagnation continues and market of both domestic and imported plywood remains sluggish. Market of domestic plywood is weakly holding with depressed precutting plants’ operations.

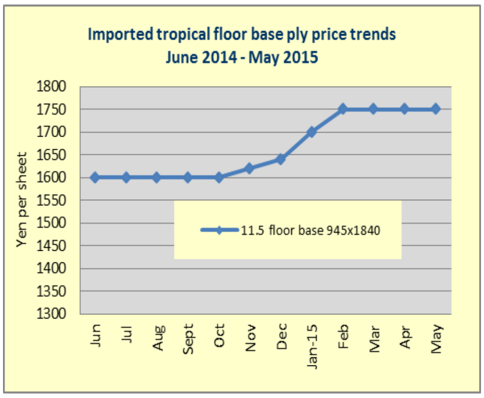
Sliding market prices finally bottomed in late March after major plywood manufacturers announced price increase but the demand structure has not changed and the movement in April continues dwindling.

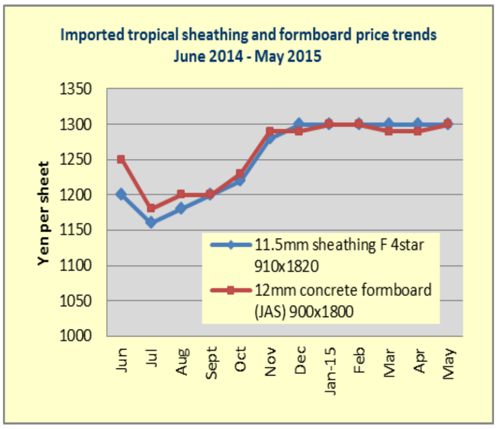
With improving housing starts, precutting plants get a bit active so there is hope for recovery. The prices once started moving up again fell to the March level.

March production was more than the shipment so the inventory increased to 246,400 cbms. Imported plywood market is firm despite weak movement even after new fiscal year started in April.

The shipment from warehouses in Tokyo ports remained in slow pace. It got active some in late April before the Golden Holidays in early May but the prices remain unchanged.







Plywood suppliers in Malaysia stay bullish by chronic log shortage and there is difference of more than 100 yen per sheet between imported cost and the market prices in Japan.

The importers and wholesalers managed to tide over by shopping low cost materials in the market. By slow demand for last several months, the on-hand inventory is much heavier than normal for some importers.

The arrivals in March plunged to 234,200 cbms and future arrivals will be low but because of depressed shipment, inventories in Tokyo harbor seems excessive. Arrived cost has steadily been climbing despite slow demand.

Report from China

House prices continue down

The April data on residential building prices in 70 major cities across China has been released by the National Bureau of Statistics of China. When compared to March, prices for newly constructed residential buildings in April declined in 48 cities, increased in 18 and were unchanged in 4 cities. Year on year April house prices fell in 69 of the 70 cities surveyed.

Prices of second-hand homes fell in 34 cities but increased in 28 cities. The highest month-on-month increase was 2.4 percent.

Price indices for newly constructed residential buildings (Index 2010=100)

	April Yr on Yr
Beijing	96
Tianjin	95.3
Shijiazhuang	95.5
Taiyuan	94.6
Hohhot	92
Shenyang	90.1
Dalian	91.4
Changchun	93.6
Harbin	94.3
Shanghai	94.5

Source: National Bureau of Statistic, China

US$7 billion overseas investments

It has been reported that domestic investors invested some US$103 billion in 156 countries in 2014, up 14% year on year. In 2014 China's outbound investment surpassed inflows of foreign investment such that there was a net capital outflow. This marks a fundamental change in China's economic development pattern since the reform and opening-up period.

According to the available statistics China has around 200 forestry investment and cooperation projects in Asia, Europe, Africa, America and Oceania worth an estimated US$7 billion and employing almost 10,000.

China’s overseas forestry investment is benefitting from new opportunities through free trade zone strategies, bilateral investment protection agreements and deals on double taxation.

Since the creation of an International Trade and Investment Promotion office within the China Forest Industry Federation the rights and obligations of China's oversea forestry enterprises secure wider support. However, it is recognized that Chinese enterprises investing in overseas forestry face many challenges such as an imperfect supportive government policy and insufficient financial and management support.

Other challenges include a lack of experience on the part of investors, a low level of business management capacity, an inability to correctly assess and react to risks and a lack of international business acumen.

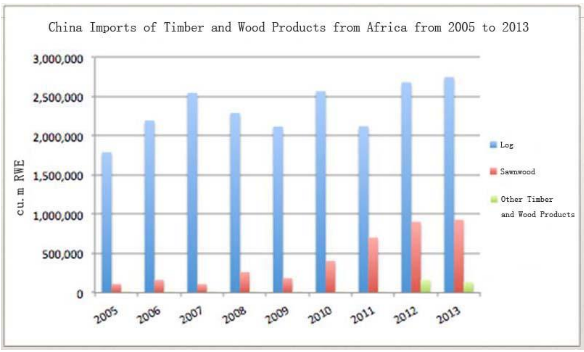
Trade between China and Africa

According to a report from the Global Environmental Institute (GEI) a Chinese not for-profit, non-governmental organization that was established in Beijing in 2004 timber imports from Africa during the period 2005 to 2013 averaged around 2-3 million cubic metres per year. Sawnwood imports over the same period increased rapidly. Imports of other wooden products such as plywood began to grow over the past two years.

For details see:
http://www.geichina.org/index.php?controller=Default&action=index

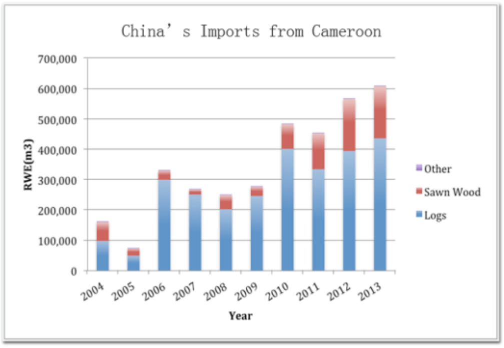
China's log imports from 2011 to 2013 were mainly from the Republic of Congo (22%), Cameroon (13%), Mozambique (13%), Equatorial Guinea (12%), Benin (7%), Gambia (5%), the Democratic Republic of Congo (5%), Ghana (5%) and Liberia (3%).

Sawnwood imports were from Gabon (37%), Mozambique (24%), Cameroon (20%), Benin (5%), the Republic of Congo (4%), Ghana (2%), the Democratic Republic of Congo (2%), Tanzania (1%), Cote d'Ivoire (1%) and Zambia (1%).

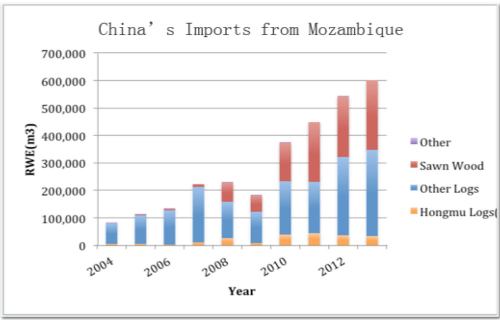


Source: Global Environmental Institute

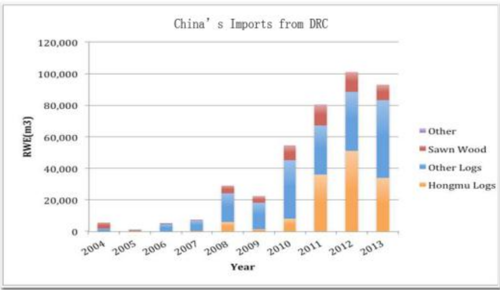
The trends in imports from Cameroon and Mozambique are illustrated below.



Source: Global Environmental Institute

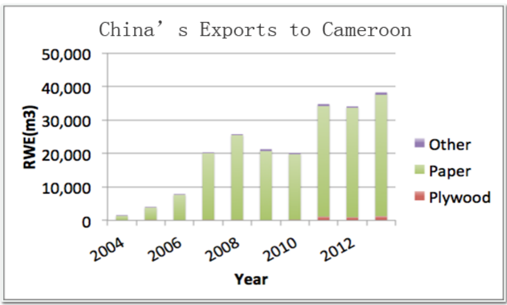


Source: Global Environmental Institute

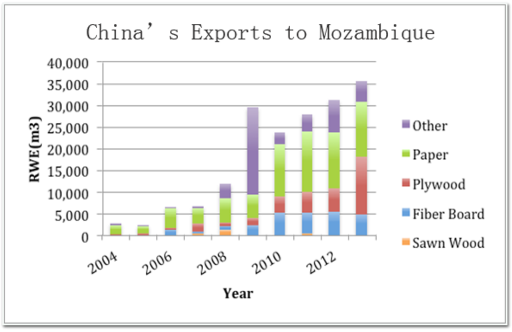


Source: Global Environmental Institute

The trends in China's exports to Cameroon and Mozambique are illustrated below.



Source: Global Environmental Institute



Source: Global Environmental Institute

The timber trade between China and Africa has been increasing and becoming more sophisticated as the trade in sawnwood, plywood and added value products has grown. The trend is from trading raw materials and primary products to trading added-value wood products.

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
Afrormosia	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 *

Recovery in EU tropical wood imports

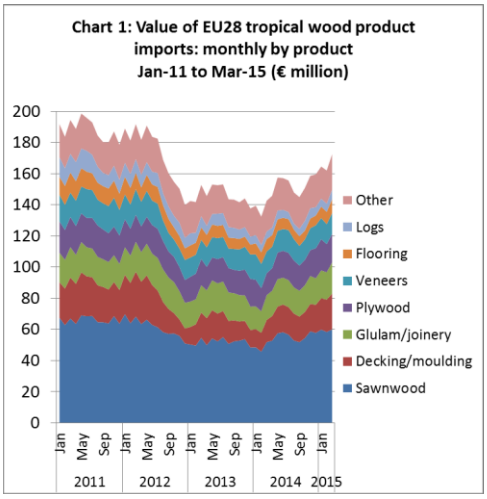
The EU imported tropical wood products worth €517 million in the first three months of this year, a healthy increase of 20.9% compared to the same period in 2014.

To some extent the strong growth figures for the first quarter of 2015 are due to particularly weak imports in the same period the previous year. The increase in the euro value of imports also needs to be seen against the background of the very weak euro on currency exchange markets.

The euro was at its lowest level ever against the US dollar in the first quarter of 2015 and around 30% down compared to the same period the previous year.

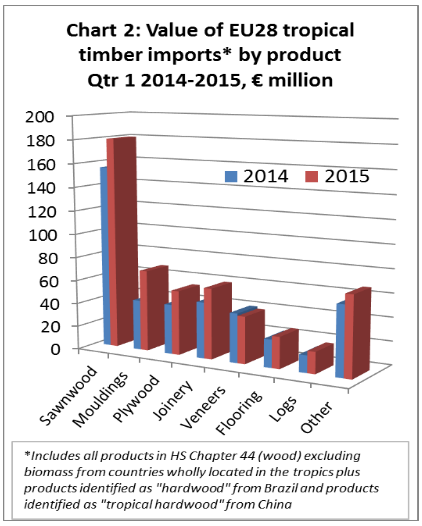
Nevertheless, closer analysis of the data shows that the volume of EU imports of tropical wood products were also rising alongside the value of imports. It also shows that while EU tropical timber imports continue to fall short of historic levels, recovery in European trade in tropical timber is becoming more resilient and now extends to a wider range of products and market sectors.

The increase in the euro value of EU tropical wood imports during the first quarter of this year follows a 3% rise in the full year 2014. Consideration of monthly data shows that most of this gain was generated towards end of last year. In the final quarter of last year, EU imports of tropical wood products were up by 10.6% at €469 million (Chart 1).



Source: FII Ltd analysis of Eurostat

Imports rise for most tropical wood products
A closer look at the value of EU imports of the various tropical product types reveals that most showed significant increases in the first quarter of 2015 compared to the same period in 2014 (Chart 2).



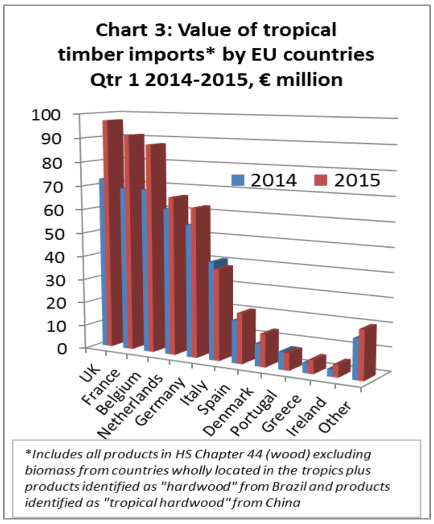
Source: FII Ltd analysis of Eurostat

Imports of sawnwood were €180 million in the first quarter of 2015, 16% more than the same period in 2014. Imports of mouldings (including both decking and interior mouldings) increased 61% to €69 million.

Plywood imports were 29% greater at €55 million. Imports of tropical joinery products (mostly LVL for window frames) increased 26% to €60 million, while flooring products increased 13% to €27 million.

Perhaps most surprisingly, tropical log imports jumped 25% to €18 million after plummeting for several years almost without interruption. However imports of veneers continued their downward slide, at €40 million in the first quarter of 2015, down 5% compared to the same period in 2014.

Key tropical timber markets are bouncing back
There was significant growth in the euro value of tropical timber imports in nearly all the main EU markets in the first quarter of 2015 (Chart 3).



Source: FII Ltd analysis of Eurostat

The UK once more outperformed its continental partners, with imports of tropical timber products valued at €97 million in the first quarter of 2015, 34% more than the same period in 2014. The UK therefore maintained its position as the EU's largest importer of tropical timber products during the period.

However, a particularly encouraging sign is that imports to the traditional tropical timber markets in France, Belgium and the Netherlands also increased sharply in the first quarter of 2015.

Compared to the same period the previous year, first quarter 2015 imports increased 32% to €91 million in France and 27% to €83 million in Belgium.

Imports by the Netherlands, at €67 million, were up 16% and deliveries to Spain were €22 million, 22% above the very low recession level of the previous year.

Germany also imported more than the year before, increasing 11% to €59 million, but import growth there was less pronounced than in the other major markets.

It is too early to tell whether the sharp uphill trend in EU tropical timber imports in the last six months is the beginning of a lasting recovery or driven mainly by stock replenishment and exchange-rate effects.

Purchases of tropical timber traded in US dollars have become significantly more expensive for buyers in the euro-zone since mid-2014 – and particularly since the beginning of this year.

This has had an impact on the import value, especially as prices have remained fairly stable or were only revised downwards a little in Indonesia, Malaysia and South America.

The supply situation for tropical timber in Africa, which was difficult throughout 2014, has also improved in the last few months from European buyers' perspective.

Importers interviewed for this report note that China continues to consume large quantities of African timber. However demand in China has eased this year creating a better balance between supply and demand for European importers.

Positive signs on the consumption side in Europe are the stable construction market in Germany and confidence that the UK market will pick up again over the summer, after weakening in the first quarter.

There are also signs of recovery in Spain, the Netherlands and Poland. In France and Italy, the construction and furniture industries continue to struggle, but there are some signs of improvement in the wider economy.

The German Ifo Institut published an encouraging economic climate report for the euro-zone at the beginning of May. The Ifo Index for the economic climate in the euro-zone in the second quarter of 2015 was 129.2 points, up from 112.7 points in the first quarter.

The index is now at a level last seen before the global financial crisis. And an expert survey conducted by Ifo found that the euro-zone economy is expected to grow by 1.5 % this year.

10% growth in EU tropical sawn hardwood imports

The EU imported 257,000 m3 of tropical sawn hardwood in the first three months of 2015, 10% more than the same period in 2014.

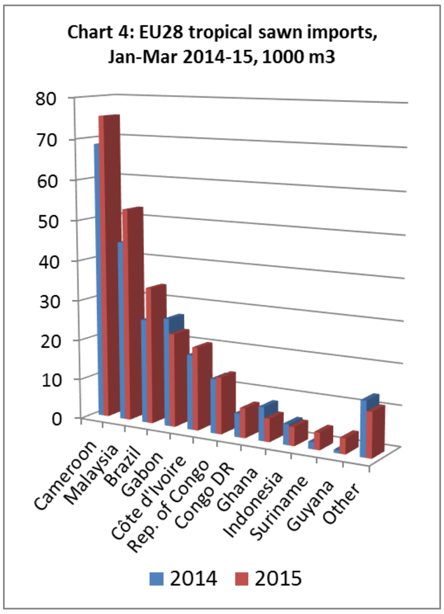
The rise was broadly based being recorded across a wide range of supply countries and EU Member States. It benefitted suppliers irrespective of whether they typically invoice in euros or dollars – hinting that this may be driven more by improving EU consumption than by short-term stock replenishment.

In the first quarter of 2015, EU imports increased sharply from the three most important supplier countries: Cameroon (+10% to 75,000m3), Malaysia (+18% to 53,000m3) and Brazil (+31% to 34,000m3).

There were also significant increases in imports from Ivory Coast (+11% to 21,000m3), the Republic of the Congo (+4% to 14,000m3) and the Democratic Republic of the Congo (+25% to 7,000m3).

There were increasing imports from two South American countries that have not featured strongly in EU supplies in recent years – Suriname and Guyana.

However imports from Gabon were down 14% at 23,000m3 and imports from Ghana fell 31% to just 6,000m3 (Chart 4).



Source: FII Ltd analysis of Eurostat

On the recipients' side, Eurostat data indicates particularly strong growth in imports of tropical sawn hardwood into Belgium and the Netherlands in the first quarter of 2015 (Chart 5).

Imports into Belgium increased 23% to 72,000m3 during this period, cementing the country's position as the leading EU importer of this commodity. Imports into the Netherlands, which started to recover last year, also showed a continuing positive trend rising 12% to 51,000m3 in the first quarter of 2015.

The growth in imports into Belgium and the Netherlands aligns with anecdotal reports indicating that larger importers based close to the major European ports are playing an increasingly important role to distribute tropical hardwoods throughout the continent.

This is partly driven by the trend towards tighter stock control and just-in-time trading in the European manufacturing sector which has been a consistent feature of the European trade now for at least a decade.

In the last two years, the EU Timber Regulation (EUTR) appears to have added impetus to this trend as European manufacturers and smaller distributors are now less inclined to buy direct and increasingly rely on larger importers to shoulder requirements for legality due diligence.

There are expectations that arrival of the first FLEGT Licensed timber, which is excluded from EUTR due diligence obligations, on the EU market later this year or early next year will ease this over-dependence on larger operators.

The troubled French market has also picked up in 2015, with imports rising 14% to 35,000m3 in the first quarter. Deliveries to the UK, which were quite strong in 2015, increased by a further 2% to 23,000m3 in the first quarter of 2015.

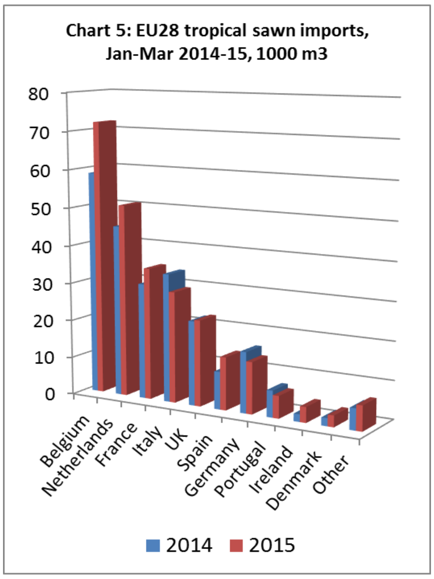
Imports of tropical sawn hardwood into Spain, while still quite low, continue to improve rising 40% to 14,000m3 during the same period.

In contrast, imports of tropical sawn hardwood by Italy (-13% to 29,000m3) and Portugal (-16% to 6,000m3) weakened significantly in the first quarter of 2015.

There was also a 15% fall in German imports of tropical sawn hardwood to 14,000m3 in the first quarter of 2015. German importers report that after a good start in January demand slowed down again and remained at a disappointing level through to April.

There was a slight improvement in May. Despite a strong economic environment, importers report that tropical timber sales in Germany are falling short of expectations.

This is attributed to an on-going and intensifying trend to replace tropical timber with European species such as larch, Douglas fir, and beech and, for certain applications, with non-wood materials such as WPC, stone and ceramics.



Source: FII Ltd analysis of Eurostat

Turnaround in tropical log imports

After roughly ten years of almost uninterrupted decline, there was a sharp 42% increase in EU tropical log imports to 43,638m3 in the first quarter of 2015.

Much of this growth was due to a 129% increase in imports from Cameroon to 9,832m3.

The scale of the increase is partly due to the particularly low level of imports from Cameroon in the first quarter of 2014 when trade was seriously disrupted by logistical problems at Douala port. Imports also increased by 9% from the Republic of Congo to 8,820 cu.m and by 4% to 10,155 cu.m from the Democratic Republic of the Congo.

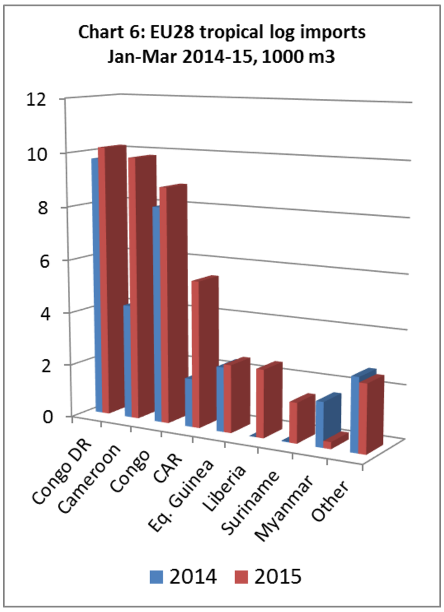
Most imports of logs from Cameroon and the Congo countries in the first quarter of 2015 were destined for France, Belgium and Portugal.

Besides the increases in deliveries from the large, established suppliers, another trend is the sharp rise in imports from new sources and from countries that only delivered small volumes of logs to the EU in the recent past.

EU imports from the Central African Republic, for example, jumped 202% to 5,480 cu.m, mostly destined for France and Belgium. Imports from Liberia, which went mainly to Germany, reached 2,530 cu.m, after no imports had been registered in the same period the year before.

The EU also imported 1,496 cu.m of tropical logs from Suriname in the first quarter of 2015, up from negligible levels last year.

Almost all of this volume was destined for the Netherlands and is assumed to be primarily FSC certified timber for water defence works. EU imports from Myanmar fell sharply due to the country’s log export ban that came into effect as of April 2014 (Chart 6).



Source: FII Ltd analysis of Eurostat

Sharp rise in imports of decking and mouldings

EU imports of "continuously shaped" wood (HS code 4409), which includes both decking products and interior decorative products like moulded skirting and beading, were 59,062 cu.m in the first quarter of 2015, up 34% compared to the same period in 2014.

This increase was primarily attributable to much higher deliveries from the two main suppliers, Indonesia and Brazil (Chart 7).

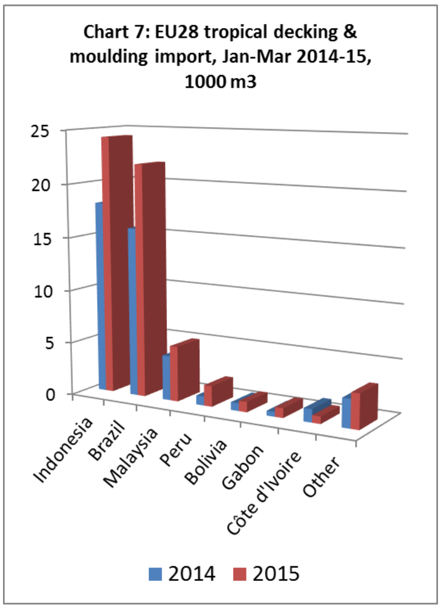
Imports from Indonesia increased 34% to 24,274 m3. Indonesia has profited from the better demand in the Netherlands and Germany, traditionally major markets for Indonesian decking.

Meanwhile EU imports from Brazil were up 38% at 21,879 m3, with a particularly significant increase in imports by Belgium and France.

Imports of Brazilian decking were constrained last year after a Greenpeace campaign raising concerns about the legitimacy of documentation to demonstrate legal origin of Brazilian tropical timbers.

This encouraged suspension of sales of Brazilian decking products by several large European merchants and blockage of shipments while Belgium's Environment Ministry undertook EUTR-related investigations. These subsequently confirmed the legality of the shipments which were cleared for entry.

The trade data confirms that EU imports of Brazilian decking products were flowing more freely during the first quarter of 2015.



Source: FII Ltd analysis of Eurostat

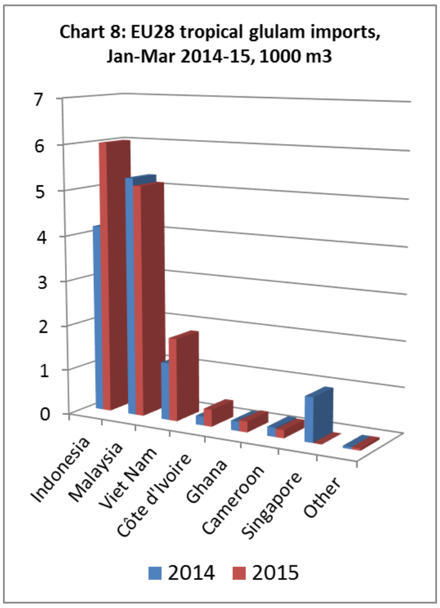
EU imports of tropical LVL scantlings show solid growth

Following on a 6% increase last year, EU imports of tropical glued-laminated timber increased by a further 12% in the first quarter of 2015.

Most imports consist of LVL scantlings for the window sector in Germany, the Netherlands and Belgium.

In 2014, Indonesia and Malaysia supplied similar volumes to the EU market, with imports from Malaysia rising more rapidly than imports from Indonesia.

However, Chart 8 shows that in the first three months of this year, Indonesia boosted its deliveries by 45% to 6,010 cu.m while imports from Malaysia fell by 3% to 5,115 cu.m. Vietnam also gained in importance as a glulam supplier in the first quarter of 2015, with imports rising 44% to 1,840 cu.m. Imports from Singapore, which were close to 1000 cu.m in the first quarter of 2014, were near zero in the same period of 2015.

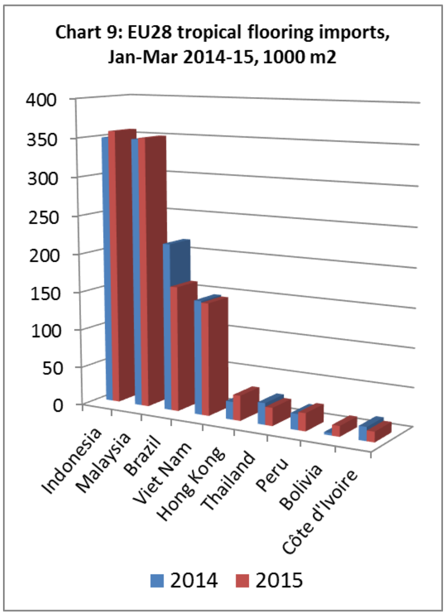


Source: FII Ltd analysis of Eurostat

Weak trend in tropical wood flooring imports

EU imports of tropical wood flooring fell by 6% to 1.161 million m2 in the first quarter of 2015. In 2014, imports had stabilised with a small increase of 2%, after a very weak year in 2013.

As a result, it looks as if the overall downhill trend for tropical wooden flooring continues this year. Most of the 6% decline was due to the 25% drop to 163,000 sq.m in deliveries from Brazil, the third most important supplier (Chart 9).



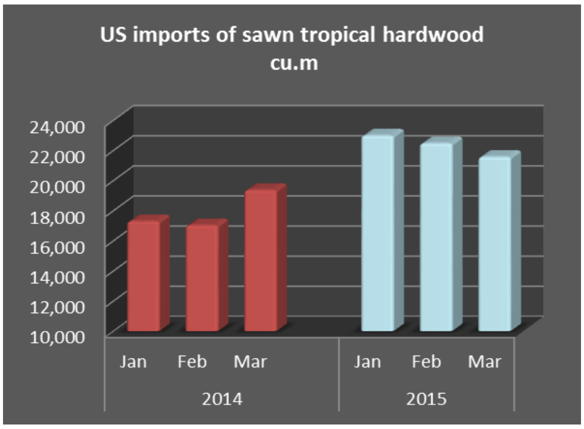
Source: FII Ltd analysis of Eurostat

Deliveries were relatively stable from the other main supplier countries including Indonesia (+2% to 357,000 sq.m), Malaysia (+1% to 350,000 sq.m), and Vietnam (-1% to 146,000 sq.m).

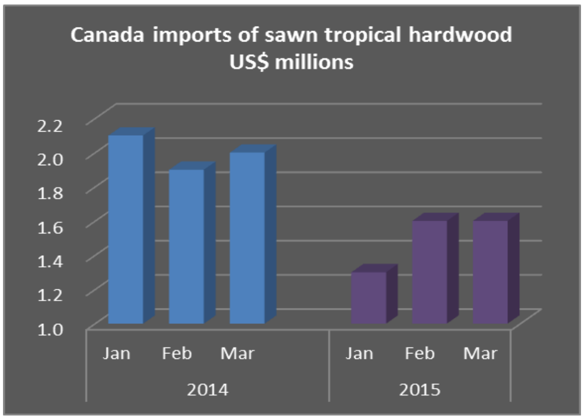
Report from North America

N. American markets head in different directions

The trend in tropical sawnwood imports into the US and Canada during the first quarter of 2015 are a reflection of the direction of the economies in each country. US imports of sawn tropical hardwoods increase by around 25% in the first quarter while Canadian imports of the same product fell by the same amount.



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



Data source: Statistics Canada

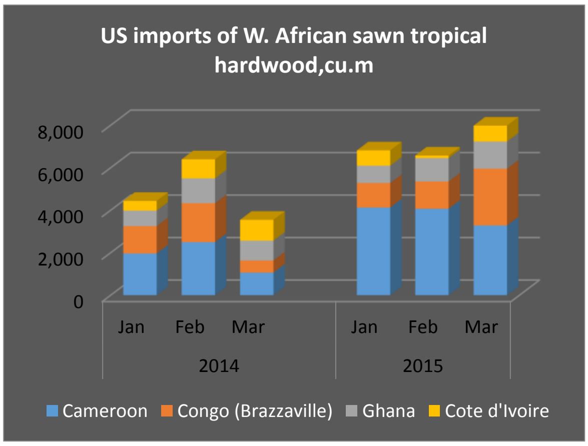
US imports jump reflecting west coast port agreement

US March imports of tropical sawnwood fell by 4% month-on-month but this downturn was not confined to tropical timber as temperate sawn hardwood imports fell even more sharply. Just over 21,000 cu.m. of tropical sawnwood were imported in March, accounting for 31% of total sawn hardwood imports Processed wood product imports on the other hand increased significantly in March. .

The rise in March imports of furniture, flooring, plywood and other added value products was, say analysts, most likely linked to the resolution of the West Coast port stoppages.

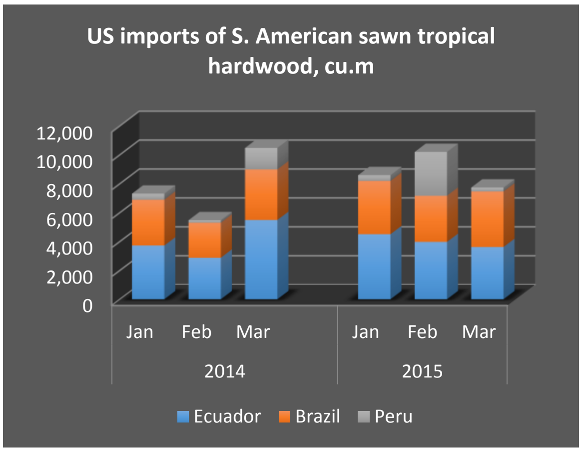
Despite the overall lower imports in March, almost all major suppliers have shipped significantly more this year than in 2014. The largest increase compared to the same time last year was in imports from Cameroon (+108%) and Peru (+78%).

Sapelli imports from Cameroon declined to 2,160 cu.m. in March while imports of the same species from Congo Brazzaville doubled to 2,059 cu.m. Imports of acajou d'Afrique (2,730 cu.m.) had the highest month-on-month increase followed by mahogany (1,119 cu.m.) and cedro (1,167 cu.m.).



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

Brazil's shipments of sawnwood to the US grew 20% month-on-month in March. While ipe sawnwood imports from Brazil were almost unchanged from at the previous month (2,307 cu.m.), imports of virola and other species increased.

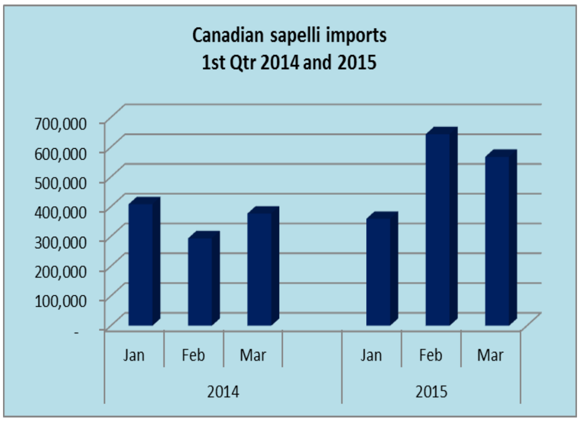


Data source: US Department of Commerce, US Census Bureau, Foreign Trade Statistics

US imports of Malaysia's keruing sawnwood in March fell to just 808 cu.m. and it was this which contributed to the over 40% drop in US imports from Malaysia from the previous month. However, March sawnwood imports from Indonesia and Ghana increased month-on-month, which in the case of Ghana was largely due to higher acajou d'Afrique imports (871 cu.m.).

Canadian imports of sapelli and balsa grow despite overall decline

Canadian imports of tropical sawn hardwood declined from the previous month to US$1.59 million in March and first quarter imports are down 24%. However, Canadian Sapelli imports have held up well despite the dip in march. First quarter imports of sapelli were significantly higher than in March 2014 (+46%).



Data source: Statistics Canada

Canadian the combined imports of virola, imbuia and balsa almost doubled from the previous month to US$444,154 in March. The increase was mainly in balsa imports from Ecuador but, first quarter imports from Ecuador are down 11%.

The growth in Canadian tropical sawnwood imports in the first quarter of this year has been from Congo Brazzaville (especially sapelli), Malaysia and Indonesia.

The weaker tropical sawnwood imports reflect the slowing of the Canada's economy which shrank 0.6% in the first quarter of 2015, the first decline in GDP in four years. Income from mining, oil and gas extraction fell 30% in the first quarter and this has had a marked impact on businesses.

The problem of weaker earnings from the oil sector spilled over to other parts of the economy, including construction. At the same time manufacturing output and exports have fallen despite a weaker Canadian dollar. But the forestry sector was among the few domestic industries that expanded in the first quarter.

Lacey Act enforcement threatens Lumber Liquidators

The US Department of Justice is seeking criminal charges again retailer Lumber Liquidators saying Lumber Liquidators' imported flooring, which the Justice Department alleges contains illegally sourced wood.

Unlike previous high-profile Lacey Act investigations that focused on tropical and usually threatened wood species, this case is about common temperate hardwood species from Russia.

Lumber Liquidators is already the target of many class-action lawsuits over elevated formaldehyde emissions from laminate flooring sourced from China. The company recently announced that it suspended the sourcing of laminate flooring from China and sells European and North American products instead. Lumber Liquidators estimates the loss from the Justice Department's action at about US$10 million according to a company's release.

For some time the Environmental Investigation Agency(EIA) has accused Lumber Liquidators of importing flooring made from illegally sourced birch and oak from Siberia used by a Chinese flooring manufacturer, a supplier to Lumber Liquidators.

AHEC promoting thermally modified hardwoods in Middle East

At the recent Dubai WoodShow the American Hardwood Export Council (AHEC) promoted temperate hardwoods that were thermally modified saying this treatment offers better dimensional stability and decay resistance.

AHEC is targeting competition from tropical hardwoods and has raised questions on the sustainability of the sources for some tropical species and pushing the sustainability and legality of American hardwoods.

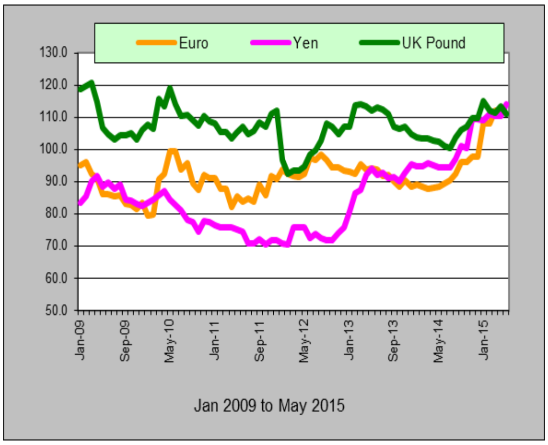
The United Arab Emirates is the US' largest hardwood export market in the Middle East. The Gulf state imported US$13 million worth of sawn hardwood from the US in 2014, up from US$10 million in 2010. Other major markets are Saudi Arabia and Jordan.

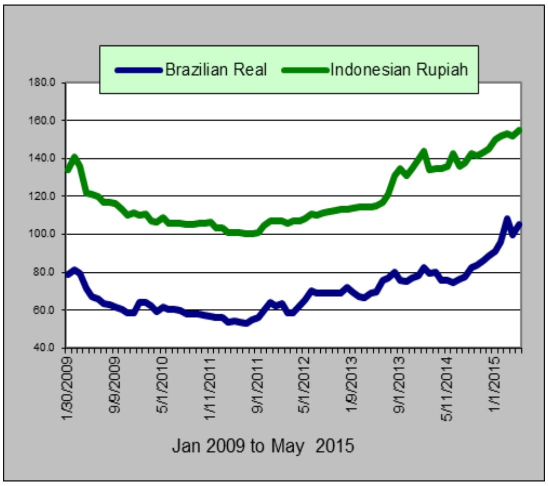
US Dollar Exchange Rates

As of 25 May 2015

Brazil	Real	3.0871
CFA countries	CFA Franc	603.84
China	Yuan	6.2033
EU	Euro	0.911
India	Rupee	63.496
Indonesia	Rupiah	13155
Japan	Yen	122.7
Malaysia	Ringgit	3.1524
Peru	New Sol	3.1524
UK	Pound	0.6464
South Korea	Won	1096.96

Exchange rate index (Dec 2003=100)



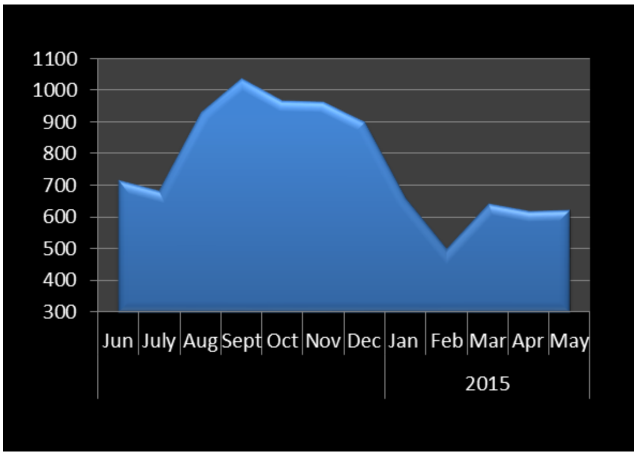


Abbreviations and Equivalences

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
June 2014 – May 2015

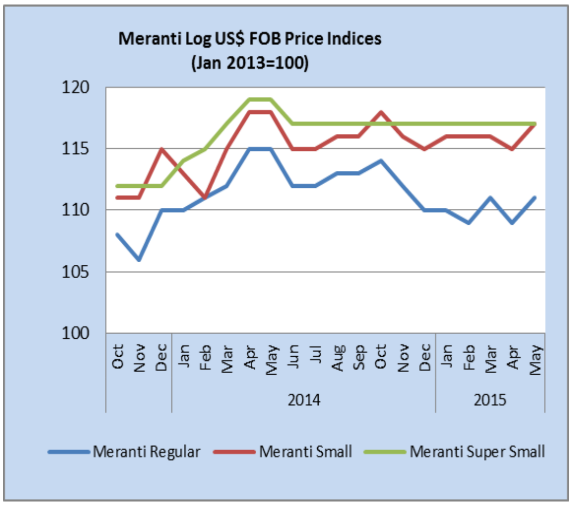


Data source: Open Financial Data Project

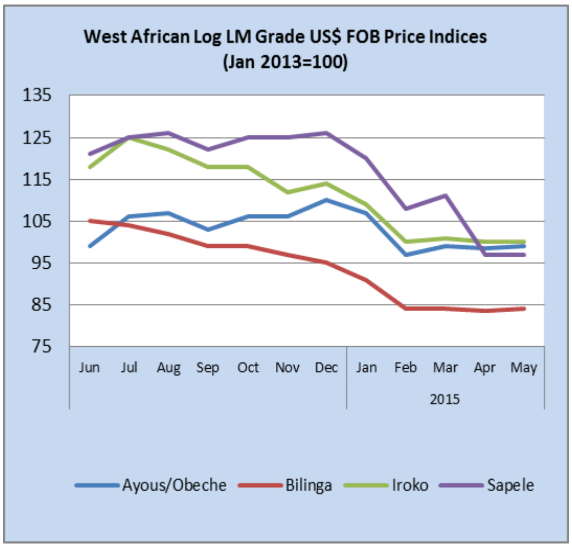
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

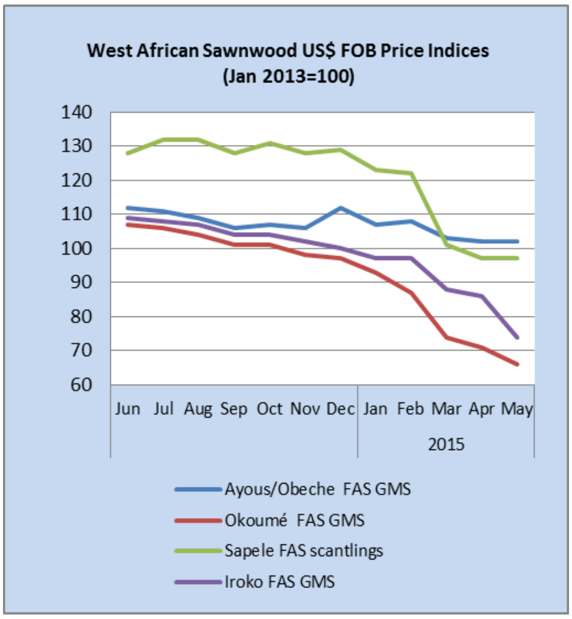
Price indices for selected products

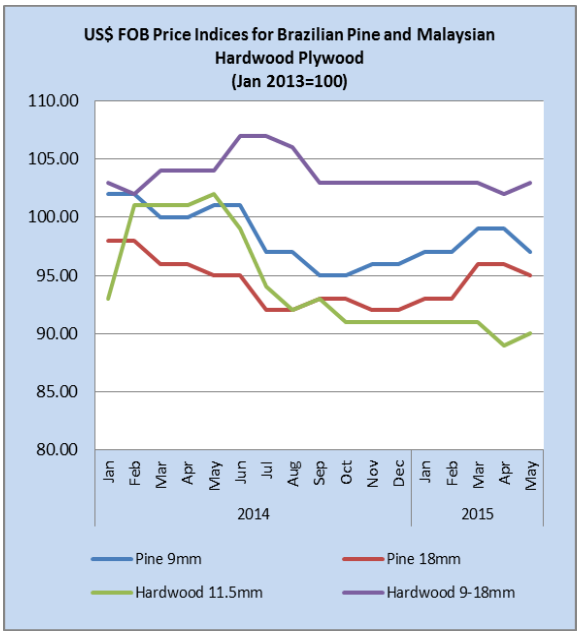
The following indices are based on US dollar FOB prices.

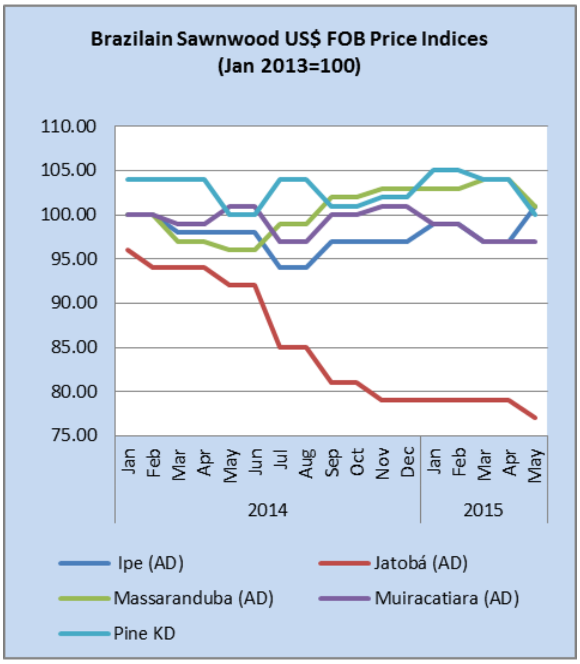


Note: Sarawak logs for the Japanese market









Note: Jatobá is mainly for the Chinese market.

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