

# Tropical Timber Market Report

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## Top Story

### **US wooden window market to grow 12% in 2014**

The share of wood windows in the total US window market is forecast to be around 18% in 2014 according to a market overview in the Wood Products Almanac (December 2013). While this is slightly lower than in 2013, the size of the window market will be larger such that sales of wooden windows could be up 12% in 2014.

The total US window market is expected to grow from 46.1 million units in 2013 to 52.5 million units in 2014. 2015 demand is projected to reach 57.5 million window units.

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## Report from Central/West Africa

### Hints of weakening demand in France baffle analysts

Producers report a few minor price changes due mainly to shifts in demand for individual species or specifications rather than any significant change in market conditions. However, demand from French importers has weakened but analysts are hard pressed to pinpoint the precise reason for this.

The economy in France, while not strong, has not shown any particular weakness. It may be that some large infrastructure projects have been shelved or that work on these has been delayed. The indications are that the furniture and smaller carpentry businesses in France are reasonably busy satisfying the renovation market.

### Shift to alternatives and substitutes

Producers are sensing some fundamental changes in species preferences and are detecting a trend towards the use of temperate hardwoods rather than tropical timbers.

This change in taste has also been seen in the UK and other European countries but seems to have taken hold in wider markets.

Compounding the concerns of tropical timber producers is the growing interest of consumers in substitute materials such as plastics for doors and window construction instead of the traditional wooden framing.

### EU quiet, Asia and Middle East markets active

The current quiet market demand in Europe continues unchanged from January and this is expected to remain through until the end of the first quarter, and possibly well into April or May.

On the other hand, West and Central African exporters report good steady business in the Middle East and also a discernable improvement in demand in Asian markets where purchases did not slow over the New Year period this year as much as in previous years.

Demand for logs continues to be buoyant with okoume the market leader. There are reports of an upturn in sales okan and reports of tali prices firming, all of which is good news.

Padouk prices continue to be rather volatile depending on whether or not buyers for India are in the market. Currently, padouk prices are easing.

### Producers confident of medium term prospects, but

Producers appear reasonably confident that the current market stability will be maintained for the short to medium term but are expressing some concern over the slight downturn in orders for the French market.

However, it is hard to see any resurgence in European demand for tropical timbers even over the longer term unless there is some serious and targeted promotion to retake market share from temperate timbers.

There seems little immediate prospect in the markets of Spain and Greece, once major consumers of tropical timber and while the Italian market for some specific timbers has held up fairly well, even here uncertain economic conditions suggest a slowing of demand.

### Log Export Prices

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

### Sawnwood Export Prices

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

## Report from Ghana

### Civil Society calls for enforceable laws

A Civil Society Organisation, Civil Response, has said Ghana would need to formulate laws which are enforceable at the community level if forest conservation programmes are to succeed.

The view is that there are significant challenges with enforcement of laws to prohibit and control unauthorised chainsaw milling operations in forest reserves. This, say analysts, is driven by unsatisfied domestic demand for timber. Reports of unauthorised harvesting are particularly high where communities living close to forest areas need wood products for their daily livelihood, an issue which requires a long term solution.

Some NGOs such as Civil Response and Tropenbos (TBI) Ghana are involved in negotiations between Ghana and the European Union on the Voluntary Partnership Agreement

(VPA) and efforts are being directed to ensure community issues and perspectives are considered and provided for in the agreement.

The Programme Director at TBI, Samuel Nketiah, has said he is confident community engagement in VPA negotiations will help ensure the integrity of the forest.

#### Fuel price increases to hit timber sector

The National Petroleum Authority (NPA) increased prices of petroleum products for the second time this year which is having a direct impact on the logging and wood processing industries. Petrol prices have increased 3% and diesel prices are up 3.3%.

Prices of petroleum products are reviewed by NPA fortnightly to reflect the prices of crude oil on the world market and current exchange rate. According to the Ghana Statistical Services, hikes in petroleum products prices contribute to Ghana's inflation which in December 2013 stood at 13.5%, up from the 13.2% in Nov.2013

#### Central Bank acts to stem 'dollarisation' of economy

To stabilise the local currency, the Bank of Ghana's has issued a new directive on the operation of Foreign Exchange and Foreign Currency Accounts to stop the 'dollarisation' of the domestic economy.

The measures introduced by authorities in Ghana are intended to streamline the operations of Foreign Exchange Accounts (FEA) and Foreign Currency Accounts (FCA) and to bring about clarity and transparency in their operations on the pricing, receipts and payments for goods and services in foreign currency.

The purpose is to ensure all transactions in the country are conducted in Ghana cedis, which is the sole legal tender. Failure to comply with the new legal provisions will result in severe penalties.

However, according to the rating agency, FITCH, the decision by Ghana's Central Bank to increase interest rates and introduce new foreign-exchange controls is unlikely to ease pressure on the cedi if domestic macroeconomic imbalances are not addressed.

#### Interest rates climb higher

At the recent Monetary Policy Committee (MPC) meeting the interest rate was increased to 18.0% as the bank anticipated an uncertain short term outlook and weakening domestic fundamentals.

These factors drove the MPC to decide for continued tight fiscal and monetary policies and measures that would reduce the country's vulnerability to external shocks.

#### Domestic Log Prices

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

#### Boule Export prices

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

#### Export Sawnwood Prices

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

#### Export Rotary Veneer Prices

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

#### Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afromosia	1.32	0.80
Asanfina	1.20	0.47
Avodire	1.12	0.47
Chenchen	0.85	0.53
Mahogany	1.30	0.47
Makore	1.30▲	0.60▲
Odum	1.88	1.08

#### Export Plywood Prices

Plywood, FOB BB/CC	€ per m <sup>3</sup>		
	Ceiba	Ofram	Asanfina
4mm	428	600	641
6mm	422	592	622
9mm	360	415	490▲
12mm	357	435	445▲
15mm	325	363	380
18mm	305	363	367

Grade AB/BB would attract a premium of 10%, B/BB 5%, C/CC 5% and CC/CC 10%.

## Export Added Value Product Prices

Parquet flooring 1st	FOB € per sq.m		
	10x60mm	10x65-75mm	14x70mm
Apa	12.70	15.36	18.80
Odum	11.20↑	11.80↑	12.40
Hyedua	14.08	14.00	18.45
Afromosia	14.30	18.65	18.55

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

## Report from Malaysia

### Top SE Asian furniture fair to open in March

The Malaysian International Furniture Fair (MIFF) will be held in Kuala Lumpur 4 to 8 March 2014. Since its inception in 1995 MIFF has grown to become one of Southeast Asia's top furniture fairs and a global 'top ten' event.

Every March, furniture manufacturers, buyers, international chain stores, hoteliers, architects and interior decorators visit MIFF to conclude business take in the latest trends and network.

Last year, business concluded as a result of MIFF totalled US\$854 million. This year the organisers expect over 500 furniture manufacturers and exporters to participate and estimate that about 70% of participants will be Malaysian companies, the balance coming from China, Taiwan P.o.C, Hong Kong, Indonesia, Singapore, South Korea, USA, UK, India, Spain and Vietnam.

On everyone's mind at the moment is what will be the impact of the increasing production costs being faced by Chinese companies and asking if this will undermine the competitiveness of Chinese made furniture.

### Government urged to let newsprint anti-dumping duty expire

The Malaysian Star newspaper has reported that the Malaysian Newsprint Publishers Association (MNPA) is appealing to the government not to extend the anti-dumping duties on imports of newsprint paper.

A statement from MNPA urged the government to allow the anti-dumping duties to expire as scheduled saying "The anti-dumping duties have been imposed for the last 10 years on imports of newsprint in rolls from Canada, Indonesia, South Korea, the Philippines and the United States. Newsprint is a major cost component for the newspaper business."

The Association said that the necessary mechanisms to ensure survival of Malaysian newsprint manufacturers are already in place so there is no need to extend the anti-dumping duties. Currently, the Government provides an incentive in the form of an import duty waiver on newsprint if MNPA members procure 50% of their newsprint locally.

MNPA said the livelihood of the Malaysian newspaper sector as a whole depends on the survival of the newspaper industry and its ability to control cost.

"The newspaper industry employs about 12,000 workers, about 10,000 newspaper vendors and agents, as well as 5,000 suppliers and transporters," said the MNPA.

For the full story see

[www.thestar.com.my/Business/Business-News/2014/01/29/MNPA-says-antidumping-duties-erode-margin-increase-cost/](http://www.thestar.com.my/Business/Business-News/2014/01/29/MNPA-says-antidumping-duties-erode-margin-increase-cost/)

### Sarawak Chief Minister signals desire to step down

In Sarawak, the Chief Minister, Abdul Taib Mahmud, has announced his desire to step down after 33 years leading the state government. Taib said he would need to follow protocol with his plan to step down by seeking an audience with the governor to convey his intention.

Taib played an instrumental role in developing the timber industry in Sarawak. While serving as the Federal minister of primary industries, he invited FAO to undertake resource assessment and research in the forests of Sarawak and this laid the foundation for development of the industry.

He also made the historic decision in May 1989 to invite an independent mission from ITTO "to undertake a study of sustainable forest management in Sarawak".

### Slow start for Sarawak industry after Chinese New Year

The timber industry in Sarawak is slowly ramping up production after the New Year holiday and reports say plywood trading is very active.

The current plywood export prices per cubic metre have been reported as follows:

Floor-base (11.5 mm) US\$690 FOB;  
Concrete formboard (3' x 6') US\$555 FOB;  
For Middle East markets (9 – 18 mm) US\$460 FOB;  
For South Korea (8.5 – 17.5mm) US\$480 – 500 C&F;  
For Taiwan P.o.C (8.5 – 17.5 mm) US\$455 – 460 FOB;  
and for Hong Kong US\$460 – 480 FOB.

### 2013 Plywood exports from Sarawak

Statistics published by the Sarawak Timber Association show that for the entire year of 2013, Sarawak exported 2,576, 288 cubic meters of plywood, worth RM 4,003,850,463 (approximately US\$ 1.19 billion).

Major importers were: Japan (1,429,052 cu.m; South Korea 266,141 cu.m; Taiwan P.o.C 256,419 cu.m and Yemen 119,084 cu.m.

## Report from Indonesia

### Burden of timber regulations on SMEs highlighted once more

A forum involving the International Centre for Trade and Sustainable Development (ICTSD) and the Centre for International Forestry Research (CIFOR) has highlighted the consequences of requiring Indonesian businesses to comply with the domestic timber legality verification

system. Now only businesses certified under Indonesia's Timber Legality Assurance System (TLAS) are allowed to export wood products.

Agus P. Djailani, a small and medium enterprises (SME) technical assistant for the Multi Stakeholder Forestry Programme (MSFP), said that small businesses may miss out on the opportunity to export timber to the EU as they lack the working capital and administrative competencies to comply with the requirements of the scheme.

**Biomass power plant for Siak**

South Korean company Global Logix Co. Ltd. is set to invest US\$20 million in the construction of a wood pellet factory and a 10,000 megawatt (MW) biomass power plant in Siak, Riau Province.

The company has signed a memorandum of understanding with the Siak administration for processing oil-palm fruit bunches and kernel shells which have no commercial use.

Global Logix chairman, Myong-Ho Cho said the wood pellet factory will produce 10,000 tons of pellets from 60,000 bunches and 20,000 tons of shells, which is the waste generated from nearby palm plantations every month.

The 10,000 MW biomass-fired power plant would need 3 tons of oil-palm bunches per hour. Construction of the plant will begin in April and production is scheduled to begin in January 2016.

South Korea has seen an increase in pellet consumption, with 2013 figures estimated at 500,000 tons, compared to 174,000 tons in 2012.

**New policy direction for major pulp and paper corporation welcomed**

WWF Indonesia has welcomed the recent forest management policy issued by Asia Pacific Resources International Ltd (APRIL).

The policy sets out the company's commitment to supporting conservation activities and WWF-Indonesia CEO, Efransjah, said this was a new standard for the pulp and paper industry in Indonesia and it will contribute to forest conservation and biodiversity, the reduction of carbon emissions and in securing the well being of Indonesian people.

The new policy will require a moratorium being placed on utilising land where conservation values have not yet been independently assessed.

**Domestic Log Prices**

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

**Domestic Ex-mill Sawwood Prices**

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

**Export Plywood Prices**

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

**Domestic Plywood Prices**

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

**Export and Domestic Other Panel Prices**

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

**Report from Myanmar**

**Pace of log shipments increases**

The pace of log export shipments has recently increased but this is not because of improved demand but rather the urgency with which buyers want to ship the logs that they have in yards in Myanmar before the log export ban comes into effect.

Despite the pick-up in shipments analysts still anticipate a substantial quantity of logs will remain at log yards in Myanmar when the log export ban comes into effect on 1 April.

Export shipments from April to the end of January 2014 are estimated to have been just over 398,000 cu.m for teak logs and around 1,307,100 cu.m for other hardwood logs.

**Debate rages over exports of teak baulks**

While there is doubt in some quarters that the log ban will really be implemented, up to now the government seems determined to go through with its decision to ban log exports after 1 April.

After the ban only processed wood will be allowed but what constitutes 'processed' is now being discussed. Some observers say continued exports of baulk squares (roughly hewn logs but not further manufactured) would be an option to sustain the India market, the biggest importer of Myanmar teak logs.

Another debate is centred on whether domestic companies will be able to compete with mills set up by foreign



investors as they benefit from tax holidays for a certain period. This, say local millers, will give foreign companies a huge advantage.

Most analysts are of the view that it is unlikely that export of baulk squares will be allowed but an announcement from the Ministry of Environmental Conservation and Forestry (MOECAF) is expected to clarify this.

#### 2014 harvest plan announced

MOECAF Deputy Minister, Aye Myint Maung, has announced that the harvest plan for the 2014-15 fiscal year would be 108,000 cu.m of teak and 670,000 cu.m of non-teak hardwoods.

He reiterated that no private companies would be permitted to harvest logs and that all timber extraction will be undertaken by the Myanmar Timber Enterprise. He further reported that after 1 April all logs would be sold by competitive bidding for local processing only.

The deputy minister also said that, at present, there are only around 13,560 ha. of plantations and that his ministry is negotiating with both local and foreign companies to increase investment in plantations.

Result of teak logs sales by open tender, Yangon 7 February 2014. These logs can be exported in log form.

Grade	H. Tons	Avg Price / H. ton FOB
SG-7	4205	US\$ 846
SG-8	89	US\$ 500

Result of hardwood logs sales by open tender 7 February 2014.

Species	Grade	H. Tons	Avg. Price /H. ton	Location
Padauk	Fourth	1	US\$ 4963	Monyw a
Padauk	Assorted	8	US\$ 4763	Monyw a
Gurjan (Kanyin)	ER	1516	US\$ 238	Maw like East

Result of handsawn timber sales by open tender on 7 February 2014.

Species	Quantity (H. tons)	Price / H. ton	Area
Tamalan	19	US\$ 8598	Kantbalu, Shwebo

Sales of teak logs for local processing, open tender 7 February 2014.

Grade	H. tons	Avg Price / H. ton	Location
SG-7	449	US\$ 845	Gangaw

#### January teak log tender results

The following grades and volumes were sold by Myanmar Timber Enterprise (MTE) through competitive bidding on 24 and 27 January 2014.

#### Teak tender prices

Grade	Quantity (Tons)	US\$ per hoppus ton
4th Quality	-	-
SG-1	13	4939
SG-2	14	3740
SG-4	278	3561
SG-5	71	2541
SG-6	108	2186
SG-7	107	1521

Hoppus ton=1.8m<sup>3</sup>; All grades, except SG-3/5/6, are length 8' x girth 5' & up. SG-3/4/6 are girth 4' & up. SG-3 grade is higher than SG-4 but with lower girth and price. Prices vary due to quality and/or girth at the time of the transaction.

### Report from India

#### Economic prospects brighten

The outlook for the Indian economy is now looking brighter. The shrinking of the current account deficit from 4.8 of GDP in the last fiscal year to just a little over 2% of GDP for this year is giving hope that better days are ahead. At the same time the rupee: US dollar exchange rate has been stable for some time now at 61-63 to the dollar.

Manufacturing activity recovered to a 10 month high in January this year on account of rising domestic orders and improving exports. India's manufacturing PMI rose to 51.4, the highest since March 2013, and the third straight month of expansion.

#### Look East policy to stimulate economy

The government's 'Look East' policy is expected to result in increased trade with ASEAN countries and generate private sector investment and infrastructure improvements, all of which will strengthen the economy.

Media reports say the North East region of India is likely to benefit from the ongoing construction of new roads and rail links, investments partly driven by the keen interest of British firms looking to invest in that region.

#### Arunachal Pradesh to industrialise its bamboo resource

India has rich bamboo resources and more than sixty percent is concentrated in North East India. Arunachal Pradesh is known to harbour very diverse bamboo species. However, this resource rich state has a long way to go to adopt the latest bamboo processing technologies to maximise economic benefits.

India has a strong bamboo and cane craft tradition but does not take full advantage of the resources available. With technical, financial and policy support from the

government through the National Bamboo Mission (NBM) and the National Mission on Bamboo Applications (NMBA) as well as the Arunachal Pradesh state government, efforts are underway to industrialise the bamboo sector.

The development of industries based on non-timber forest products including bamboo is one focus of the industrial policy of Arunachal Pradesh.

Bamboo development including plantation establishment, management, harvesting and value added processing has the potential to generate employment especially for rural unemployed youths.

Moreover, advancing the industrial bamboo sector in the State would produce an alternative for timber and would expand local skills and generate income for rural communities and the state.

The production of plywood and veneers using bamboo as the raw material by mills within approved industrial estates has been authorised. Further, under section 4.1 of the Arunachal Pradesh (Control of felling and removal of trees from non forest land) Rules, 2001; authorisation from the Forest Department to harvest bamboo is not required for bamboo in non reserve forest areas or plantations.

#### Prices for small plantation teak logs dip

Imports of plantation teak continue to increase and there is firm demand for good sized logs. Analysts report that currently there is glut of small diameter logs (below 60 cms girth) as endusers are avoiding these smaller logs.

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

	US\$ per cu.m
Tanzania teak, logs	350-885
Côte d'Ivoire logs	280-750
PNG logs	400-575
El-Salvador logs	340-695
Guatemala logs	350-550
Nigeria squares	330-450
Ghana logs	325-650
Guyana logs	300-450
Benin logs	320-650
Benin sawn	435-800
Brazil squares	360-680
Brazil logs	350-750
Cameroon logs	350-510
Togo logs	350-715
Ecuador squares	330-540

Costa Rica logs	355-700
Panama logs	270-550
Sudan logs	460-700
Congo logs	450-550
Kenya logs	390-600
Thailand logs	460-700
Trinidad and Tobago logs	420-680
Uganda logs	440-780
Uganda Teak sawn	680-800
Laos logs	300-605
Malaysian teak logs	325-525
Nicaragua logs	370-535
Liberia logs	350-460
Colombia logs	310-685

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

#### Prices for domestically sawn imported logs

Demand and supply of domestically milled imported logs is balanced so landed costs and wholesale prices have not changed.

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

Sawnwood,(Ex-mill) (AD)	Rs. per ft <sup>3</sup>
Merbau	1550-1650
Balau	1550-1750
Kapur	1200-1250
Kempas	1100-1200
Red Meranti	850-950
Radiata Pine (AD)	550-650
Whitewood	600-650

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

#### Firm international demand for teak products

International demand for teak products manufactured in India from imported Myanmar teak continues to be good and domestic demand has improved slightly. With the coming log export ban being introduced in Myanmar Indian buyers have increased the pace of log shipments out of Yangon and Indian mills are flush with stocks of logs.

Sawnwood (Ex-mill)	Rs. per ft <sup>3</sup>
Myanmar Teak (AD)	
Export Grade F.E.Q.	6000-14000
Plantation Teak A grade	5000-5500
Plantation Teak B grade	4000-4250
Plantation Teak FAS grade	3400-3600

Price variations depend mainly on length and cross section

### Imported sawnwood prices

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

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

Price variations depend mainly on length and cross section

### Plywood market depressed by slack housing sector

The domestic plywood market is still suffering from weak demand as the housing market has not yet reacted to the overall improvement in economic prospects.

Plywood manufacturers are trying to improve sales by concentrating more on rural markets where demand is better. Plywood prices remain unchanged.

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

Plywood, Ex-warehouse, (MR Quality)	Rs. per sq.ft
4 mm	35.50
6 mm	47.00
9mm	59.5
12 mm	74.00
15 mm	98.00
18 mm	103.00

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

Locally Manufactured Plywood "Commercial Grade"	Rs. per sq.ft
	Rubberwood      Hardwood
4mm	Rs.18.00      Rs.27.50
6mm	Rs.27.50      Rs.34.50
9mm	Rs.34.50      Rs.42.00
12mm	Rs.41.00      Rs.51.00
15mm	Rs.50.40      RS.62.70
19mm	RS.58.00      Rs70.50
5mm Flexible ply	Rs.36.00

## Report from Brazil

### Forestry output could double contribution to Mato Grosso state growth

According to a recent report from the Program for Sustainable Forestry Development of Mato Grosso State (PDFS-MT) the forestry sector in the state of Mato Grosso could significantly increase its contribution to GDP.

The report suggests it would be possible to increase the value of output from the sector from the current R\$3.3 million to over R\$7 million per year. If this was achieved then the contribution of the forestry sector to state GDP would rise from the current 5.4% to 6.5%.

The report further says with expansion of the area of managed natural forest, by 2030 timber production could rise by as much as 7% for fuelwood and by over 70% for sawnwood.

The National Forum of Forest-Based Activities (FNBF) indicates that there are currently 214 billion ha of forest assets in the Amazon and 28% of which it is located in the state of Mato Grosso.

It is estimated that it may be possible to harvest up to 9 million cubic metres of wood compared to the only 3 million cubic meters harvested at the moment.

According to the Center for Timber Producers and Exporters Industries of the State of Mato Grosso (Cipem), the forest sector is satisfied with the outcome of PDFS-MT study which will guide timber industry development in the state. The PDFS-MT report is expected to promote discussion and further evaluation of the opportunities for increasing output from well managed forests.

### Forest production increases in Mato Grosso

In 2014, the Gross Value of Production (GVP) of wood products and fuelwood in Mato Grosso State could grow to R\$526.4 million, equivalent to 1.8% of the GVP of the state.

Initial estimates of 2013 GVP from the Institute of Agricultural Economics of Mato Grosso (IMEA), suggest the GVP of the forestry sector in the state will come in at R\$501.5 million up by 5% over 2012 levels.

In determining the potential growth for 2014 it is assumed there would be an approximate 5% increase in production and a similar appreciation in the price of products originating from natural forests.

In 2013, there was an 18% decline in production of logs from natural forests but there was a slight increase in price compared to 2012.

Sales of wood products to the international markets in 2013 earned some US\$100.6 million, a 3.1% increase over the US\$ 97.5 million recorded in 2012.

### Furniture exports from Bento Gonçalves down in 2013

2013 furniture exports by the Bento Gonçalves furniture cluster in the state of Rio Grande do Sul dropped 7.5% to just US\$58.3 million. Despite a favorable exchange rate for part of the year this was not enough to offset competition for market share. In addition to the loss of competitiveness of the Brazilian industry in general, increases in production costs, taxes, logistics and labour were the major causes of the fall in exports.

International markets in South America and Africa, which account for around 80% of all exports, weakened in 2013. In South American markets demand dropped most significantly in Argentina, Uruguay and Venezuela.



In Africa, demand weakened in South Africa, Angola and Mozambique but grew in Namibia. Other countries where market demand improved in 2013 were Peru, Cuba, the United Kingdom, Puerto Rico and Qatar.

While exporters in Bento Gonçalves did not do so well in 2013, furniture exports from the State of Rio Grande do Sul grew 2.6% in the year and this, say analysts, was due to increased exports to Chile, Uruguay and Paraguay. In these markets exports from Bento Gonçalves fell in 2013. Brazil's overall 2013 furniture exports fended the year down 2.8% compared to 2012.

#### China the top importer of Brazilian sawnwood

Brazil's sawnwood exports in 2013 fell 5% in value and 11% in volume year on year. In 2012, the main markets were the Netherlands, China, France, the United States and Vietnam, representing 13.2%, 12.5 %, 12.3 %, 11.4% and 9.2% respectively.

In 2013, the main markets remained the same as in 2012 but China became the top buyer taking 15% of all Brazil's sawnwood exports. Demand in the US accounted for 13%, France 11%, the Netherlands 9% and Vietnam 7.6%

In terms of volume, 2013 exports fell to 338,324 cubic metres from the 379,547 cubic metres in 2012. Exporters in Pará state accounted for 35% of all sawnwood exports followed by Mato Grosso (26%), Rondônia (14%) and Paraná (10%).

#### Price trends

##### Domestic Log Prices

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

##### Export Sawnwood Prices

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

##### Domestic Sawnwood Prices

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

##### Export Veneer Prices

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

##### Domestic Veneer Prices

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

##### Export Plywood Prices

Plywood, FOB	US\$ per m <sup>3</sup>
White Virola (US Market)	
5.2mm OV2 (MR)	498
15mm BB/CC (MR)	483
White Virola (Caribbean market)	
4mm BB/CC (MR)	675
12mm BB/CC (MR)	493

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

##### Domestic Plywood Prices

Plywood, domestic (ex-mill Southern mill)	US\$ per m <sup>3</sup>
Grade MR (B/BB)	
White Virola 4mm	776
White Virola 15mm	540

Domestic prices include taxes and may be subject to discounts.

##### Prices For Other Panel Products

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

##### Export Prices For Added Value Products

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

## Report from Peru

#### Peru's 2013 timber exports did well in weak market

Timber exports for the period January to November 2013 were worth US\$ 145.7 million FOB. For the same period in 2012 exports were almost the same at US\$ 145.9 million .

Shipments in November last year, the latest for which data is available, were mainly to China, the U.S. and Mexico which, together, accounted for 76 % of total value of timber exports. The main products exported to China were strips and friezes for parquet.

Up to November 2013, year on year demand from China expanded almost 11%, there was a 18% improvement in demand from buyers in the US but demand from Mexico fell 18% year on year.

#### Indigenous communities propose revisiting draft forestry regulations

The Inter-ethnic Association for the Development of Forests (AIDSESEP) has expressed concern on regulations in the Forest Act which provide for the allocation of concessions to investors from outside of Peru, fearing the land rights of Amazonian indigenous peoples could be undermined.

To allay these concerns AIDSESEP is calling for the State to execute comprehensive and independent audits of forests investment plans submitted by large concessions holders. The Ministry of Agriculture and Irrigation (MINAGRI) is expected to have a final text of the relevant regulations ready by the first half of this year.

**Export Sawnwood Prices**

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

Peru Sawnwood, FOB Callao Port (cont.)	US\$ per m <sup>3</sup>
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	428-487
Grade 2, Mexican market	358-404
Cumaru 4" thick, 6'-11' length KD	
Central American market	841-865
Asian market	866-939
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	509-549
Dominican Republic	584-598
Marupa (simarouba) 1", 6-11 length Asian market	421-482

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

**Domestic Sawnwood Prices**

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

**Export Veneer Prices**

Veneer FOB Callao port	US\$ per m <sup>3</sup>
Lupuna 3/Btr 2.5mm	198-223
Lupuna 2/Btr 4.2mm	212-222
Lupuna 3/Btr 1.5mm	211-221

**Export Plywood Prices**

Peru plywood, FOB Callao (Mexican Market)	US\$ per m <sup>3</sup>
Copaiba, 2 faces sanded, B/C, 15x4x8mm	318-347
Virola, 2 faces sanded, B/C, 5.2x4x8mm	423-439
Cedar fissilis, 2 faces sanded 4x8x5.5mm	759-770
Lupuna, treated, 2 faces sanded, 5.2x4x8mm	363-385
Lupuna plywood B/C 15x4x8mm	399-426
B/C 9x4x8mm	366-385
B/C 12x4x8mm	350-360
B/C 8x4x15mm	416-439
C/C 4x8x4mm	389-425
Lupuna plywood B/C 8x4x4mm Central Am.	370-393

**Domestic Plywood Prices**

Lupuna Plywood BB/CC, domestic (Iquitos mills)	US\$ per m <sup>3</sup>
122 x 244 x 4mm	444
122 x 244 x 6mm	397
122 x 244 x 8mm	415
122 x 244 x 12mm	399
(Pucallpa mills)	
122 x 244 x 4mm	463
122 x 244 x 6mm	439
122 x 244 x 8mm	430
122 x 244 x 12mm	429

**Domestic Prices for Other Panel Products**

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

**Export Prices for Added Value Products**

Peru, FOB strips for parquet	US\$ per m <sup>3</sup>
Cabreuva/estoraque KD12% S4S, Asian market	1287-1388
Cumaru KD, S4S Swedish market	897-1025
Asian market	1255-1320
Cumaru decking, AD, S4S E4S, US market	1210-1298
Pumaquiro KD # 1, C&B, Mexican market	423-511
Quinilla KD, S4S 2x10x62cm, Asian market	493-519
2x13x75cm, Asian market	732-815

**Report from Guyana****Rising demand for logs back after lull**

During the period under review exports of greenheart and purpleheart logs resumed.

Because there had been a break in log exports, prices changed as new orders flowed in. Greenheart prices improved for all three log categories. Standard sawmill quality logs were traded at FOB prices ranging from US\$140 to US\$210 per cubic metre.

Likewise prices for Fair sawmill quality ranged from US\$130 to US\$210 per cubic metre FOB while FOB prices for Small category logs were US\$140 per cubic metre.

Purpleheart logs (Standard Sawmill quality) attracted favourable prices on the export market from US\$210 to US\$385 per cubic metre FOB. Buyers for markets in Asia and the Caribbean were active and supported the trade in purpleheart.

Additionally, wamara (*Swartzia leiocalycina*) logs were exported and FOB prices held firm ranging from US\$125 to US\$140 per cubic metre.

**Asian markets attracted by some exotic timbers**

Some of the other prime species being exported in log form included kabukalli (*Goupia glabra*) US\$130 to US\$160 per cubic metre FOB; shibadan (*Aspidosperma* spp) US\$130 to US\$150 per cubic metre FOB and washiba (*Tabebuia* sp.) US\$150 to US\$170 per cubic metre FOB. Markets in Asia were the main destinations for these exotic timbers from Guyana.

**Sawnwood exports steady**

During the period under review sawnwood exports made a positive contribution to total export earnings.

Undressed greenheart (Prime) sawnwood attracted a top end price of US\$955 per cubic metre FOB while Select Undressed sawn greenheart prices were favourable with a top end price ranging from US\$933 to US\$1,209 per cubic metre FOB. Encouragingly, Merchantable category Undressed sawn greenheart top end FOB prices went as high as US\$848 per cubic metre.

This durable and sustainable timber attracted diverse markets in the Caribbean, Europe, French West Indies and North America.

Undressed purpleheart (Select) sawnwood also attracted a good price on the market earning as much as US\$1,378 per cubic metre FOB, on the other hand for the period reviewed, Merchantable quality sawn purpleheart secured only a fair FOB price of US\$650 per cubic metre.

Undressed mora (Select) sawnwood prices held steady at US\$594 per cubic metre FOB for markets in the Caribbean and New Zealand.

#### Growing demand for dressed sawnwood

During the period reviewed the overseas demand for Dressed greenheart sawnwood was encouraging as this category of sawnwood earned as much as US\$1,060 per cubic metre FOB.

Similarly, FOB prices for Dressed purpleheart held firm at around US\$1,102 per cubic metre. Markets in the Caribbean dominated the trade in Dressed purpleheart sawnwood.

#### Greenheart for marine applications

Greenheart piles attracted positive export market prices as much as US\$355 per cubic metre FOB, with Europe being the prime market for this durable timber product which is used for marine and wharf structures.

Guyana's wallapa posts earned a favourable market FOB price of US\$685 per cubic metre while wallaba splitwood (shingles) attracted a price of US\$1,091 per cubic metre FOB in Caribbean markets.

#### Regional market demand supports added value production

The Caribbean market in particular supports the production of added value products such as craft items, doors, indoor furniture, spindles, window frames, and wooden utensils as well as non-timber forest products.

#### Exporters target new markets for washiba (Guyana ipe)

Washiba (Tabebuia sp) is known in the trade as Guyana's ipe. Tabebuia is a high density timber (1,040 kg/ cu.m) and can be found across Central and tropical South America.

This species is also known and traded internationally as hakia and lapacho. The Guyana Forestry Commission (GFC) says a sustainable supply of this timber species can be assured. Washiba has long been one of Guyana's export species and can be used for a variety of end-uses where strength, durability and appearance are important.

Between 2008 and 2013 the export price for Washiba (Dressed) went from US\$636 per cubic metre to as high as US\$2,900 per cubic metre FOB.

The increase in price was due to the significant increase in demand for this product because of its versatile end use applications. Washiba is especially popular for outdoor decking particularly in the United States.

The GFC says there is potential for this timber species to gain a stronger footing in Caribbean and other markets where there is a need for a durable timber for use in sea front accommodation or for decking.

#### Update on Guyana's FLEGT VPA process

The Guyana Forestry Commission (GFC) has reported that Guyana's engagement with the EU on a Voluntary Partnership Agreement (VPA) is progressing and work has continued on the various components in the agreed Roadmap.

The National Technical Working Group meets as scheduled and work has continued on the development of the two projects for which Guyana has received financial support from the Food and Agriculture Organization of the United Nations.

The consultant for the Communication and Consultation Strategy has met with various stakeholder groups and the feedback garnered from this process will inform the Communication and Consultation Strategy.

The Scoping of Impacts Study has commenced and an initial testing of the draft Legality Definition was conducted to ascertain the compliance level and identify initial gaps. Both of these activities are scheduled to be completed during the first quarter of 2014.

Funding for various aspects of the VPA is still being explored and must be secured so that work plan for 2014 can be implemented.

#### Collaboration on chainsaw milling

During a second phase of the Chainsaw Milling Project in Guyana the National Technical Working Group, NTWG and the Project have successfully collaborated in an effort to continue the consultation process on Guyana's VPA.

#### Export Log Prices

Logs, FOB Georgetown	SQ - US \$ Avg unit value per m <sup>3</sup>		
	Std	Fair	Small
Greenheart*	140-210	130-210	140
Purpleheart	210-385	-	-
Mora	-	-	-

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

#### Export Plywood Prices

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

## Export Sawnwood Prices

Sawnwood, FOB Georgetown		\$ Avg unit val. per m <sup>3</sup>	
EU and US markets		-Undressed	Dressed
Greenheart	Prime	995	-
	Standard	-	742-1,060
	Select	575-1,029	
	Sound	848	
	Merchantable	785-848	
Purpleheart	Prime	-	-
	Standard	-	848-1,102
	Select	648-1,378	
	Sound	-	
	Merchantable	650	
Mora	Prime	-	
	Select	594	
	Sound	-	
	Merchantable	-	

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

## Report from Japan

### Domestic demand expected to maintain strength despite tax increase

The Deputy Governor of the Bank of Japan, Kikuo Iwata, recently presented the Bank's view of prospects for the economy at a meeting with business leaders in Miyazaki prefecture.

See:

[https://www.boj.or.jp/en/announcements/press/koen\\_2014/data/ko140206a.pdf](https://www.boj.or.jp/en/announcements/press/koen_2014/data/ko140206a.pdf)

He reiterated the Bank's view that aggressive quantitative easing is the way to support the government's efforts to pull the Japanese economy out of deflation.

He repeated that the aim of the Bank is to achieve a 2 percent year on year increase in the consumer price index (CPI) and that the Bank will continue with the quantitative easing as long as necessary to achieve the 2% target. The Bank of Japan has been steadily increasing the monetary base, mainly through the purchase of long-term Japanese government securities.

Looking ahead, the Deputy Governor said "Domestic demand is likely to maintain firmness and external demand is expected to increase, albeit moderately". Against this backdrop, while the economy will continue to improve a short term decline can be expected after the consumption tax increase.

At the monetary policy meeting held last month, the Bank reviewed its outlook for economic activity and prices through to the end of fiscal 2015. The median Policy Board forecasts are for real GDP growth rates to be 2.7% in fiscal 2013, 1.4% in fiscal 2014, and 1.5% in fiscal 2015.

### Efforts to generate inflation are working

Data from Japan's Finance Ministry indicates that in December 2013, inflation accelerated, industrial output expanded and demand for workers increased which suggests the current fiscal initiatives of the government are having a positive effect in the real economy.

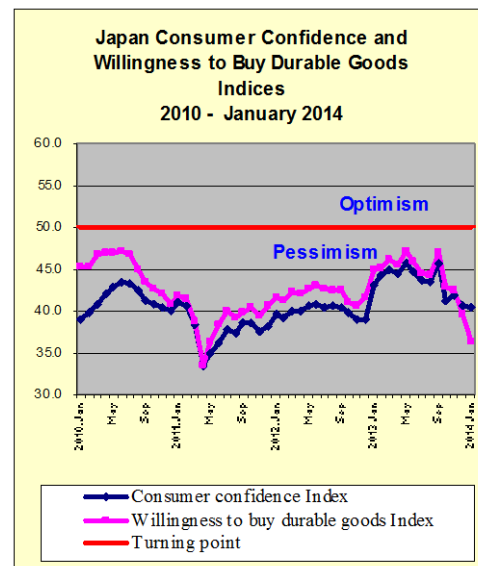
Another positive sign was that industrial production rose in December last year.

The most immediate test of business confidence going forward into 2014 will come when the annual wage negotiations are concluded and when the impact of the April 1 consumption tax increase can be assessed.

If workers cannot secure wage increases then inflation will eat into family disposable incomes driving down domestic demand. At the moment Japan's economy is showing remarkable improvement and a strength not seen for years. The question is how consumers are going to respond over the next few months?

### Consumer confidence falls

Japan's Cabinet Office has released the results of the January 2014 Consumer Confidence Survey.



Source: Cabinet Office, Japan

Householder confidence slipped for a second consecutive month with the consumer index dropping from 40.6 in December to 40.4 in the January survey

Among the sub-components of the index, the overall livelihood index fell and the assessment of income growth potential also fell. The index for consumer willingness to buy durable goods was down sharply (Dec. 2013, 39.6 to 36.4 in Jan. 2014).

Overall most households surveyed were pessimistic on three of the four factors assessed: economic well-being, income growth and purchasing of durable items. Rather surprisingly, consumers were optimistic on job prospects an upward trend recorded for three months.

For the complete data see:

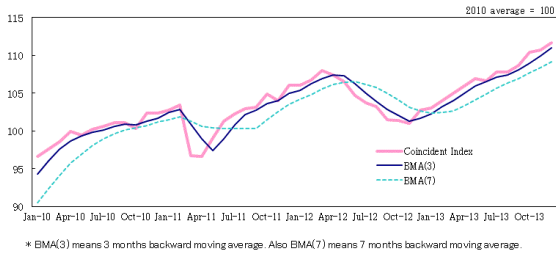
<http://www.esri.cao.go.jp/en/stat/shouhi/shouhi-e.html>

### Japan composite index improves

The key indicators of the current state of the Japanese economy released by the Japanese Cabinet Office all



improved in December and moved to the highest level in more than five years. Companies have increased output and are beginning to offer more jobs as they see profits improve.



Source: Cabinet Office, Japan

The index of coincident indicators comprising industrial output, retail sales and new job offers, climbed 1.0 point from the previous month to 111.7, up for the fourth straight month (100 = base line 2010). The December results are the best since 2008, prior to the global financial collapse.

The index of leading indicators, which offers a window on developments over the next few months also improved in December, moving up to 112.1 driven by more confidence in the private sector.

**Impressive growth in housing starts**

According to a report released today by the Ministry of Land, Infrastructure, Transport and Tourism Japan's 2013 housing starts were up 11% from 2012 a record pace of increase not seen since the mid 1990's.



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

Housing starts in December were 89,600 down from the 91,500 in November but some 18% higher than in December 2012. The decline in December is the result of the slow-down in construction because of the weather, especially in the northern prefectures and because of the end of year holidays.

Japan's housing starts rose for a 16th consecutive month in December 2013, the longest consistent improvement since 1994.

While consumer optimism is growing much of the increase in housing starts is in response to the planned increase in consumption tax due to take effect in April this year. Analysts expect housing starts to peak in March and then fall back as the new tax regime comes into effect.

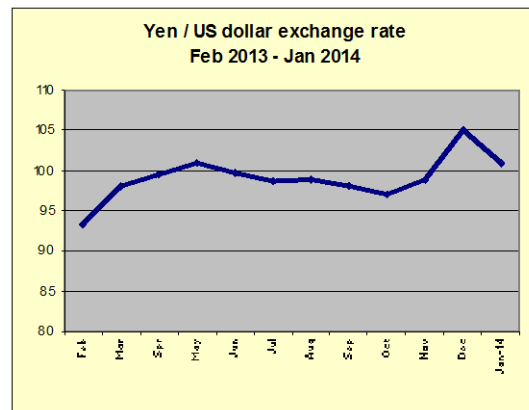
Overall housing starts in Japan in 2013 were 1.06 million units slightly above earlier forecasts.

**Yen exchange rate reacts to emerging economy difficulties**

Forecasts are for the yen to stabilise at around yen 100-110 to the US dollar throughout 2014 but the mixed signals from the US Federal Reserve and the instability of emerging market currencies will tend to strengthen the yen higher. In mid February 2014 the yen was trading at around 101 to the dollar.

The economic problems in emerging economies are undermining the weak yen policy of the Japanese government and Central Bank. If demand in emerging markets weakens significantly there will be a direct and negative impact on Japanese exports.

Around half of Japan's exports go to emerging markets including China (20%) which rises to almost 30% if Hong Kong and Taiwan P.o.C markets are included. Any decline in imports from these and other emerging markets would seriously undermine the efforts of the Japanese government beat deflation.



**Jetro survey of Japanese firms overseas**

Between September 13 and October 23 2013, the Japan External Trade Organization (JETRO) conducted its latest survey on the business operations of Japanese-affiliated firms in the five countries in Africa where JETRO offices are located (South Africa, Egypt, Kenya, Nigeria and Cote d'Ivoire).

More than half the Japanese companies surveyed forecast an upturn in business with Africa and 60% of companies surveyed expect to expand sales in African markets.



However respondents noted “the business environment in Africa remains harsh with political and social instability, employment and infrastructure being the main issues of concern.

Interestingly most respondents located overseas cited insufficient understanding by and poor communication with corporate headquarters as the greatest problem.

For more information please see: <https://www.jetro.go.jp/en/news/announcement/20140206116-news>

#### **Workforce reform- more foreign workers to come**

The Japanese government is making it easier for the private sector to recruit foreign workers for highly-skilled positions and as trainees a move which, say analysts, will help offset the shrinking domestic workforce and will support expansion of the economy.

This move comes on the heels of a decision to encourage and support expansion of the female workforce. To encourage qualified and skilled mothers to return to work the government is strengthening the child care system and is setting voluntary targets for female worker employment by companies.

The domestic workforce in Japan is shrinking as the country has the most rapidly aging society in the world, with a quarter of the population already over 65. Expansion of the foreign workforce and getting more women employed or re-employed is important for easing labour shortages and increasing tax revenues.

#### **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>

#### **North American log import in 2013**

Total import of North American logs in 2013 was 3,415,440 cbms, 14.4% more than 2012. Demand for North American logs increased by both lumber and plywood for busy housing starts.

Also the supply of North American lumber did not cope with expanding demand in Japan so that the demand shifted to domestic products. The cost of North American lumber climbed due to weakening yen.

Lumber shipment by Chugoku Lumber, the largest Douglas fir lumber manufacturer in Japan in 2013 was 1,440 M cbms, 19% higher than 2012, which verifies aggressive log demand.

#### **Domestic wood products market in Tokyo region**

Market prices of domestic lumber in Tokyo region continue climbing. All the sawmills are running full to catch up orders but the demand is expanding much larger than the supply capacity so the supply shortage seems to continue for some time.

However, there are some changes by users to shift to imported products after the prices of domestic lumber soared so much then log inventories by sawmills are ample now so that the market feels the prices are peaking and the concern is how long the market holds high prices.

The prices of KD cedar 120 mm post (special grade) leaped to 65,000-67,000 yen per cbm, 10,000 yen up from early December, of KD cypress sill jumped up to 90,000-95,000 yen, 20,000 yen up, of KD cedar stud climbed to 65,000 yen. The prices are up by about 40% to 50% compared to last summer.

#### **Wood demand projections from Forestry Agency**

The Forestry Agency held meeting for wood products demand projection in December last year. It drew up demand projection for the first quarter and second quarters of this year. According to this, the first quarter would stay without much change but the second quarter would drop related to the end of rush orders in late last year.

Projections of domestic logs for lumber production in the first quarter are 3,090,000 cbms, 4.1% more than the first quarter last year then for the second quarter are 3,040,000 cbms, 2.4% less. Logs for plywood for the first quarter are 740,000 cbms, 2.9% more then the second quarter are 750,000 cbms, 5.2% less.

Total for the first quarter is up by 3.9% then for the second quarter is down by 2.9%.

Imported logs for the 1st quarter are 1,105,000 cbms, 1.2% down then for the 2nd quarter are 1,095,000 cbms, 14.6% down. Imported lumber for the 1st quarter is 1,695,000 cbms, 1.4% down then for the 2nd quarter is 1,800,000 cbms, 14.8% down.

Drop of both logs and lumber for the 2nd quarter is larger than the 1st but this is due to large volume for the 2nd quarter last year and the volume of logs remain unchanged from the 1st quarter and lumber volume actually increases for the 2<sup>nd</sup> quarter.

As to North American lumber, import of the 1st quarter would increase by 2.2% because of declining inventories but the 2nd quarter would drop by 10.6% by declining demand.

European lumber, which inventory is high, would drop by 7.4% in the 1st quarter and by 21.2% in the 2nd quarter.

Radiata pine logs and lumber would increase as export cargoes would grow.

Both domestic and imported structural laminated lumber would increase for the 1st quarter with 535,000 cbms, 7.9% up then drop in the 2nd quarter with 540,000 cbms, 7.9% down.

Domestic plywood would increase for both 1st and 2nd quarter by 9.0% and 2.3% but the imports would decrease so total would be 1,570,000 cbms for the 1st quarter (1.1% down) and 1,590,000 cbms for the 2nd quarter (5.6% down).

Forecast of the seasonally adjusted annual housing starts are 997,000 units for the 4th quarter 2013, 925,000 units for the 1st quarter and 859,000 units for the 2nd quarter.

**European lumber market**

Market of redwood laminated beam and whitewood post has been tightening after the inventories of imported products are dropping by active operations by precutting plants so that now the orders are coming to domestic laminated lumber manufacturers. With brisk orders, the plants are so busy that deliveries take more than a month.

The manufacturers are aggressively seeking to increase the prices but at the same time, they are afraid of demand slow down after the first quarter.

**Radiata pine logs and lumber**

Crating lumber market is tightening after Orvis, the largest radiata pine lumber manufacturer, announced to close its Himeji mill in April.

Lumber buyers place orders to multiple suppliers so that it is much larger than actual demand. Also lumber buyers want to procure before the consumption tax is increased in April.

Radiata pine sawmills carry order balance for about a month then competing domestic larch and cedar plants also have order files of more than two weeks so the supply is tight.

The market prices are firming after both New Zealand logs and Chilean lumber export prices are up. New Zealand A sort log prices for January shipment were \$5 per cbm C&F up and further increase is likely.

Chilean lumber suppliers proposed higher prices and the negotiations had tough going but final settlement was \$5-10 up for February shipment.

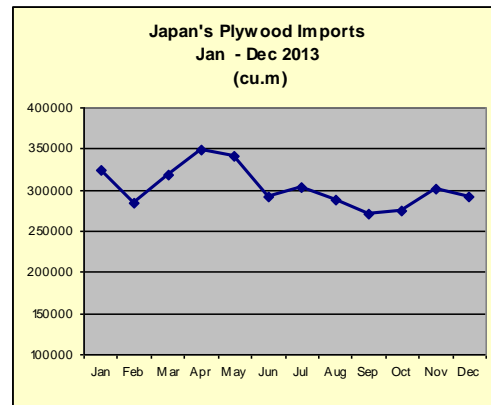
**Plywood**

Supply of domestic softwood plywood continues tight. Orders by precutting plants are brisk as their February orders are all filled up.

Meantime, plywood manufacturers produced 226,500 cbms in December, 12% more than December last year despite shorter operating days then the shipment was high at 226,600 cbms, 7.4% more.

The inventories were 119,000 cbms, 2.3% less than November, the lowest in 2013.

The market prices are 980-1,000 yen per sheet delivered on 12 mm 3x6, 20 yen up from November, 1,450 yen on 9 mm 3x10 long panel and 1,950 yen on 24 mm 3x6 thick panel. Both are flat.

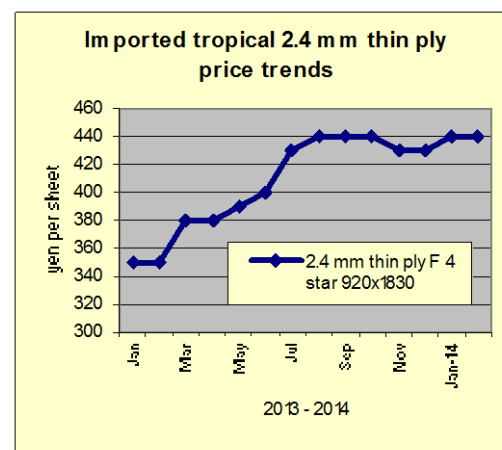


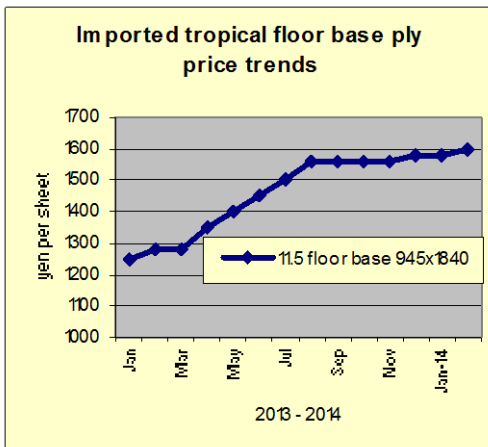
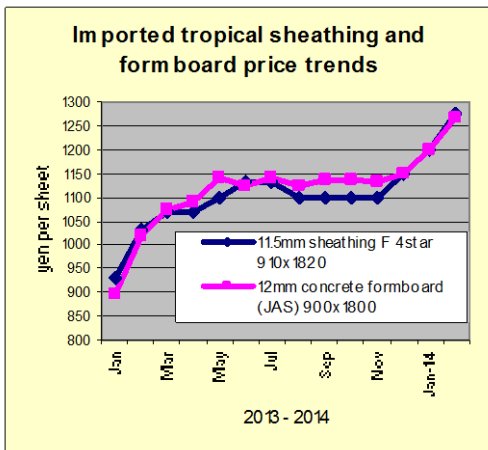
Data source: Japan Lumber Reports

Market of imported plywood continues firm with tight supply. Both 3x6 JAS concrete forming for coating and 9 and 12 mm structural panel are particularly tight. Future seems high due to higher export FOB prices by the suppliers and weakening yen so that wholesalers are aggressively procuring what's available now.

The prices seem to continue edging up without support by actual demand. Market prices are hard to pin point as there is gap between importers' asking prices and wholesalers' desirable prices. Concrete forming JAS 3x6 panel prices are 1,250 yen per sheet delivered, 50-70 yen up from December. 12 mm structural panel prices are 1,320 yen, 70-90 yen up. 3x6 JAS concrete forming panel for coating is 1,350 yen, 50 yen up.

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





**Certified wood for the 202 Olympics**

Two major forest certification organizations, FSC, PEFC and the Japanese own organization, SGEC (Sustainable Green Ecosystem Council) have started activities to promote using certified wood for the Olympic Games held in Tokyo in 2020.

This is the first such joint activities by three corporations. Three corporations had several meetings since last fall and came up with the request to use forest certified wood for athletic and related facilities of the Olympic and submit the request to administrative organizations.

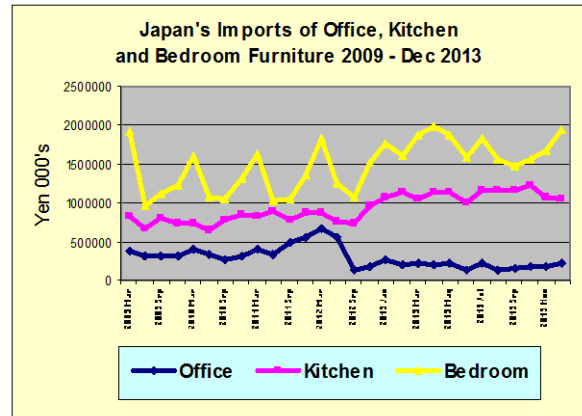
Vancouver winter Olympic in 2010 was the first Olympic to use certified wood then in London Olympic games in 2012, for the request to use sustainable wood and paper for consumption by organizing committee, FSC and PEFC were selected. Consequently total of 12,500 cubic meters of wood was used for various facilities and almost 100% was certified wood.

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

Japan's office kitchen and bedroom furniture imports from 2009 to the end of 2013 are shown below. Imports of bedroom furniture exhibit a cyclical trend and between 2009 and 2011 monthly imports followed much the same pattern but overall annual imports did not increase during this period. However from 2012 bedroom furniture imports began to increase and the established cycle

changed as monthly imports tended to level out such that the difference in value between the highs and lows narrowed.

2012 bedroom furniture imports averaged yen 1,414 mil. and were up 12% on 2011 levels while imports in 2013 averaged yen 1,727 mil. and expanded 22% compared to 2012.

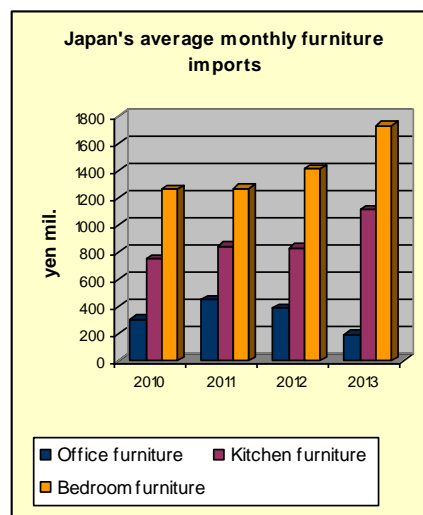


Source: Ministry of Finance, Japan

In contrast to the pattern of bedroom furniture imports in the case of kitchen furniture imports there has been a steady rise beginning from 2011. 2012 imports of kitchen furniture were affected by the weak Japanese economy much more than imports of bedroom furniture and monthly imports averaged only yen 750 mil in 2010, expanding to yen 844 mil. in 2011, yen 832 mil. in 2012 and yen 1112 mil. in 2013.

Despite the 2013 improvement in business sentiment in Japan and greater investment by the private sector imports of office furniture weakened considerably from levels in 2011 and 2012.

In 2011 office furniture imports were up 46% on 2010 but from 2012 imports fell steadily. In 2013 average monthly imports of office furniture were yen 195 mil. compared to the high of yen 454 mil. in 2011.



Source: Ministry of Finance, Japan

**Office furniture imports (HS 9403.30)**

In December 2013 Japan’s imports of office furniture increased by 23.5% following the 9.5% increase in November imports. The top supplier remains China which provided 47.5% of all December imports, marginally down on the yen 93.3 mil. supplied in November 2013.

The three main suppliers in December, as in previous months, were China, Poland and Portugal which together accounted for significantly more of all office furniture imports in November. Almost all of the increased imports in December were supplied by these top three suppliers

For December 2013 Japan’s imports office furniture from China were up around 3%, while imports from Poland almost doubled. Office furniture imports from Malaysia and Indonesia fell sharply in December as did imports from Italy.

	Imports Dec 2013 Unit 1,000 Yen
S. Korea	971
China	108393
Taiwan P.o.C	8589
Vietnam	-
Thailand	1382
Malaysia	10943
Philippines	350
Indonesia	10117
Sweden	-
Denmark	8860
UK	1551
Belgium	-
France	-
Germany	4731
Switzerland	-
Portugal	14413
Spain	-
Italy	6329
Poland	39503
Russia	-
Austria	-
Lithuania	1350
Czech Republic	-
Slovakia	5025
Canada	-
USA	5725
<b>Total</b>	<b>228232</b>

Source: Ministry of Finance, Japan

**Kitchen furniture imports (HS 9403.40)**

In order of value of imports Vietnam, China Indonesia and Philippines continued to provide the bulk (89%) of kitchen furniture imported by Japan according to figures from Japan’s Ministry of Finance. December 2013 kitchen furniture imports, at yen 1,040 mil. were down slightly on November imports. Asian suppliers provided 89% of Japan’s kitchen furniture imports in December 2013.

Vietnam maintained its position as the number one supplier of kitchen furniture by a significant margin supplying 35% (39% in November 2013) of Japan’s kitchen furniture imports.

The other main suppliers were China (21.5%) Indonesia (17.4%) and Philippines (15%). Imports of Kitchen furniture from Vietnam in December fell by around 12% and imports from Indonesia and Philippines also declined. In contrast, imports from China grew 27%.

Of the non-Asian suppliers Germany replaced Italy as the number one supplier in December but December imports were below that in November.

	Imports Dec 2013 Unit 1,000 Yen
S. Korea	-
China	225421
Taiwan P.o.C	-
Vietnam	367467
Thailand	5807
Malaysia	24507
Philippines	155440
Indonesia	181292
Myanmar	289
India	232
Iran	-
Sweden	-
Denmark	-
UK	590
Belgium	-
France	1027
Germany	24738
Switzerland	-
Spain	-
Italy	10449
Finland	2794
Austria	3649
Romania	3254
Lithuania	746
Czech Rep.	374
Canada	4751
USA	27301
Argentina	-
<b>Total</b>	<b>1040128</b>

Source: Ministry of Finance, Japan

**Bedroom furniture (HS 9403.50)**

Japan’s imports of bedroom furniture have steadily increased throughout 2013 as can be seen from the annual growth figures illustrated above.

December 2013 imports of bedroom furniture were a record yen 1,939 mil. up almost 16% on levels in November. Once again China topped the table of bedroom furniture suppliers to Japan, providing some 57% of all bedroom furniture.

Together, China, Vietnam and Malaysia accounted for most (88%) of all bedroom furniture imports. The rise in overall imports of this item was largely due to increased supplies from the top three suppliers.

The other main suppliers were Poland, yen 39.9 mil.; Indonesia, yen 29.7 mil.; USA, yen 23.7 mil.; followed by Slovakia and Italy at just over yen 10 mil. each.

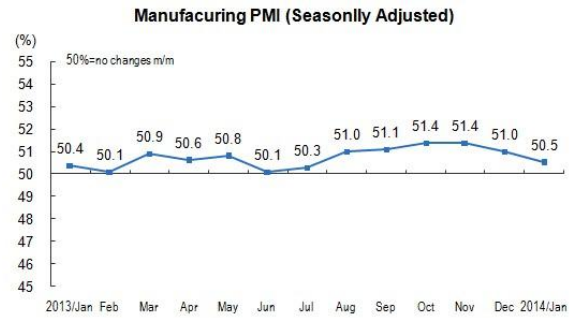
	Imports Dec 2013 Unit 1,000 Yen
S. Korea	-
China	1108645
Taiwan P.o.C	29497
Hong Kong	-
Vietnam	456722
Thailand	63832
Singapore	-
Malaysia	143118
Philippines	-
Indonesia	29699
India	-
Pakistan	-
Norway	-
Sweden	3259
Denmark	2267
UK	-
Belgium	-
France	4307
Germany	540
Switzerland	-
Spain	-
Italy	10673
Finland	-
Poland	38931
Austria	-
Romania	6755
Turkey	-
Lithuania	1688
Croatia	288
Bosnia	375
Czech Rep.	878
SLOVAK	12852
USA	23700
Mexico	-
Australia	1380
<b>Total</b>	<b>1939406</b>

Source: Ministry of Finance, Japan

### Report from China

#### Flow of new orders and factory output falls

Output from, and the flow of new orders to Chinese companies fell sharply in January. Analysts attribute the decline to the efforts of the government to tighten credit growth and the influence of the "Spring Festival" holidays.

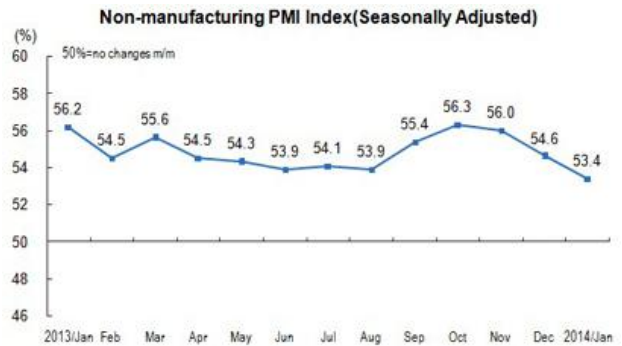


The National Bureau of Statistics has reported that the Purchasing Managers Index for January stood at 50.5, barely in positive growth territory since only when the index is above 50 does this index signal expansion. The index compiled by HSBC Holdings Plc and Markit Economics also

#### Service sector PMI weakens

A separate report on the non-manufacturing sector also showed a deterioration, with that PMI falling to 53.4 in January from 54.6 in December.

[http://www.stats.gov.cn/english/PressRelease/201402/t20140207\\_507896.html](http://www.stats.gov.cn/english/PressRelease/201402/t20140207_507896.html)



Source: National Bureau of Statistics, China

Despite the overall fall in the non-manufacturing PMI the index for the construction industry was 61.0, down by 1.6 percentage points over the previous month but still in a positive position reflecting activity in the Chinese housing sector..

#### SFA releases highlights of 2014 plans

The State Forestry Administration (SFA) has released highlights of its actionplan for 2014 which in summary indicates:

- 6 million hectares of forests will be planted
- 7 million hectares of middle and young age forests will be tended
- the total output of the forestry sector will be RMB5 trillion
- the value of foreign trade will reach US\$140 billion

The highlight also says the SFA will promote the creation of national timber strategic reserves and administer one million hectares of national forest reserves.



In addition the SFA will:

- monitor and inform on major wood products market information
- monitor of forest products quality and safety
- establish of national forestry standardisation and demonstration enterprises
- initiate improvement of forest products quality
- establish a forest products assurance system
- encourage adoption of a brand strategy for wood products
- enhance the competitiveness of wood products
- and develop "Guidelines for Overseas Sustainable Forest Products Trade and Investment for Chinese Enterprises ", to promote cooperation for sustainable management of overseas forest resources.

#### **Timber trading centre for Tian mercantile exchange**

Recently it has been reported that a timber trading centre has been established in the Tian Mercantile Exchange (TME) and has been successfully tested through the purchases from the North China Timber Trading Market in Erlianhot City, Inner Mongolia.

See: <http://www.chinatme.com/en/index.htm>

This new timber trading centre is the first national timber electronic trading platform which provides full documentation such as warehouse receipts and bills of lading.

The TME will establish a timber logistics system and will also cooperate with the Agricultural Bank of China, China Merchants Bank, China Minsheng Banking Corp. Ltd and China CITIC Bank to launch supply chain financing services for wood products traders.

According to the TME 2014 development plan a North China timber trading market in Inner Mongolia Autonomous Region will be established along with an East China timber trading market in Shanghai Taicang City, a South China timber trading market in Guangdong Shunde City and a South-west timber trading market in Sichuan Chengdu.

In the first half of 2015, TME plans to establish a North-east timber trading market in Heilongjiang Harbin City and also a center for North-west timber trading in Shanxi Xi'an.

#### **Record breaking imports through Huangdao Port in 2013**

According to statistics from the Huangdao Entry-Exit Inspection and Quarantine Bureau in Shandong Province, timber imports through Huangdao Port in 2013 were a record high of 2.565 million cu.m, a year on year increase of 108% in terms of volume.

This is the first time timber imports through Huangdao Port exceeded 2 million cu.m for a year. The statistics show some 30 countries provided timber through Huangdao Port such as Ukraine, US, New Zealand, France and Romania.

The main reasons for the significant growth in timber imports through Huangdao Port are said to be the efficiency of the port in terms of handling capacity and the efficiency of Customs officers. The sharp increase in timber imports has resulted in higher rates of detection of pests.

#### **Furniture from Guiyang City finds market in Hong Kong**

According to the statistics from the Entry-Exit Inspection and Quarantine Bureau, the value of bilateral trade between Guiyang City in Guizhou Province and Hong Kong in 2013 rose 45% to US\$292.91 million.

Of the total, the value of exports picked up 45% to US\$292.87, the value of imports rose 51% to US\$0.04 million. Of the total, the value of furniture and furniture parts exports ranked first and grew about 700% to US\$64.14 million in 2013.

#### **Modest recovery of furniture exports from Taizhou City**

According to statistics from Taizhou City Entry-Exit Inspection and Quarantine Bureau, Zhejiang Province, the value of 2013 furniture exports by manufacturers in the area rose to US\$519 million, a modest 3% rise.

There are more than 70 furniture enterprises in Taizhou City which concentrate on European style bedroom furniture and aluminum/wood composite outdoor furniture for the Middle East, European and American markets as well as diverse markets in African countries.

The furniture industry in the city suffered over the past years because of weak international demand, increasing labour costs and rising raw material prices but the industry has now recovered slightly.

The Taizhou City authorities are encouraging furniture export enterprises to improve the quality of their products and management systems.

An emphasis has been placed on raising the awareness of the importance of honest and trust worthy trading and the need to strengthen supervision and manage the sourcing of raw materials to satisfy customer demands.

The Customs Bureau has simplified clearance procedures, accelerated the speed of customs clearance to minimize the transaction costs borne by exporters.

## Price trends across China

### Guangzhou Yuzhu International Timber Market

Logs		Yuan/cu.m
Lauan	Diameter 60 cm <sup>+</sup>	2000-2200
Kapur	Diameter 80 cm <sup>+</sup>	3100-3200
Merbau	Diameter 100 cm <sup>+</sup>	5200-5400
Teak	Diameter 30-60 cm	6500-13000
Wenge		4300-4800
Red Oak (France)	Diameter 30 cm <sup>+</sup>	2500-2600
Purpleheart	Diameter 60 cm <sup>+</sup>	3500-3600
Rosewood		3700-4200
<b>Sawnwood</b>		
Maple	Grade A	7500-9500
Walnut (USA)	FAS 2 inches	14000-16000
Cherry (USA)	FAS 2 inches	10000-12800
Sapelli	Grade A	6600-7000
Okoume	Grade A	4200-4500
Teak (plantation)	Grade A	9600

### Shanghai Furen Forest Products Wholesale Market

Logs		Yuan/tonne
Red sandalwood (India)	All grade	1-2 mil.
Rengas (Vietnam and Nepal)	All grade	7000-8800
Granadillo (Mexico)	All grade	7500-8000
<b>Sawnwood</b>		
Okoume (Africa)	grade A	4300-4700
Sapelli (Africa)	grade A	5800-6300
Beech (Europe)	grade A	4500-4800
Red Oak (North America)	2 inches FAS	7000-7300
Cherry (North America)	2 inches	9800-10500
Maple (North America)	2 inches	8700-8900
Merbau (Indonesia)	All grade	10000-11500

### Hangzhou Timber Trading Market

Logs		Yuan/cu.m
Ash	4 m 30 cm	3200-4800
Larch	4 m 8 cm 10 cm	1800-2900
Linden	4 m 26 cm	2400-3500
<b>Sawnwood</b>		
Beech (Europe)	All grades	2800-5000
Black walnut (N. America)	All grades	7000-13000
Teak (Myanmar)	All grades	9000-18000
Red oak (N. America)	All grades	3500-5000
Alder (Myanmar)	All grades	4500-5300
Merbau	All grades	7200-12000
<b>Plywood</b>		
Red beech	3mm	50-75
Black walnut	3mm	60-102
Teak	3mm	70-148

### Wenzhou Timber Trading Market

Logs		Yuan/cu.m
Ash	2 m 20-30 (cm)	1300
Chinese fir	4 m 16-18 (cm)	1500
Wenge	all grades	4500-5100
Teak (Plantation)	all grades	2100-2500
Merbau	all grades	3500-5000
Spelle	all grades	3200-3700
<b>Plywood</b>		
		Price yuan/sheet
Red beech	4' x 8' x 3 mm	40-80
Black walnut	4' x 8' x 3 mm	40-85
Teak	4' x 8' x 3 mm	45-110

## Shandong De Zhou Timber Market

Logs	Length	Diameter	Yuan/ cu.m
Larch	4m	18-22 cm	1180
	4m	24-28 cm	1300
	4m	30 cm	1450
	6m	18-22 cm	1280
	6m	24-28 cm	1300
	6m	30 cm	1500
White Pine	4m	24-28 cm	1350
	4m	30 cm	1450
	6m	24-28 cm	1350
	6m	30 cm	1500
Korean Pine	4m+		-
	6m+		2000
Mongolian	4m	30 cm	1350
Scots Pine	4m	36 cm	1500
	6m	30 cm	1360
	6m	36 cm	1560

## Report from Europe \*

### EU imports of tropical hardwood fall to new lows in 2013

After record lows in 2012, the latest EU trade data indicates that imports of hardwood products from tropical countries fell even further during 2013. In the first 11 months of 2013, EU28 imports of sawn hardwood from tropical countries were 870,200cu.m, 8.2% less than the same period in 2012.

Imports of tropical hardwood logs were only 170,900cu.m between January and November 2013, 23.6% less than the same period in 2012. Direct imports of hardwood plywood from tropical countries (i.e. excluding imports from China) declined 4.8% to 1.14 million cu.m during this period. Tropical hardwood veneer imports fell 7% to 251,500cu.m.

These numbers for the whole of the EU are indicative of the slow pace of recovery in the European economy, particularly in the construction and furniture sectors which are so important for hardwood consumption. They are also the result of on-going supply problems.

Unlike in previous years when Europe was the dominant market, European buyers now have much less leverage to encourage more rapid delivery or prevent diversion to larger buyers in other parts of the world.

The total numbers for the whole of the EU during 2013 hide significant variations in market conditions between countries and at different times of the year. Some of these more subtle variations are apparent in the following series of charts (Chart 1 to 5).

The charts show the 3-month rolling average roundwood equivalent (RWE) volume in cubic meters of EU imports of hardwood products from tropical countries to end November 2013.

RWE is used so that data for all products may be aggregated and also to provide a rough measure of the

“forest footprint” of EU trade<sup>1</sup>. The moving average is used to smooth out short-term fluctuations, which are strongly influenced by factors like vacations or shipping delays, so that the longer-term trend becomes clearer.

Imports from China are omitted from all the charts to focus attention on direct trade with tropical countries and to avoid distortion of data by the large share of non-tropical hardwood (poplar and eucalyptus) in Chinese products.

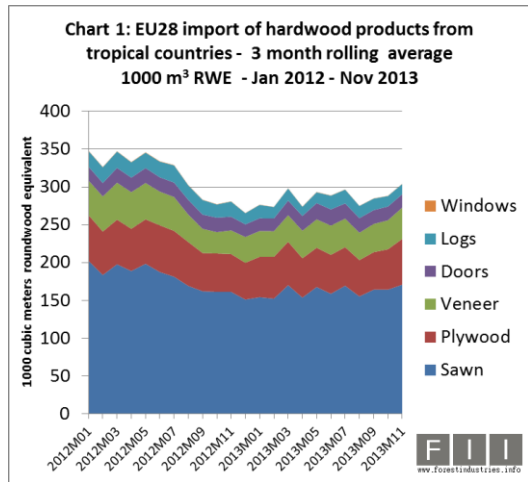


Chart 1 highlights that in terms of RWE volume well over half of EU imports of tropical hardwood products now arrive in the form of sawn wood, with much of the remainder consisting of veneer and plywood.

The volume of log imports has diminished to negligible levels. Despite the recent policy focus on value added in tropical countries in recent years, in practice only a small proportion of finished joinery products are imported into the EU.

The 3 month rolling average of EU imports of hardwood products from tropical countries fell to a low of 266,000cu.m/month RWE in December 2012 and staged a slow and hesitant recovery during the course of 2013. By November 2013, the 3 month rolling average had risen to 304,000cu.m3/month RWE, mainly due to improving imports of sawn wood and plywood.

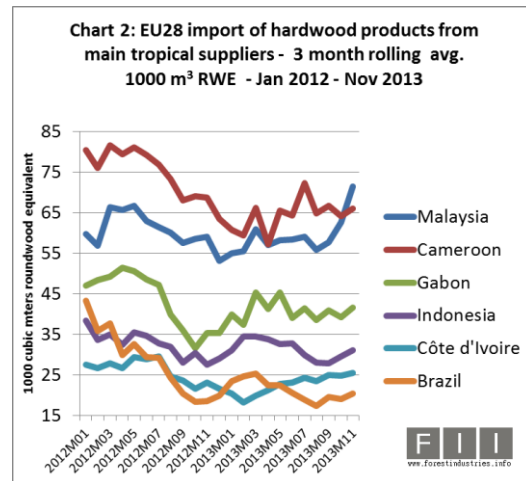
<sup>1</sup> RWE can only ever provide a “rough measure” because of the numerous assumptions made on conversion efficiency and waste utilisation. For the sake of transparency, the RWE figures here have been calculated based on the following assumed conversion rates: logs (100%), rough sawn (47.5%), planed/sanded sawn (45%), veneer (55%), plywood (43.5%), and joinery products (33%). It’s also simplistically assumed that no waste material (e.g. offcuts and saw dust) is used for manufacture of other wood products (which in practice would mean some of the RWE volume should be allocated to these other products).

### Supply problems contribute to declining EU imports from Cameroon

Chart 2 shows how the fortunes of major suppliers of tropical hardwood to the EU changed throughout the course of 2013.

Imports from Cameroon, the largest single tropical hardwood supplier to the EU (mainly of sawnwood), fell sharply in the nine months prior to February 2013 and remained at the relatively low average of around 65,000cu.m/month RWE during the rest of 2013.

This trend coincides with mounting supply problems in Cameroon, particularly of sapele, the most popular commercial species in Europe.



Reports from traders suggest that harvesting in Cameroon in 2013 was concentrated in less accessible and remote areas which pushed up transport costs because of the distances involved.

Logging in the last quarter of the year was further curtailed by a severe rainy season. The main port at Douala has suffered a series of problems leading to heavy congestion from vessels waiting to load and unload.

Problems include faulty cranes, the need for dredging due to silt build-up, and mounting labour problems which culminated in a week-long strike by dock workers in December 2013.

Meanwhile, European buyers have increasingly struggled to secure tropical hardwood supplies from Cameroon in the face of strong competition for the same raw materials from buyers elsewhere, notably China and the United States.

### Falling French consumption hits exports from Gabon

Chart 2 shows that imports from Gabon during 2013 were impacted both by supply problems and changing consumption patterns in France where much of the wood is consumed. Government harvesting restrictions and other measures contributed to reduced log supply in Gabon during 2013.

Meanwhile the French economy and construction activity dipped sharply in the first quarter of 2013 and imports of Gabonese hardwood fell accordingly. However, French market conditions stabilised to some extent from the second quarter of 2013 onwards. EU imports from Gabon were averaging around 40,000cu.m/month RWE for much of 2013.

EU imports of tropical hardwood from Cote d'Ivoire fell to a low of only 15,000cu.m/month RWE in the three months to February 2013 as importers grew increasingly concerned about possible EUTR conformance issues.

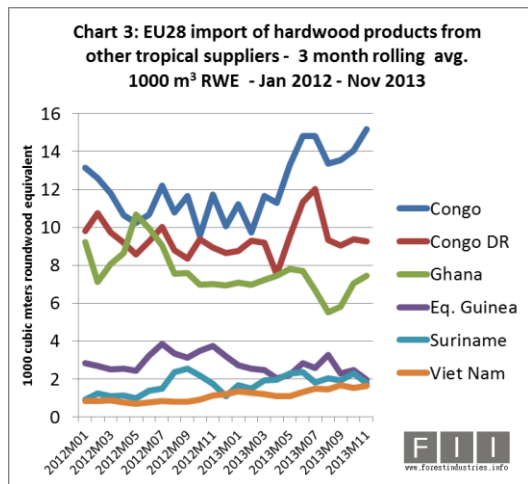
However, imports recovered to an average of 25,000cu.m/month RWE in the three months to November 2013 as importers grew more confident that the available legal documentation would stand up to EUTR scrutiny.

EU imports from Ivory Coast also benefitted from slow recovery in demand for key species like framire and ayous in the UK and Italian markets during the second half of 2013.

**Recovery in EU imports from Republic of Congo**

Chart 3 shows that EU imports of tropical hardwood products from the Republic of Congo were also recovering from the second quarter of 2013 onward. EU monthly imports from the country which were averaging 10,000cu.m at the start of 2013 had risen to 15,000cu.m in the three months to November 2013.

EU demand for wood from the Republic of Congo has been boosted by limited availability elsewhere and the commitment of larger shippers to supply of FSC certified products.



**EU policy measures contribute to sharp rise in imports from Malaysia**

EU tropical hardwood imports from Malaysia hit a low of 53,000cu.m/month RWE at the end of 2012 and remained at this level until September 2013.

However, EU imports from Malaysia surged during the autumn months to an average of close to 75,000cu.m/month RWE. The surge is partly due to

improvement in the UK economy and some early signs of life in the Netherlands construction market.

A range of EU policy measures also contributed to the rapid increase in imports from Malaysia at the end of 2013. Loss of Malaysia's preferential status under the EU's Generalised Scheme of Preferences (GSP) meant that EU import duties on Malaysian products increased from 3.5% to 7% on 1 January 2014.

This encouraged importers to restock in advance of the deadline. Meanwhile the EU Timber Regulation has given Malaysian plywood shippers a competitive boost relative to Chinese manufacturers that have struggled to meet new demands for legal documentation.

The EU's Construction Products Regulation has also benefitted Malaysian shippers of higher quality plywood products able to meet new technical performance standards.

**Only limited tropical hardwood imports from Brazil**

EU imports of tropical hardwood from South America have fallen dramatically since the start of the recession. EU monthly imports of all tropical hardwood products from Brazil were averaging no more than 20,000cu.m/month RWE by the end of last year.

However Suriname is one South American country that has bucked the trend, with EU imports from the country rising consistently over the last 2 years, albeit from a small base.

This is due to recent investment in processing facilities in Suriname combined with a commitment to FSC certification by at least one leading operator which has encouraged greater interest from European buyers, particularly in the Netherlands.

**Strong rebound in UK tropical hardwood imports**

Charts 4 and 5 show how imports of tropical hardwood into the main EU markets have progressed over the last two years. Imports fell sharply throughout the EU during the prolonged winter in late 2012 and early 2013 when European construction activity reached an all-time low. Since then market conditions have diverged widely between countries.

Imports into the UK have rebounded so strongly that, by the end of 2013, the country had emerged as the largest single EU importer of tropical hardwood products. Imports into France recovered well until August 2013 but then fell sharply in the autumn months.

Imports into Belgium spiked in March 2013, but then declined progressively throughout the rest of the year. The closure of DLH's stock-holding operation in Belgium during 2013 may well have been a factor in this decline.

After a long period of recession, the Dutch market and several Southern European markets including Italy, Spain and Greece, were showing signs of recovery at the end of 2013.



Imports into Portugal continued to decline throughout 2013, very much in line with construction sector activity in the country which was weakening last year.

There are also indications that joinery manufacturers in Portugal are shifting away from tropical hardwoods in favour of temperate species.

The same trend is apparent in Germany, the largest single consumer of wood products in the EU, where tropical wood imports were low and declining during 2013.

months. Delivery of standard specifications of sawn wawa from Ghana and sawn meranti from Malaysia are up to three months.

Strong demand for African sapele sawn wood is driving price rises to levels that European importers often find difficult to pass on to their customers. Importers report that FOB prices for FAS AD 52mm sapele lumber in standard lengths and widths now stand at between €650/cu.m and €680/cu.m, up from closer to €600 in mid-2013.

These prices are not far short of those for sipo which have remained more stable at around €700/cu.m fob for non FSC-certified goods and up to €770/cu.m for FSC certified.

Prices for other key African wood species in the European market have been relatively more stable than those for sapele, but where there is movement it tends to be upwards.

The FOB price for FAS AD 52 mm iroko sawn wood increased by around €30/cu.m in 2013 and now stands at around €650-700/cu.m fob for air dried and €750-800/cu.m for kiln dried. The FOB price for framire sawn wood is in the region of €500/cu.m fob. Wawa No. 1 c+s is selling for around €350/cu.m fob. Prices for Khaya sawn wood have been firming on the back of good US demand.

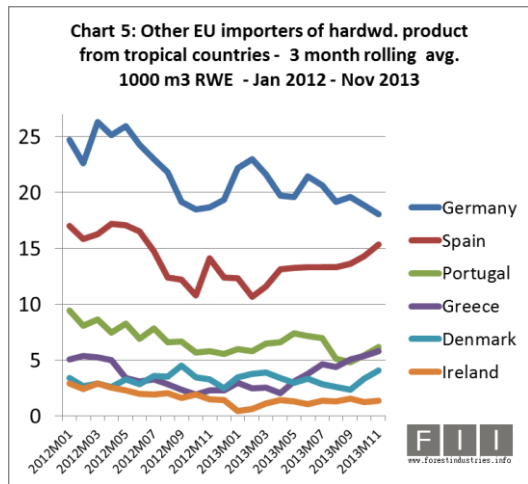
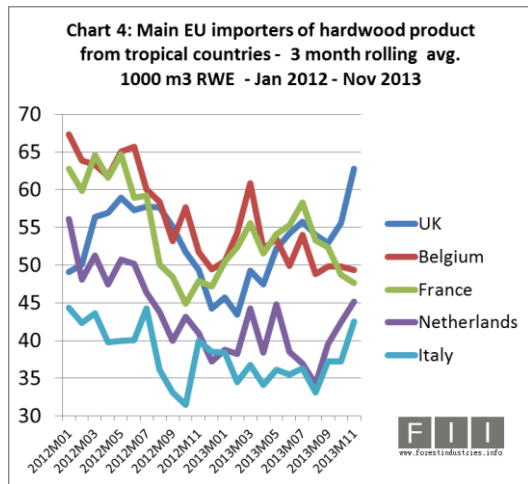
At this time of year, European importers would normally be stocking up large volumes of tropical hardwood decking profiles in preparation for the spring garden season.

However, orders so far this year have been quite limited with many importers adopting a wait-and-see approach until there is clearer information about the volume of stocks left over from last season. Weak consumption in 2013 has meant there is a stock overhang. Uncertainty has also been created by several high-profile closures of distribution operations in Belgium and Netherlands.

But, there are some more positive indications emerging from the decking sector. Unlike last year, the winter so far in 2014 has been warm and mild which is encouraging a few merchants to consider earlier deliveries this year. This trend is being boosted by more competitive pricing for bangkirai decking profiles.

Prices for delivery 'standard and better' grade bangkirai into Northern Europe currently stand at around \$1500/cu.m, down from prices of up to \$1800/cu.m a couple of years ago. Bangkirai decking can also still be obtained within around five weeks. However, analysts suggest, both prices and delivery times could increase quite quickly if demand does pick up.

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



**Lacklustre EU demand in 2014**

There is unlikely to be any significant upturn in EU tropical hardwood trade in 2014. The continued sluggish pace of economic and construction activity and the low level of supply are likely to act as a significant brake on trade.

The latest European Commission forecast is for 1.4% GDP growth across the EU during 2014, only a slight improvement on the 0% growth projected for 2013. Euroconstruct, an independent research agency, is forecasting growth in European construction output of no more than 0.9% in 2014 and 1.8% in 2015.

Meanwhile, delivery times into the EU for key tropical hardwood products remain very lengthy. Delivery times for wood species from the Congo region are now up to 6



**Hardwood plywood imports down in November**

US imports of hardwood plywood declined to 227,148 cu.m in November, down 35% from the previous month. Year-to-date imports are 16% higher than in 2012. China is the only major supplier with lower imports in 2013, as the antidumping investigation of Chinese plywood created uncertainty in the market.

**US imports of hardwood plywood**

	Year to Nov 2013	Year to Nov 2012	2012 - 2013 % change
Total imports	2,745,393	2,363,244	16%
China	1,334,874	1,551,077	-14%
Indonesia	467,050	211,400	121%
Ecuador	255,815	75,202	240%
Canada	169,640	84,887	100%
Russia	235,273	224,141	5%
Malaysia	131,992	92,344	43%
Other	150,749	124,193	21%

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

Hardwood plywood imports from Malaysia increased to 12,218 cu.m in November (+12%), but imports from most other countries declined. China's shipments decreased to 125,988 cu.m (-25%) from the previous month. Imports from Indonesia fell to 16,544 m3 (-81%).

**Continued growth in hardwood moulding imports from China**

Hardwood moulding imports increased to \$16.0 million (+15%). Imports from China grew by 15% to \$5.2 million. Malaysian shipments rebounded from October. Imports from Malaysia were worth \$1.1 million in November, but they remain below 2012 levels.

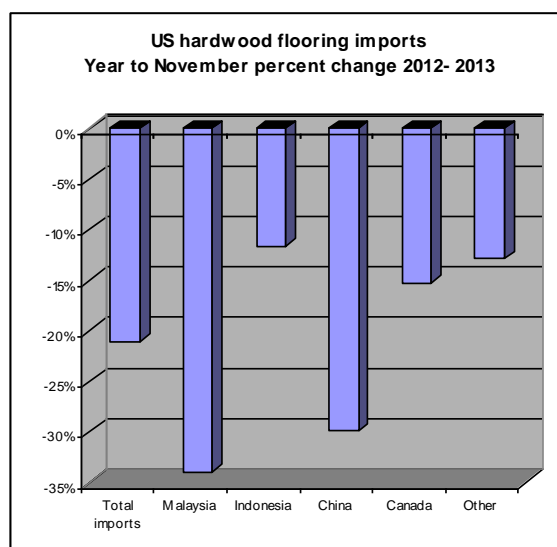
**US imports of hardwood moulding**

	Year to Nov 2013	Year to Nov 2012	2012 - 2013 % change
Total imports	170,387,815	169,993,614	0%
Brazil	43,706,231	53,106,972	-18%
China	53,825,542	51,953,531	4%
Malaysia	11,781,721	16,406,617	-28%
Canada	16,679,809	14,300,232	17%
Other	44,394,512	34,226,262	30%

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

**Flooring imports from Indonesia and Malaysia down**

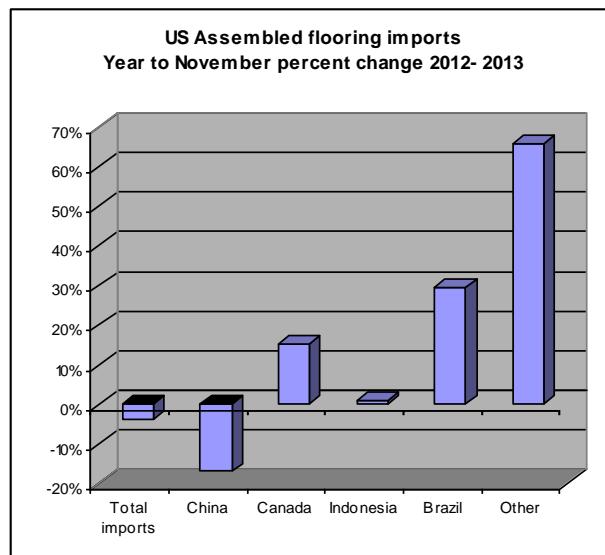
Hardwood flooring imports declined in November, while imports of assembled flooring panels held steady. Total imports year-to-date are lower than in 2012, despite the recovery in the US housing market.



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

Hardwood flooring imports were worth \$2.6 million in November (-12%). Imports from Malaysia and Indonesia fell, while China and Canada shipped more.

Indonesia's shipments of assembled flooring panels to the US also declined. Imports from both China and Canada increased. Total US imports of assembled flooring panels were \$8.8 million, virtually unchanged from October.



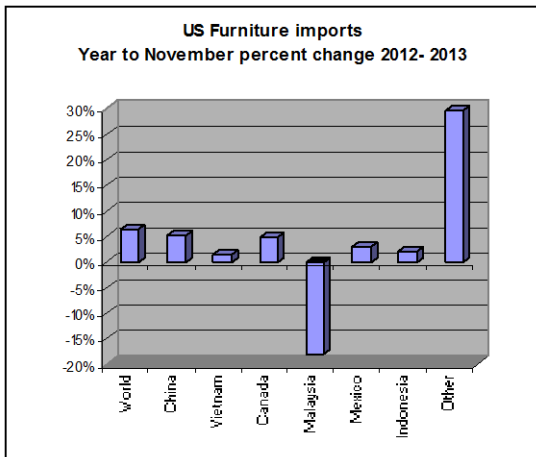
Data source US Department of Commerce, US Census Bureau, Foreign Trade Statistics

**Higher furniture shipments from China**

US imports of wooden furniture were worth \$1.22 billion in November, almost unchanged from the previous month. Year-to-date imports are 6% higher than in 2012.

China's furniture shipments to the US increased by 1% to surpass \$600 million in November. Imports from most other suppliers declined. Imports from Vietnam were down 1%, while Malaysia's and Indonesia's shipments declined by 7%.

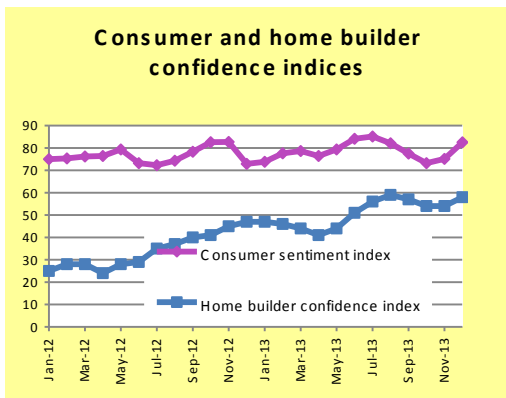
The largest decrease was in imports from Canada which fell by 14% from the previous month.



Data source: US Census Bureau: Foreign Trade Division USA Trade ® Online

**Consumer confidence rebounds**

Consumer confidence in the US economy rebounded in December, according to the Thomson Reuters/University of Michigan consumer sentiment index. Both lower and higher income households were more confident about the economic outlook.

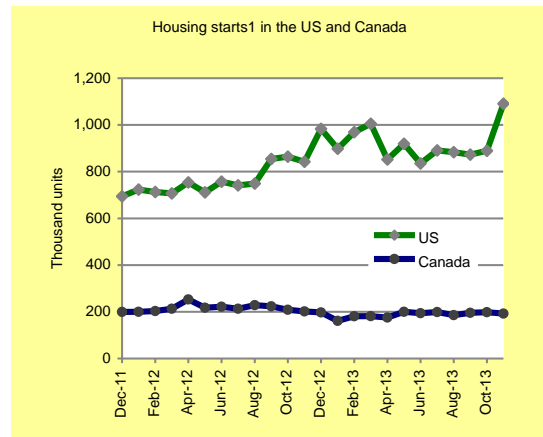


Data source: Thomson Reuters/University of Michigan Surveys of Consumers

Consumers reported little growth in income, however, except for households who have invested in the stock market.

**Housing starts in 2013 set to be over 1 million**

New housing starts surpassed the 1 million mark in November 2013 (seasonally adjusted annual rate). The number of housing starts increased by 23% from the previous month to an annualised 1.09 million in November.



Source: US Census Bureau, CMHC

The strongest growth in construction was in the Midwest (+42%), followed by the South (+39%) and the West (+9%). In the Northeast, housing starts fell by 29%.

The number of building permits declined slightly in November but it remained over 1 million units. The number of building permits issued is an indicator of future building activity.

**Canadian housing market steady**

Canadian housing starts declined 3% in November to 192,000 (seasonally adjusted annual rate), according to the Canadian Housing and Mortgage Corporation. Construction in the west (Manitoba, Alberta and British Columbia) increased, while fewer homes were built in central and eastern Canada.

Sales of existing homes and home prices held steady from October to November. Employment increased in November, supporting demand for housing.

**No improvement in private, public non-residential construction**

US public spending on construction of offices, commercial, health care and educational buildings in November was steady from the previous month. Private spending improved by 3% from October and reached its highest level in 2013.

Despite this increase in spending, architecture firms reported a slowdown in the non-residential business in November. The slowdown was modest but across all regions, according to the American Institute of Architects.

**Unemployment down, GDP up**

Employment improved significantly in December 2013. The unemployment rate fell from 7.0% in November to 6.7% in December. Economic growth in the third quarter of 2013 was again revised upward. The latest estimate is a 4.1% GDP growth at an annual rate.

**Strong growth in domestic furniture manufacturing**

The economy continued to expand in December, according to the Institute for Supply Management. Furniture manufacturing reported the highest growth rate of all manufacturing industries.

Wood product manufacturing also increased in December, albeit at a lower rate than furniture manufacturing. The furniture industry reported higher imports and good market conditions in December.

#### **Wooden window market to grow 12% in 2014**

The market share of wood windows in the total US window market will be approximately 18% in 2014, according to a market overview in the Wood Products Almanac (December 2013).

The share of wood windows will be slightly lower than in 2013, but the number of wood window units shipped is forecast to increase by 12% in 2014.

An estimated 9.2 million wood windows will be shipped in 2014, up from 8.2 million in 2013. 4.1 million units will be used in new construction, while 5.1 million units will be used in remodeling projects or to replace existing windows.

The total US window market will grow from 46.1 million units in 2013 to 52.5 million units in 2014. 2015 demand is projected to reach 57.5 million window units.

The largest growth will be in vinyl and fiberglass windows. Vinyl is the most popular material in windows because it is maintenance free while providing good energy efficiency. Wood plastic composite is increasingly used for windows, but its overall market share is still small.

Wood windows are primarily used in the high end market where the appearance of wood is valued. Manufacturers offer aluminium clad wood windows to reduce maintenance on the exterior of homes. A recent trend has been towards affordable fiberglass windows that are clad in wood for a wood appearance in the home interior.

The US wood window market is relatively fragmented, with the top 50 manufacturers accounting for 70% of the market. Andersen, Jeld-Wen, Masonite, Pella and Marvin are the largest window suppliers.

#### **Comments needed on hardwood research and promotion programme**

The US Department of Agriculture has extended the comment period for the proposed research and promotion program for hardwood lumber and hardwood plywood. The industry-funded program would carry out promotion of US hardwood lumber and plywood to increase their consumption.

The new deadline for comments is February 18, 2014. After that a referendum will be held among US manufacturers on whether to implement the program. Comments to the US Department of Agriculture can be submitted online here: <http://www.regulations.gov/#!home> (search for 'hardwood lumber')

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

**Disclaimer:** *Though efforts have been made to keep prices near to accurate, these are published as a guide only. ITTO does not take responsibility for the accuracy of this information.*

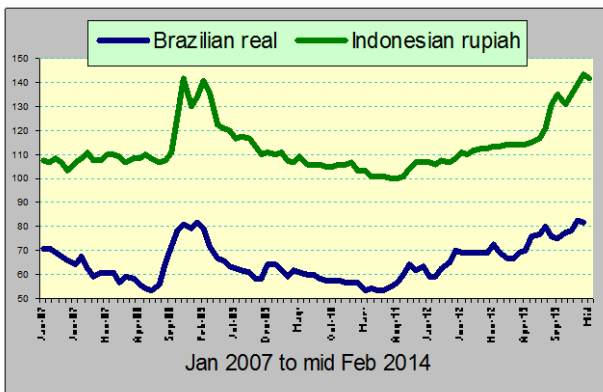
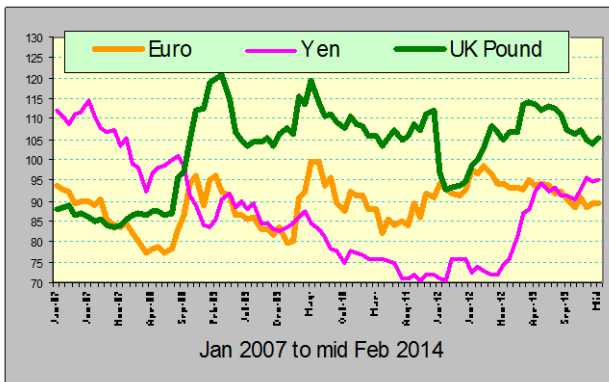
*The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.*

## Main US Dollar Exchange Rates

As of 10th February 2014

Brazil	Real	2.4088
CFA countries	CFA Franc	480.98
China	Yuan	6.0597
EU	Euro	0.7329
India	Rupee	62.32
Indonesia	Rupiah	12055
Japan	Yen	102.27
Malaysia	Ringgit	3.3333
Peru	New Sol	2.8195
UK	Pound	0.6096
South Korea	Won	1072.80

Exchange rates index (Dec 2003=100)

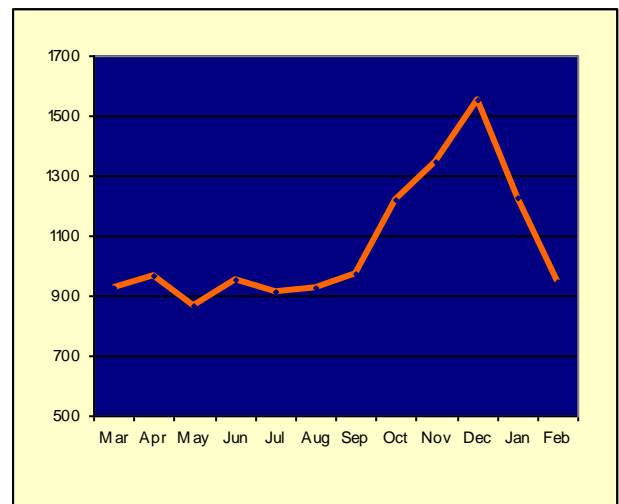


## Abbreviations and Equivalences

Arrows	Price has moved up or down
BB/CC etc	quality of face and back veneer
BF, MBF	Board foot, 1000 board foot
Boule	bundled boards from a single log
CI, CE, CS	Supplimentaire
CIF, CNF	Cost insurance and freight
Clean Sawn	square edged boule
cu.m cbm	cubic metre
FAS	First and second grade of sawnwood
FOB	Free-on board
Genban	Sawnwood for structural use in house building
GMS	General Market Specification
GSP	Guiding Selling Price
Hoppus ton	1.8 cubic metre
KD, AD	Kiln dried, air dried
Koku	0.28 cubic metre or 120 BF
LM	Loyale Merchant, a grade of log parcel
MR, WBP	Moisture resistant, Water and boil proof
OSB	Oriented Stand Board
PHND	Pin hole no defect
QS	Qualite Superieure
SQ,SSQ	Sawmill Quality, Select Sawmill Quality
TEU	20 foot container equivalent

## Ocean Freight Index

Baltic Supramax Index March 2013 – February 2014



The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes. It is based on a 52,454 mt bulk carrier carrying commodities such as timber.

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