# Tropical Timber Market Report

Volume 18 Number 15, 1st – 15th August 2014



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## Top Story

**Indonesia's APHI calls for lifting ban on log exports**

The Indonesian Forest Concessionaires Association (APHI) is appealing to the new government to allow the export of logs.

The chairman of APHI, Nana Suparna, said that because of the log export ban log prices in the domestic market have fallen and that the current price of logs is only half the price of tropical logs in international markets.

Indonesia became a major log exporter when, as a result of a deal with the IMF, log export taxes were reduced but poor law enforcement resulted in excessive logging resulting in a ban on log exports in 2001.

See page 5

## Headlines

## Report from Central/West Africa

**Favourable outlook for second half of the year**

The demand for sapele logs and sawnwood remains firm and prices continue to climb.

Over the past two weeks prices for sawn moabi and movingui have also shown signs of firming on the back of active buying for the French market.

Prices for sipo, the other favourite at the moment, remains firm but has probably reached its ceiling for the time being.

The pace of shipments of the higher sawnwood grades depends mainly on demand in the European markets and producers are anticipating active purchases when buyers in the EU return to work after the holidays and begin to consider their autumn and winter imports.

Producer sentiment is more confident now than a year ago as the outlook for the economy and housing growth in the major markets such as Germany, UK and France has improved.

**Gabon sawnwood export regulations**

As long ago as June the authorities in Gabon issued new regulations imposing export restrictions on some sawnwood species and specifications. Copies of the following documents detailing the latest changes to the export regulations have been provided to ITTO and can be downloaded with the current market report:

- *Arrete no. 86 /MFEPRN/MEP/MT Portant creation et fonctionnment de la Brigade de Controle de bois transformes a l'exportation. undated*

- *Arrete no. 132 /MFEPRN/SG/DG1CBVPF Modifiant et completant certaines dispositions de l'arrete no. 1 portant norms et classification des produits forestier autorises a l'exportation. 11 June 2014*

- *Arrete no. 133 /MFEPRN/CABPportant instauration d'une Autorisation special pour l' exportation des produits transfomes de Kevazingo. 11 June 2014*

In other regional news, reports continue of serious problems at Douala Port. The indications are that the contractor responsible for handling timber cargoes does not have sufficient loading facilities and there are huge stocks of logs awaiting shipment.

Exporters, once again, have voiced concern over possible deterioration of especially low density, non-durable species; they are also concerned that log parcels are being mixed as logs are constantly being moved around in the port. A new consortium is due to take over the port loading contract at the end of September.

**Power infrastructure in need of attention across the region**

A common problem in the region is electric power shortages. Across the region power grids are not keeping pace with demand from industry or households so there is a growing reliance on independent power generators.

However, gen-sets are expensive to run and millers and manufacturers in the region face rising production costs which undermines competitiveness in international markets.

Analysts worry that failing infrastructure poses a real threat to the pace of development of the timber and other industries in many countries in the region.

**Boost to US investments in Africa**

The US Administration issued a press release after the recent US-Africa Business Forum which says: "President Obama announced US$7 billion in new financing to promote US exports to and investments in Africa under the Doing Business with Africa (DBIA) Campaign."

The press release goes on to say: "US companies announced new deals in clean energy, aviation, banking, and construction worth more than US$14 billion, in addition to US$12 billion in new commitments under the President's Power Africa initiative from private sector partners, the World Bank, and the government of Sweden.

Taken together, these new commitments amount to more than US$33 billion which will support economic growth across Africa and tens of thousands of US jobs."

See: http://www.whitehouse.gov/the-press-office/2014/08/05/fact-sheet-doing-business-africa-campaign

**Log Export Prices**

| West African logs, FOB | € per $m^3$ | | |
|---|---|---|---|
| Asian market | LM | B | BC/C |
| Acajou/ Khaya/N'Gollon | 220 | 220 | 155 |
| Ayous/Obeche/Wawa | 230 | 230 | 150 |
| Azobe & Ekki | 235 | 230 | 150 |
| Belli | 290 | 290 | - |
| Bibolo/Dibétou | 150 | 145 | |
| Iroko | 330 | 290 | 260 |
| Okoume (60% CI, 40% CE, 20% CS) (China only) | 340 | 340 | 260 |
| Moabi | 320 | 300 | - |
| Movingui | 220 | 220 | 180 |
| Niove | 160 | 155 | - |
| Okan | 280 | 280 | - |
| Padouk | 300 | 275 | 210 |
| Sapele | 340⬆ | 340⬆ | 240⬆ |
| Sipo/Utile | 360 | 360 | 220 |
| Tali | 315 | 315 | - |

**Sawnwood Export Prices**

| West African sawnwood, FOB | | € per m³ |
|---|---|---|
| Ayous | FAS GMS | 350 |
| Bilinga | FAS GMS | 520 |
| Okoumé | FAS GMS | 480 |
| | Merchantable | 275 |
| | Std/Btr GMS | 350 |
| Sipo | FAS GMS | 660 |
| | FAS fixed sizes | 660 |
| | FAS scantlings | 670 |
| Padouk | FAS GMS | 820 |
| | FAS scantlings | 870 |
| | Strips | 500 |
| Sapele | FAS Spanish sizes | 660⬆ |
| | FAS scantlings | 670⬆ |
| Iroko | FAS GMS | 620⬆ |
| | Scantlings | 695⬆ |
| | Strips | 440 |
| Khaya | FAS GMS | 450 |
| | FAS fixed | 470 |
| Moabi | FAS GMS | 580 |
| | Scantlings | 560 |
| Movingui | FAS GMS | 420 |

## Report from Ghana

**IMF asked to help rebuild the economy**

On 8 August the International Monetary Fund (IMF) Deputy Managing Director, Min Zhu, confirmed the Fund had received an official request from Ghana for support.

The IMF press statement says: "Today, IMF Management received a formal request from the Ghanaian authorities to initiate discussions on an economic program that could be supported by the IMF. The Fund stands ready to help Ghana address the current economic challenges it is facing.

We expect to send an IMF team to Ghana in early September to initiate discussions on a program."

See:
http://www.imf.org/external/np/sec/pr/2014/pr14389.htm

The Ghana government previously announced it would be looking for IMF support to arrest the decline in the cedi exchange rate. The cedi has lost around 40% of its value against the US dollar since the beginning of the year.

Spokespersons from the private sector have warned that an IMF rescue package always come with tough economic measures which will affect the lives of everyone in Ghana.

Ghana's President, John Mahama, has said Ghana needs the IMF bailout to rebuild the confidence of international financial institutions.

Ghana is not alone in having to request support from the IMF, this year Zambia also took the decision to call on the IMF for help.

**Plans to import timber raw materials**

Barbara Serwaa Asamoah, Deputy Minister of Lands and Natural Resources told participants at recent National Forest Forum-Ghana that the ministry has proposed importing timber raw materials from resource rich countries as domestic resources are insufficient to meet domestic demand and the demand from industries processing for export.

The Ghana authorities are apparently in talks with counterparts in Cameroon and Guyana to find the most cost effect means to secure timber raw materials.

**Domestic Log Prices**

| Ghana logs | US$ per m³ | |
|---|---|---|
| | Up to 80cm | 80cm+ |
| Wawa | 164-170 | 180-195 |
| Odum Grade A | 170-175 | 180-188 |
| Ceiba | 124-135 | 140-155 |
| Chenchen | 109-122 | 125-133 |
| Khaya/Mahogany (Veneer Qual.) | 145-160 | 166-185 |
| Sapele Grade A | 160-170 | 175-190 |
| Makore (Veneer Qual.) Grade A | 123-130 | 135-140 |
| Ofram | 120-127 | 130-140 |

**Boule Export prices**

| | Euro per m³ |
|---|---|
| Black Ofram | 220 |
| Black Ofram Kiln dry | 335 |
| Niangon | 475 |
| Niangon Kiln dry | 570 |

**Export Rotary Veneer Prices**

| Rotary Veneer, FOB | € per m³ | |
|---|---|---|
| | CORE (1-1.9 mm ) | FACE (2mm) |
| Ceiba | 265 | 345 |
| Chenchen | 320 | 366 |
| Ogea | 300 | 344 |
| Essa | 318 | 350 |
| Ofram | 333 | 360 |

**Export Sliced Veneer Prices**

| Sliced Veneer, FOB | € per sq. m | |
|---|---|---|
| | Face | Backing |
| Afrormosia | 1.32 | 0.48 |
| Asanfina | 1.20 | 0.51 |
| Avodire | 2.90+ | 0.57 |
| Chenchen | 1.10 | 0 .38 |
| Mahogany | 1.30 | 1.07 |
| Makore | 1.30 | 0.41 |
| Odum | 1.76 | 1.09 |

**Export Sawnwood Prices**

| Ghana Sawnwood, FOB | € per m³ | |
|---|---|---|
| FAS 25-100mm x 150mm up x 2.4m up | Air-dried | Kiln-dried |
| Afrormosia | 855 | 945 |
| Asanfina | 480 | 564 |
| Ceiba | 220 | 272 |
| Dahoma | 315 | 369 |
| Edinam (mixed redwood) | 409 | 534 |
| Emeri | 385 | 550 |
| African mahogany (Ivorensis) | 593 | 627 |
| Makore | 580 | 646 |
| Niangon | 580 | 710 |
| Odum | 610 | 807 |
| Sapele | 567 | 701 |
| Wawa 1C & Select | 275 | 340 |

**Export Plywood Prices**

| Plywood, FOB | | € per $m^3$ | |
|---|---|---|---|
| BB/CC | Ceiba | Ofram | Asanfina |
| 4mm | 460 | 600 | 641 |
| 6mm | 440 | 555 | 622 |
| 9mm | 382 | 423 | 490 |
| 12mm | 374 | 423 | 445 |
| 15mm | 350 | 380 | 443 |
| 18mm | 335 | 363 | 370 |

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

**Export Added Value Product Prices**

| Parquet flooring 1st | | FOB € per sq.m | |
|---|---|---|---|
| | 10x60mm | 10x65-75mm | 14x70mm |
| Apa | 12.70 | 15.70 | 18.80 |
| Odum | 10.80 | 12.20 | 12.52 |
| Hyedua | 14.10 | 14.00 | 18.45 |
| Afrormosia | 14.30 | 18.65 | 18.55 |

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

## Report from Malaysia

### Drones to detect illegal land clearing

A persistent problem across SE Asia and many other regions is unauthorised forest clearing by small farmers.

The Malaysia Ministry of Natural Resources and Environment will establish a joint command centre with state Drainage and Irrigation Departments to tackle the problem in Peninsular Malaysia.

Ministry Secretary-General, Zoal Azha Yusoff, has hinted that unmanned aerial drones may be used to capture photographs of those illegally clearing the forest.

### Performance of rubberwood sawnwood exports against quota

The Malaysian Timber Export Board has released data on the first half 2014 exports of rubberwood sawnwood which is subject to a quota.

The quota for 2014 is set at 80,000 cubic metres and first half 2014 exports account for 58.5% of the quota leaving a balance of 37,239 cubic metres for export in the second half of the year. See: http://www.mtib.gov.my/

**First half sawn rubberwood exports**

| 2014 | Sawn Rubberwood exports cu.m |
|---|---|
| January | 0 |
| February | 7776 |
| March | 12317 |
| April | 7775 |
| May | 8412 |
| June | 6481 |
| total | 42761.0 |
| Quota | 80000 |
| Balance remaining | 37239 |

Source: MTIB Malaysia

### Nearly 10 percent rise in Sabah sawnwood exports

The Statistics Department of Sabah has released export statistics for the first half of 2014 showing that exports of sawnwood amounted to 130,360 cu.m valued at RM195,341,375 (approx US$60.5 million).

By comparison, Sabah exported 118,890 cu.m of sawntimber for the first half of 2013, worth RM 175,689,389 (approx US$ 54.39 million).

Top destinations for Sabah Sawnwood (Jan – June)

| Destination | 2013 cu.m | 2014 cu.m | % change |
|---|---|---|---|
| Thailand | 27,696 | 21,164 | -23 |
| China | 17,065 | 22,112 | 29.6 |
| Taiwan P.o.C | 15,366 | 19,041 | |
| Japan | 11,491 | 12,201 | 24 |
| South Africa | 11,212 | 10,689 | -4.7 |
| Peninsular Malaysia | 7,168 | na | |
| Philippines | 5,334 | 18,145 | 240 |
| Pakistan | 2,744 | 3,298 | 20.2 |
| Netherlands | na | 5,310 | |
| sub-total | 98,076 | 111,960 | 14.2 |
| total all destinations | 118,990 | 130,360 | 9.6 |

Source: Statistics Department of Sabah

### First half plywood exports from Sabah disappointing

Exports of plywood from Sabah in the first half of 2014 were 280,276 cu.m worth RM473,302,289 (approx. US$146.53 million).

Top destinations for Sabah plywood (Jan – June)

| Destination | 2013 cu.m | 2014 cu.m | % change |
|---|---|---|---|
| Japan | 61,534 | 63,661 | 3.5 |
| Peninsular Malaysia | 52,692 | 52,185 | 0 |
| S. Korea | 35,951 | 37,748 | 5 |
| Egypt | 29,995 | na | |
| USA | 29,630 | 25,161 | -15.3 |
| Mexico | 29,294 | 14,526 | -50.4 |
| Jordan | 18,831 | na | |
| Philippines | 17,671 | 18,052 | 2 |
| Thailand | na | 15,542 | |
| Taiwan P.o.C | na | 12,710 | |
| sub-total | 275,598 | 239,585 | -13 |
| Total all destinations | 329,917 | 280,276 | -15 |

Source: Statistics Department of Sabah

By comparison, First half 2013 exports were 329,917 cu.m worth RM510,739,221 (approx US$ 158.12 million, down 15% drop in terms of volume and down 7.2% in value).

**Japan and Taiwan P.o.C biggest buyers of Sarawak plywood**

Export statistics for the first half of 2014 compiled by Sarawak Timber Association show total plywood exports of 1,176,758 cu.m valued at RM1,989,763,518 (approx. US$616.0 million).

Japan was the biggest importer accounting for around 60% of total plywood exports from Sarawak (695,044 cu.m). Taiwan P.o.C was second biggest buyer at118,655 cu.m (10% of Sarawak plywood exports) followed by South Korea at 108,549 cu.m.

In contrast to the situation in Sabah, Sarawak plywood traders report active business with export orders firming.

**Sarawak plywood export prices**

Sarawak plywood traders report the following FOB export prices.

Floor base (FB) (11.5mm) US$ 630
Concrete formboard panels (CP) 3'x 6' US$ 565
Coated formboard panels (UCP) US$ 645

Standard plywood:
Middle East (9 – 18mm) US$ 475
South Korea (8.5 – 17.5mm) US$ 465
Taiwan P.o.C (8.5 – 17.5mm) US$ 465
Hong Kong US$ 470

**Sarawak first half log exports**

Log export statistics for the first half of 2014 compiled by Sarawak Timber Association showed a total of 1,487,863 cu.m exported worth RM 1,008,180,715 (approx. US$ 312.1 million).

Monthly Log Exports

| 2014 | Volume, cu.m | Value (RM, million) |
|---|---|---|
| January | 236,975 | 167.8 |
| February | 197,307 | 130.8 |
| March | 216,086 | 143 |
| April | 295,567 | 202.6 |
| May | 326,699 | 220.5 |
| June | 215,229 | 143.6 |
| Total | 1,487,863 | 1,008.20 |

Source: Sarawak Timber Association

## Report from Indonesia

**Minister appeals for halt to new concessions**

Forestry Minister Zulkifli Hasan has four issues he wishes to raise with the new administration.

Zulkifli hopes that the new administration will follow through on the proposed halt in granting new forest concessions in primary forests and peat land areas, something that the state has been trying to do since 2010.

The Minister reported that deforestation has been reduced from around 3.5 million hectares per year up to 2003 to only 450,000 hectares per year over the past few years.

**Biomass industry offers huge opportunities**

The upcoming conference on the biomass pellet trade to be held in S Korea in September will explore how producer countries can take advantage of the growing demand for biomass pellets in China, Japan and South Korea.

The organisers of the conference say producers in New Zealand, Australia, Vietnam, Indonesia, Malaysia, Philippines, Canada and the US can profit from the demand for biomass for energy production.

**Indonesia's APHI calls for lifting ban on log exports**

The Indonesian Forest Concessionaires Association (APHI) is appealing to the new government to allow the export of logs.

The chairman of APHI, Nana Suparna, said that because of the log export ban log prices have fallen and that the current price of logs from the natural forest is only about half the price of tropical logs in international markets.

In comparison, Nana Suparna said the selling price of meranti logs in Indonesia's domestic market is between US$120-130 per cubic metre while in the Japanese market such logs are almost three times that price.

For merbau the local market price is around US$300 per cubic metre while in the Chinese market merbau sells for double that price.

Data from the Tropical Timber Market Report indicate that the wholesale price of merbau sawnwood in China is as high as US$1400-2200 per cubic metre while Indonesia's FOB price is less than US$600 per cubic metre.

Indonesia became a major log exporter when, as a result of a deal with the IMF, log export taxes were reduced but poor law enforcement resulted in excessive logging resulting in a ban on log exports in 2001.

**Domestic Log Prices**

| Indonesia logs, domestic prices | US$ per m³ |
|---|---|
| Plywood logs | |
| core logs | 210-230 |
| Sawlogs (Meranti) | 200-240 |
| Falcata logs | 150-190 |
| Rubberwood | 95-120 |
| Pine | 120-140 |
| Mahoni (plantation mahogany) | 130-150 |

**Domestic Ex-mill Sawnwood Prices**

| Indonesia, construction material, domestic | US$ per m³ |
|---|---|
| Kampar (Ex-mill) | |
| AD 3x12-15x400cm | 510-620 |
| KD | - |
| AD 3x20x400cm | 590-630 |
| KD | - |
| Keruing (Ex-mill) | |
| AD 3x12-15x400cm | 550-720 |
| AD 2x20x400cm | 490-520 |
| AD 3x30x400cm | 415-440 |

**Export Plywood Prices**

| Indonesia ply MR BB/CC, export FOB | US$ per m³ |
|---|---|
| 2.7mm | 650-680 |
| 3mm | 670-700 |
| 6mm | - |

**Domestic Plywood Prices**

| MR Plywood (Jakarta), domestic | US$ per m³ |
|---|---|
| 9mm | 370-420 |
| 12mm | 350-400 |
| 15mm | 320-350 |

**Export and Domestic Other Panel Prices**

| Indonesia, Other Panels, FOB | | | US$ per m³ |
|---|---|---|---|
| *Particleboard* | Export | 9-18mm | 720-750 |
| | Domestic | 9mm | 900-990 |
| | | 12-15mm | 650-670 |
| | | 18mm | 520-600 |
| *MDF* | Export 12-18mm | | 700-750 |
| | Domestic 12-18mm | | 430-530 |

## Report from Myanmar

### US eases sanctions-door opens for timber exports

The International Wood Products Association (IWPA) has issued a press release on the lifting of US restrictions on timber imports from Myanmar.

See:
http://www.iwpawood.org/associations/8276/files/IWPA%20RELEASE%20Burma%20Trade%20Initiative%20July%2028%202014%20CLS.pdf

The IWPA says: “The United States officially issued a waiver and general license to ease the ban on imports into the United States of products from Myanmar.

IWPA has launched an initiative to develop sustainable wood products trade in Myanmar and has obtained a specific license for its Voting and Associate members that enables trade and other commercial contacts between U.S. wood importers and Myanmar’s industry and government agencies involved in the timber trade under certain conditions.

The license covers all IWPA Voting and Associate members and the Myanmar Timber Enterprise until July 31, 2015.”

In related news, the IWPA has announced the launch of an initiative to develop sustainable wood products trade in Myanmar.

See:
http://www.iwpawood.org/associations/8276/files/IWPA%20RELEASE%20Burma%20Trade%20Initiative%20July%2028%202014%20CLS.pdf

### Action on smuggling stepped up

The Myanmar press (Eleven Myanmar 9 Aug,) has reported on the latest statistics from the Forestry Department on efforts to eliminate the smuggling of timber.

The report says that during the first quarter of the 2013-14 financial year over 20,000 cubic tons of various species were seized before they could be smuggled out of the country.

The timber seized included 5,520 tons of tamalan, 4,500 tons of teak, 1,600 tons of iron wood (pyinkadoe) and over 10,000 tons of other hardwoods.

Authorities arrested 2027 Myanmar and 8 Chinese nationals and impounded a wide range trucks and logging equipment. According to Forestry Department data, 428,212 tons of timber was seized over the past ten year periods

### EIA recommends Myanmar seek CITES protection for padauk and tamalan

The EIA suggested the Myanmar government seek protection for padauk and tamalan under the Convention on International Trade in Endangered Species (CITES) as these timbers are being illegally over-exploited and smuggled out of the country.

Analysts in Myanmar say that timber smuggling is the result of rural poverty, corruption and an understaffed forest authority.

### Proposed new economic zone for Myeik

A new special economic zone (SEZ) is planned for Myeik in Myanmar’s southeastern Tanintharyi region, already the site of other industrial zones.

The proposed new economic zone is a private investment project and is conveniently located near a harbour which will be upgraded.

The following are the results of the open tender sales held by Myanma Timber Enterprise.

**Sawing Grade (SG) Teak log sales by Myanmar Timber Enterprise Export Department**

| Grade | Tons | US$/H.ton |
|---|---|---|
| SG-2 | 18 | 3947 |
| SG-4 | 30 | 3344 |
| SG-5 | 58 | 2822 |
| SG-6 | 42 | 1801 |
| SG-7 | 15 | 1879 |

Hardwood sawnwood sold by open tender by the Myanmar Timber Enterprise Local Marketing Department.

**Bago West Area Open Tender Sales 3rd July 2014**

| Group | Tons | Avg. MMK per cubic ton |
|---|---|---|
| Group 1 (Shorts/Ultras) | 185 | 419009 |
| Others | 70 | 185364 |

**Nay Pyi Taw Area OpenTender Sales 16th July 2014**

| Group | Tons | Avg MMK per cubic ton |
|---|---|---|
| Group 1 (Shorts/Ultras) | 151 | 448803 |
| Others | 139 | 144424 |

Group 1 includes mainly Pyinkadoe, Thitya, Ingyin,
Others include various species of non-teak hardwoods other than Group 1.
Shorts <10 ft.; Ultras <3 ft.

**Domestic prices for sawn teak and hardwoods, Yangon**

| | MMK per cubic ton |
|---|---|
| Teak, length 6 ft. and up | 2,500,000 |
| Teak, Length less than 10 f.t | 2,250,000 |
| Pyinkado, Length 10 ft. and up | 1,250,000 |
| Pyinkado, Length less than 10 ft. | 1,150,000 |
| Inn- Kanyin, Length 10 ft. and up | 700,000 |
| Inn- Kanyin, Length less than 10 ft. | 650,000 |
| Others, Length 10 ft. and up | 650,000 |

The above prices per ton of 50 cubic feet and are quoted for the construction sector.

## Report from India

**Export growth to support expansion of manufacturing**

In a press release on the Third Bi-Monthly Monetary Policy Statement, 2014-15, Dr. Raghuram G Rajan, Governor of the Reserve Bank of India (RBI) says that, since the last policy statement in June, global economic activity has been improving after the slowdown in the first quarter of the year.

This, and the stability brought with the forming of the new government, has boosted domestic economic activity and the latest data suggesting industrial output and exports are reviving.

There was concern that uneven distribution of monsoon rain would undermine agricultural output but the weather pattern has stabilised such that the risks to the economy from a poor post monsoon harvest have been largely but not entirely, dispelled.

The Governor of the RBI notes the policies of the new government should create the foundation for an improvement in domestic demand. In conclusion the press release says “Prospects for reinvigoration of growth have improved modestly. The firming up of export growth should support manufacturing and service sector activity.”

See:
http://www.rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=31773

**Real estate investment a major contributor to GDP**

CREDAI newsletter of 15 July introduces the results of the latest real estate survey ‘Importance of Real Estate Services and Housing: Economic Survey 2013’.

The report notes that the pace of private real estate ownership grew by 5.6 per cent in 2012 and that estimates show that for every rupee invested in housing and construction 78% of that investment makes a direct contribution to GDP expansion.

For full report: http://www.credai.org/real-estate-services-and-housing-indian-economy-economic-survey-2013-14

**Affordable housing defined**

In related news CREDAI has reported that “Affordable housing loans are defined as housing loans to individuals up to Rs. 50 lakhs (Rs. 5,000,000) for houses of values up to Rs. 65 lakhs (Rs.6,500,000) located in the six metropolitan centres Mumbai, New Delhi, Chennai, Kolkata, Bengaluru and Hyderabad and Rs. 40 lakhs (Rs.4,000,000) for houses of values up to Rs. 50 lakhs (Rs. 5,000,000).

In other cities the RBI has indicated it will periodically review the definition of affordable housing on account of inflation.”

See: http://www.credai.org/rbi-circular-issue-long-term-bonds-banks-financing-infrastructure-and-affordable-housing

**Teak auctions postponed until end of monsoon**

The last of the log auctions before the monsoon weather makes them impossible have been concluded. The monsoon rains have begun in all areas in Central India so the next auctions will be held only when the dry season begins.

At the latest auctions average prices have been Rs.50 to Rs.75 per cubic foot higher for high quality log lots.

Prices for teak logs, 4-5 metres length

| Girth | Rs per cu.ft |
|---|---|
| 91cm and up | 1600-1700 |
| 76-90 cm | 1300-1500 |
| 61-75cm | 1200-1300 |
| 46-60 | 1000-1100 |

Prices for teak logs, 3-4 metres length

| Girth | Rs per cu.ft |
|---|---|
| 91cm and up | 1300-1400 |
| 76-90 cm | 1100-1200 |
| 61-75cm | 1000-1100 |
| 46-60 | 800-900 |

**Plantation teak sales to get a boost**

Prices for imported plantation teak logs and squares are unchanged but the weakening of the rupee, if sustained, will sap the confidence of importers. However, with the monsoon in full swing sales of imported teak are expected to increase simply because harvesting of domestic teak has stopped until the end of the monsoon.

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

| | US$ per cu.m C&F |
|---|---|
| Tanzania teak, sawn | 350-885 |
| Côte d'Ivoire logs | 330-700 |
| PNG logs | 400-575 |
| El-Salvador logs | 340-695 |
| Guatemala logs | 270-550 |
| Nigeria squares | 340-450 |
| Ghana logs | 380-650 |
| Guyana logs | 300-450 |
| Benin logs | 320-680 |
| Benin sawn | 400-800 |
| Brazil squares | 360-680 |
| Brazil logs | 390-750 |
| Cameroon logs | 390-510 |
| Togo logs | 380-715 |
| Ecuador squares | 300-540 |
| Costa Rica logs | 440-700 |
| Panama logs | 380-590 |
| Sudan logs | 450-700 |
| Congo logs | 450-550 |
| Kenya logs | 350-600 |
| Thailand logs | 460-700 |
| Trinidad and Tobago logs | 420-680 |
| Uganda logs | 440-860 |
| Uganda Teak sawn | 680-900 |
| Laos logs | 300-605 |
| Malaysian teak logs | 350-525 |
| Nicaragua logs | 370-535 |
| Liberia logs | 350-460 |
| Colombia logs | 320-650 |

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

**Exmill prices for sawnwood**

The weakening of the rupee has impacted prices for sawnwood cut from imported logs.

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

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

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

**Cash payments for Myanmar teak**

The domestic market for Myanmar teak has changed with each trader now fixing prices depending on stock levels irrespective of the price other traders are offering.

Previously the India teak trade was commonly on a credit basis but now, because supplies are limited, buyers of Myanmar teak must pay cash or provide a L/C (Letter of Credit).

Those with teak log stocks are unconcerned that not all buyers can pay with cash up-front as stockists know the supply situation can only become more severe as stocks of imported Myanmar teak are sold off.

No-one has yet dared to anticipate what will happen in the teak market when all the stocks of Myanmar logs have been sold.

| Sawnwood (Ex-mill) | Rs. per $ft^3$ |
|---|---|
| Myanmar Teak (AD) | |
| Export Grade F.E.Q. | 7500-17500 |
| Plantation Teak A grade | 5500-6000 |
| Plantation Teak B grade | 40000-4500 |
| Plantation Teak FAS grade | 3300-3600 |

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 $ft^3$ |
|---|---|
| Beech | 1300-1350 |
| Sycamore | 1300-1400 |
| Red oak | 1500-1650 |
| White Oak | 1600-1800 |
| American Walnut | 2300-2400 |
| Hemlock clear grade | 1300-1400 |
| Hemlock AB grade | 1100-1200 |
| Western Red Cedar | 1600-1650 |
| Douglas Fir | 1200-1300 |

Price variations depend mainly on length and cross section

**Plywood prices**

The government's 'Houses for Everyone' has been welcomed by plywood manufacturers. The latest information is that homes built under the government programme will now be of a minimum 30 square metres, up from the previous 20 square metre standard which will create higher consumption of plywood.

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

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

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

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

## Report from Brazil

**Mahogany plantations for Brazil**

Interest in mahogany (Khaya senegalensis, dry zone mahogany) plantations is growing in Brazil. This dry zone mahogany is a medium sized tree which grows relatively fast. This species has shown to adapt well to various edaphic and climatic conditions in Brazil.

The Brazilian Institute of Forests (IBF) is encouraging plantation development through provision of material for the production of seedlings and is also providing technical support. IBF says the trees can be harvested after 15 years after planting and that the return on investment is potentially high.

**Satellite monitoring of logging**

Forest areas under Sustainable Forest Management Plans (PMFS) in Mato Grosso State will soon be monitored by the State Secretary of the Environment (SEMA) using satellite remote sensing.

The forest cover monitoring will be carried out through an agreement between SEMA and the Center for Timber Industry Producers and Exporters of Mato Grosso (CIPEM). CIPEM will provide technical, logistical and technological support and SEMA will make available analysts for assessing and monitoring of the data collected.

The forest sector is very important for the economy in Mato Grosso State as the sector generates thousands of jobs, income and tax revenues.

The Mato Grosso State Industries Federation (FIEMT) has suggested the creation of a specific department for the forest sector within the state government to promote further development of production.

**Woodbased panel exports rise in first half 2014**

According to Brazilian Industry of Trees (IBÁ), the volume of woodbased panel exports in the first half of this year totalled 251,000 cu.m, a 22% increase compared to the same period of 2013.

Year-to-date, woodbased panel imports totalled 453,000 cu.m, a 40% decline compared with the same period in 2013.

According to the Ministry of Development, Industry and Foreign Trade (MDIC), exports of tropical sawnwood dropped from 174,700 cu.m between January and June 2013 to 160,200 cu.m in the first half of this year, a 9% decline.

Tropical sawnwood imports fell 45% in the first half of 2014 compared to the same period of 2013, (14,000 cu.m in 2013 to 9,700 cu.m in 2014).

**APEX-Brazil promotes furniture exports at Formóbile Fair**

The "Project Orchestra Brazil", promoted by the Union of Furniture Industry of Bento Gonçalves (Sindmóveis) with support from the Brazilian Agency for Export and Investment Promotion (Apex-Brazil), participated in the International Fair for the Wood and Furniture Industry Suppliers – Formóbile 2014.

Prospective buyers came from South Africa, Argentina, Canada, Colombia, Costa Rica, Mexico, Peru, Puerto Rico and Uruguay.

The Project Orchestra Brazil, created in 2006, promotes the participation of Brazilian furniture enterprises in international markets.

Currently there are 72 companies and 38 furniture design studios participating in the project. Exports of participating companies increased almost 15% 2013 compared to the previous year marking four consecutive years of growth.

**Export Sawnwood Prices**

| Sawnwood, Belem/Paranagua Ports, FOB | US\$ per m$^3$ |
|---|---|
| Ipe | 1247 |
| Jatoba | 1080 |
| Massaranduba | 725 |
| Miiracatiara | 707 |
| Pine (KD) | 228 |

**Export Plywood Prices**

| Pine Plywood EU market, FOB | US\$ per m$^3$ |
|---|---|
| 9mm C/CC (WBP) | 374 |
| 12mm C/CC (WBP) | 343 |
| 15mm C/CC (WBP) | 331 |
| 18mm C/CC (WBP) | 323 |

**Export Prices For Added Value Products**

| FOB Belem/Paranagua Ports | | US\$ per m$^3$ |
|---|---|---|
| Decking Boards | Ipê | 2,297 |
| | Jatoba | 1,501 |

**Domestic Log Prices**

| Brazilian logs, mill yard, domestic | US\$ per m$^3$ |
|---|---|
| Ipê | 184 |
| Jatoba | 113 |
| Massaranduba | 123 |
| Miiracatiara | 127 |
| Angelim Vermelho | 118 |
| Mixed redwood and white woods | 110 |

**Domestic Sawnwood Prices**

| Brazil sawnwood, domestic (Green ex-mill) | US\$ per m$^3$ |
|---|---|
| Ipé | 916 |
| Jatoba | 549 |
| Massaranduba | 442 |
| Muiracatiara | 487 |
| Angelim Vermelho | 427 |
| Mixed red and white | 266 |
| Eucalyptus (AD) | 251 |
| Pine (AD) | 196 |
| Pine (KD) | 209 |

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

| Parica | US\$ per m$^3$ |
|---|---|
| 4mm WBP | 799 |
| 10mm WBP | 665 |
| 15mm WBP | 568 |
| 4mm MR | 707 |
| 10mm MR | 552 |
| 15mm MR | 521 |

Domestic prices include taxes and may be subject to discounts.

**Prices For Other Panel Products**

| *Domestic ex-mill Prices* | US\$ per m$^3$ |
|---|---|
| 15mm MDParticleboard | 348 |
| 15mm MDF | 504 |

## Report from Peru

**Strengthening OSINFOR and Regional Administrations**

Fabiola Muñoz, Head of the General Directorate of Forestry and Wildlife has declared that it is necessary to strengthen the forestry watchdog (OSINFOR) and Regional Governments to effectively combat illegal logging in the country. He complained that of the current 630 timber concessionaires only about a third are following the agreed management plans.

**New national forest and wildlife service launched**

The Ministry of Agriculture and Irrigation (MINAGRI) reported that it has inaugurated a new specialised agency, Forestry and Wildlife Service National (SERFOR), which is charged with ensuring the application of sustainable management practices in the country

SERFOR is responsible for developing rules, procedures, plans, strategies and guidelines for the sustainable utilisation of forest and wildlife resources.

The New Forest National Wildlife Authority and was created by Act has Nº29763 Regulation and Organization Functions (ROF).

SERFOR replaces the Forest and Wildlife Department and will have its own budget and management structure to ensure it becomes a world class agency promoting the rational utilisation of forests and wildlife resources.

**Export Sawnwood Prices**

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

| Peru Sawnwood, FOB Callao Port (cont.) | US$ per $m^3$ |
|---|---|
| Virola 1-2" thick, length 6'-12' KD | |
| Grade 1, Mexican market | 439-508 |
| Grade 2, Mexican market | 388-423 |
| Cumaru 4" thick, 6'-11' length KD | |
| Central American market | 841-865 |
| Asian market | 886-955 |
| Ishpingo (oak) 2" thick, 6'-8' length | |
| Spanish market | 509-549 |
| Dominican Republic | 606-631 |
| Marupa (simarouba) 1", 6-11 length Asian market | 444-495 |

| Peru Sawnwood, FOB Iquitos | US$ per $m^3$ |
|---|---|
| Spanish Cedar AD Select Mexican market | 911-931 |
| Virola 1-2" thick, length 6'-13' KD | |
| Grade 1, Mexican market | 433-474 |
| Grade 2, Mexican market | 342-381 |
| Grade 3, Mexican market | 161-176 |
| Marupa (simarouba) 1", 6-13 length KD | |
| Grade 1, Mexican market | 369-426 |

**Domestic Sawnwood Prices**

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

**Export Veneer Prices**

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

**Export Plywood Prices**

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

**Domestic Plywood Prices**

| Lupuna Plywood BB/CC, domestic | US$ per $m^3$ |
|---|---|
| (Iquitos mills) 2440x1220 | |
| 4mm | 489 |
| 6mm | 495 |
| 8mm | 497 |
| 12mm | 446 |
| (Pucallpa mills) | |
| 4mm | 463 |
| 6mm | 439 |
| 8mm | 430 |
| 12mm | 429 |

**Domestic Prices for Other Panel Products**

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

**Export Prices for Added Value Products**

| Peru, FOB strips for parquet | | US$ per $m^3$ |
|---|---|---|
| Cabreuva/estoraque KD12% S4S, Asian market | | 1287-1388 |
| Cumaru KD, S4S | Swedish market | 915-1043 |
| | Asian market | 1287-1332 |
| Cumaru decking, AD, S4S E4S, US market | | 1215-1311 |
| Pumaquiro KD # 1, C&B, Mexican market | | 479-554 |
| Quinilla KD, S4S 2x10x62cm, Asian market | | 493-519 |
| | 2x13x75cm, Asian market | 732-815 |

## Report from Guyana

**First half exports**

First half 2014 wood product exports were worth US$21.8 mil. while first half 2103 exports totaled US$16.9 mil.

Exports of seven products account for over 90% of Guyana's international trade in wood products which grew by 51% in 2014 compared to the first half of 2013.

Log exports rose 80% and account for over 70% of all wood product exports. A significant improvement was recorded in exports of wallaba poles and posts, mainly to Caribbean markets. Sawnwood exports in the first half of 2014 were higher than in the same period in 2013 but only by a small margin.

Data for the main products exported are shown below.

| | First half 2013 | First half 2014 | % change 2013-14 |
|---|---|---|---|
| Logs | 30,356 | 54,376 | 80 |
| Sawnwood | | | |
| Dressed | 3,437 | 3,687 | 7.2 |
| Undressed | 6,636 | 5,886 | -11 |
| Plywood | 1,851 | 1,931 | 4.3 |
| Wallaba | | | |
| Poles | 188 | 463 | 146 |
| Posts | 139 | 172 | 23.7 |
| Piles | 2,131 | 2,640 | 23.9 |
| Charcoal | 3,730 | 4,452 | 19.4 |
| Shingles | 864 | 995 | 15.2 |
| **total** | 49,333 | 74,601 | 51 |

Source: Guyana Forestry Commission

Of the wide range of added value products exported, wooden doors and mouldings contributed the most to first half 2014 export earnings.

**Export Log Prices**

| Logs, FOB Georgetown | SQ - US $ Avg unit value per m³ | | |
|---|---|---|---|
| | Std | Fair | Small |
| Greenheart | 150-265 | 130-220 | 160-190 |
| Purpleheart | 200-325 | 170-235 | 150 |
| Mora | 130-160 | 120-140 | 115-140 |

**Export Sawnwood Prices**

| Sawnwood, FOB Georgetown | | $ Avg unit val. per m³ | |
|---|---|---|---|
| EU and US markets | | Undressed | Dressed |
| Greenheart | Prime | - | - |
| | Standard | - | 700-1,166 |
| | Select | 770-2,172 | - |
| | Sound | 500-530 | - |
| | Merchantable | 657 | |
| Purpleheart | Prime | - | - |
| | Standard | - | 650-1,259 |
| | Select | 650-1,060 | - |
| | Sound | - | - |
| | Merchantable | 650 | |
| Mora | Prime | - | - |
| | Select | 500-530 | - |
| | Sound | - | - |
| | Merchantable | 500 | - |

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

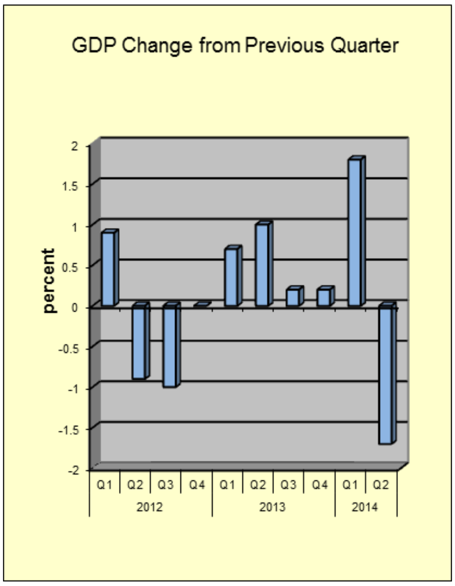
**Export Plywood Prices**

| Plywood, FOB Georgetown Port | | | US$ Avg unit val. per m³ |
|---|---|---|---|
| Baromalli | BB/CC | 5.5mm | No export |
| | | 12mm | 450 |
| | Utility | 5.5mm | No export |
| | | 12mm | No export |

## Report from Japan

**Japan's GDP drops as expected**

Gross Domestic Product (GDP) in Japan contracted 1.70 percent in the second quarter of 2014 over the previous quarter, the steepest drop since the 2011 earthquake.




Data source: Cabinet Office, Japan

The decline in GDP was much as anticipated since economic activity suffered a set-back after the consumption tax rise in April this year.

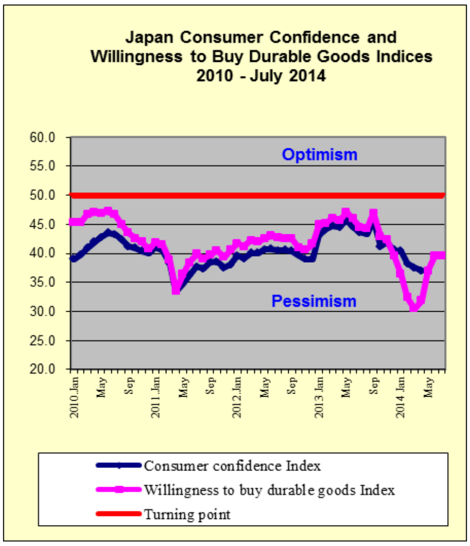
Analysts now expect swift action by the Bank of Japan to provide an additional boost to the economy.

**Consumer confidence index holds onto recent gains**

The latest consumer confidence survey was conducted on 15 July and Japan's Cabinet Office has just released the results which show the index rose 0.4 point to 41.5, the third monthly increase.

However the pace of increase slowed compared to the previous month and was below levels for the same month a year earlier.

Those surveyed were slightly more optimistic on the prospects for the economy on three of the four categories in the survey - overall economic well-being, income growth and job prospects, but the sub-index on time to buy durable goods remained unchanged.




Data source: Cabinet Office, Japan

**Machinery orders signal slow economic recovery**

Details of machinery orders, a key indicator of capital spending by Japanese companies, has been released by the Cabinet Office.

See: http://www.esri.cao.go.jp/en/stat/juchu/juchu-e.html

For the first time in three months machinery orders rose in June after a steep fall in May. But with export growth remaining weak and with subdued industrial output and consumer spending the short-term outlook for the Japanese economy is of concern especially coming on the heels of the fall in GDP growth for the second quarter.

June 2014 machinery orders rose only 8.8% following a record 20% fall in May however the consensus is that the economy will resume a moderate recovery in the third quarter.

2014 Change in machinery orders (%)

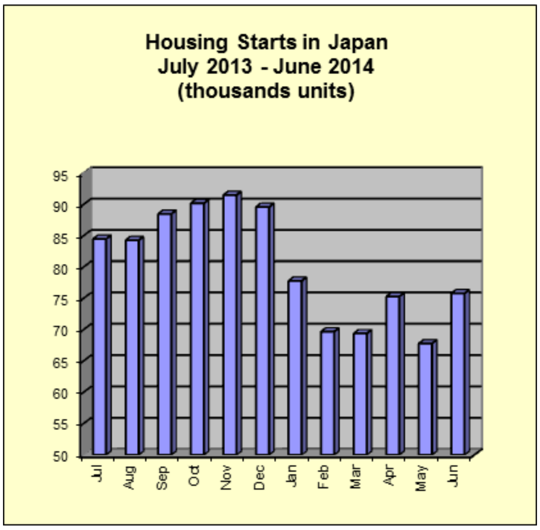
| | Mar | Apr | May | Jun |
|---|---|---|---|---|
| Total | 4 | 34.8 | -35 | 17.1 |
| **Private sector** | | | | |
| All | 17.3 | -2.1 | -19.6 | 0.5 |
| excl. volatile orders | 19.1 | -9.1 | -19.5 | 8.8 |
| **Manufacturing** | | | | |
| all | 23.7 | -9.4 | -18.6 | 6.7 |
| excl. volatile orders | 8.5 | 0.9 | -17.8 | 4 |

Data source: Cabinet Office, Japan

**June housing starts – better than forecast**

June housing starts data from Japan's Ministry of Land, Infrastructure and Transport show that, while there was an improvement over levels in the previous month, year-on-year starts are around 9% down.

However, many analysts had expected figures somewhere in the region of minus 12%.



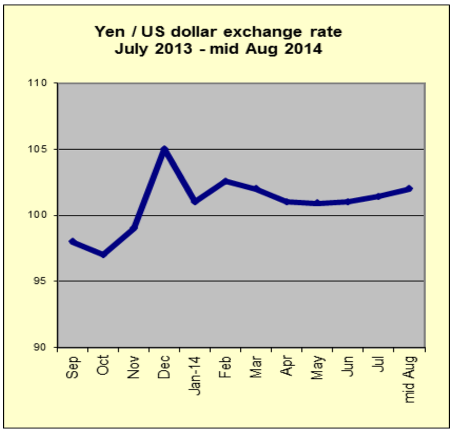

Source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

**Yen strengthens but then falls back**

At its latest meeting the Bank of Japan (BoJ) maintained its stance and kept monetary policy unchanged saying it will continue its yen 60-70 trillion annual asset buying but it did warn of the risks from declining exports and slowing industrial output.

The impact of the BoJ assessment of the economy and its response was largely expected so there was not much impact on the yen which has been trading in a narrow band all year. The greatest impact has come from investors seeking a safe haven in response to fighting in Ukraine and Gaza which lifted the yen at the beginning of the month.

One worrying piece of information from the BoJ was that, on an annual basis, housing loans in Japan rose 2.7% in the second quarter compared to a rise of 2.9% recorded in the preceding quarter.




**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

**Imported South Sea (tropical) hardwood plywood**

The largest supplier in Malaysia announced price hike since July on 12 mm concrete forming panel. Malaysian suppliers are all bullish since log prices stay up high even in full logging season.

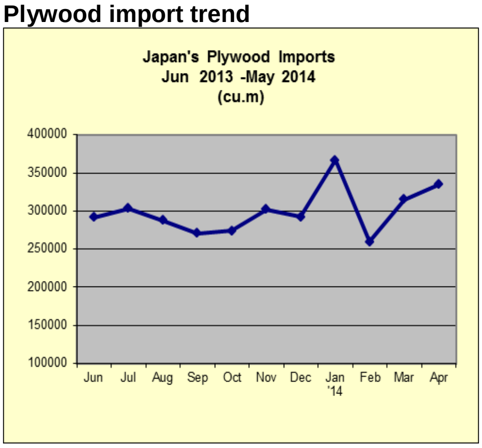
In Japan, the market has been slackening with slower demand but facing strong supply side proposals, the importers and wholesalers have started stopping underselling.

In Sarawak, Malaysia, dry weather continues and water level in rivers dropped, which hampers log transportation. By limited log supply and India's aggressive purchase after Myanmar banned log export, log prices stay up high so local plywood mills have to pay high log prices. Then Islamic fast for a month in late June and Islamic New Year in late July slowed log production.

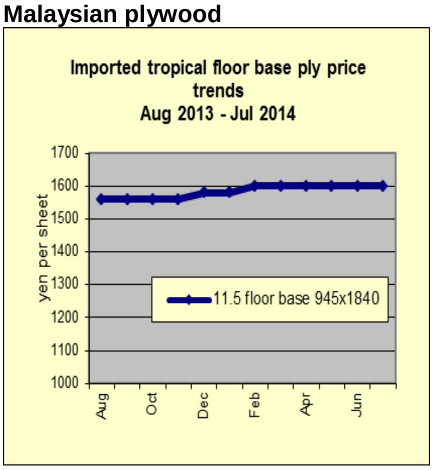
The largest supplier proposed $15 per cbm price increase for July shipment. In late June, the export prices of concrete forming panel was unchanged at about $560-565 per cbm C&F.

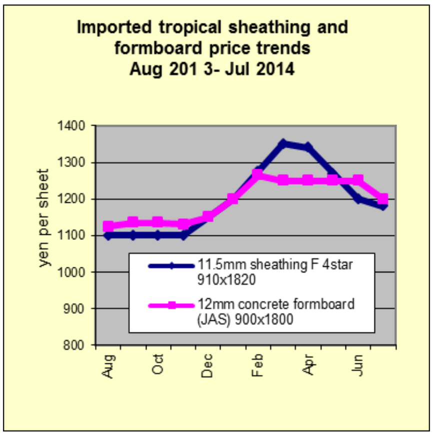
Other plywood suppliers in Malaysia have the same high log price problem so their proposal is high with less offer volume. Indonesian concrete forming panel suppliers enjoy robust orders from the Middle East so they would not listen to weak Japan prices.

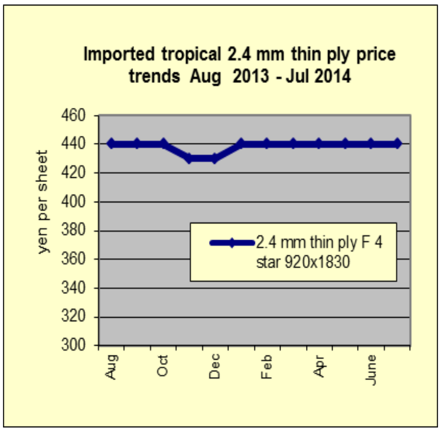
**Plywood import trend**




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




In Japan, with slow shipments, port inventories are still high but future arrivals will decline so the marketers see that the supply and demand are estimated to balance out probably in September. Since the importers have curtailed future purchases, they need to start purchasing cargoes of September and on.

**South Sea (tropical) logs**

After Myanmar stopped log export, India had to increase log purchase from Malaysia, particularly hardwood species like keruing and kapur, for plywood mills. India's domestic demand is getting strong and at the same time, their currency is getting strong so their purchase is more powerful and vigorous now.

Export prices of keruing and kapur for plywood climbed by $20-30 in recent weeks. Prices of other species are also pushed up by $5-10. Meranti regular prices for Japan market is edging up to US$290-295 per cbm C&F.

Log importers in Japan are tired of rising prices since the demand in Japan is stagnant and it is difficult to cover the higher cost. MLH log prices for crating are US$195-200, US$5-10 higher than last month.

In PNG and Solomon Islands, weather continues foul with continuous rain so the log production is slow and there are many ships waiting for logs. Chinese buyers are asking to reduce log prices since log prices are dropping in China

**Acceptance of foreign workers**

The Ministry of Land, Infrastructure and Transport made a public notification for acceptance of foreign labor. Specifically, as an emergency measures to have foreign workers in construction field, it shows specific requirement for accepting construction companies and administration groups.

The Ministry will invite public comments until July 25 then it will be officially announced in early August and it will go into effect in April 2015. This is measures with limited period to deal with increasing construction works for next Olympic Games in 2020. This makes it possible to accept experienced foreign workers smoothly.

Accepting number is up to total regular workers of accepting companies have and wage must be more than the Japanese workers with the same skill.

**Trends in wood drying**

There is growing demand for dried wood for construction since dried wood has clear strength performance with less cracking and curving after applied in building. According to the Ministry of Agriculture, Forestry and Fisheries, lumber shipment in 2013 was 10,100,000 cbms, 8.6% more than 2012.

Building materials and engineering works construction materials, which takes 80% of lumber shipment, increased by more than 10%. Meantime, that for furniture, fittings, crating and boxing dropped little from previous year.

In this, shipment of kiln dried lumber was 2,984,000 cbms, 8.7% more and the share of KD lumber was 29.54% from 29.49% in 2012.

Back in 2002, share of kiln dried lumber was only 12.4% so in last ten years, it grew by 17.1 points to almost 30%.The largest reason is high housing starts in 2013, 10.6% more than 2012 so total wood demand increased.

Also the government set a target of achieving 50% of wood self-sufficiency rate by 2020 and large house builders promoted using domestic species and preferred using kiln dried lumber.

Another topic of wood drying is drying large size lumber, laminated lumber and CLT since there are increasing number of large wooden buildings. Also with increasing number of biomass power generation facilities in relation to FIT system, drying wood chip quickly and economically becomes important issue from now on.

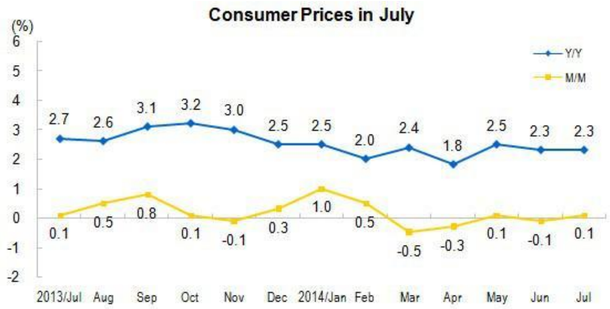
By type of energy source for drying, steam is the most popular then gas burning. Hot water and electric follow. Size of chamber is becoming larger as more drying demand for lamina and stud is increasing.

## Report from China

**Benign inflation could lead to more fiscal stimulus**
The latest statistics from China's National Bureau of Statistics (NBS) showed that the consumer price index for July was unchanged from 12 months ago at 2.3%.

See:
http://www.stats.gov.cn/english/PressRelease/201408/t20140811_594404.html
index (CPI)

With benign inflation analysts are expecting the government to expand measures to support the economy such as further tax cuts especially for small enterprises and expanded public spending on infrastructure. Over the past months consumers have eased up on utilising credit but now the authorities are trying to stimulate credit growth.

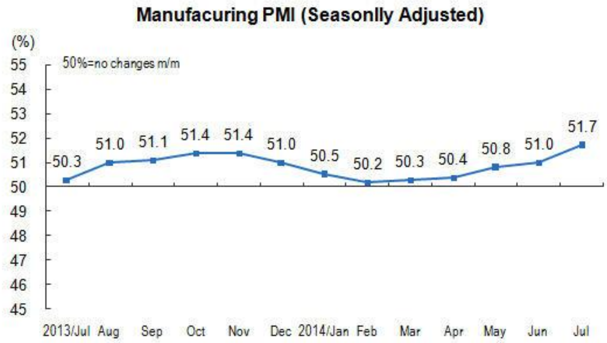



Source: National Bureau of Statistics

The press release from the NBS says July's PMI was 51.7 percent, 0.7 percentage points higher than the previous marking 5 consecutive months' of increase, welcome news for the government.

In related news the July producer price index (PPI) fell 0.9 percent for the 29th consecutive month.

See:
http://www.stats.gov.cn/english/PressRelease/201408/t20140801_590767.html




Source: National Bureau of Statistics

**Timber strategic reserve plan finalised**
In order to balance timber supply and demand and guarantee national timber security China plans to establish, by 2020, strategic commercial timber reserves over 14 million hectares in 25 provinces including Guangxi, Guangdong, Hu'nan, Sichuan, Guizhou, Yunnan, Inner Mongolia Autonomous Region, Liaoning, Jilin and Heilongjiang.

Of the 14 million hectares, 4.5 million will be new plantations, 5 million will be improvement of existing mature forests and a further 4.5 million hectares will require intensive management of young and maturing forest. The aim is to create a base yielding an annual average volume of around 142 million cubic metres.

According to the China National Timber Strategic Reserve Production Base Plan (2013-2020), 1.87 million hectares will be established in Guangxi Province to yield 13% of the target production.

**Standard on formaldehyde tightened**
The China National Standards Administration will revise the national standard on formaldehyde emission for interior decoration and improvement materials which will impact production of wood-based panels and other wood products. The indications are that the E2 limit in the old Standard will be eliminated.

Analysts point out that the new standard will have a big impact on both flooring manufacturers and the producers of adhesives. The elimination of the E2 standard will increase the cost of flooring and wood product production.

**Radiata log imports through Xiamen Port rise**
According to Xiamen Customs in Fujian Province, log imports through Xiamen Port rose 90% to 2.106 million cubic metres in the first half of 2014.

The bulk of the logs entering the port were from New Zealand (770,000 cu.m), Australia (409,000) and the US, (326 000 cu.m).

Log imports from these three countries accounted for 45% of all logs coming through Xiamen Port in the first half of the year.

Radiata pine was the main species of imported logs and imports of this timber increased almost 70% to 1.12 million cubic metres in the first half of 2014.

**Redwood furniture prices climbing**

According to the well-known domestic 'redwood' furniture manufacturer, Liantianhong (www.liantianhong.com/) current tariffs on redwood furniture account for 20% of production costs.

Because of this prices for redwood furniture have risen by between 5%-10% since the beginning of August but producers are finding it difficult to trade at these new higher prices as the buyers are resisting the increase.

Liantianhong says the redwood furniture market has cooled and those with large stocks are under pressure to dispose of the log stocks to avoid any further losses.

At present the redwood log market is weak and prices for East African blackwood, African rosewood and Myanmar padauk have fallen. However, prices for high quality rosewoods are still firm.

In related news statistics from Guangxi Customs for the first half show that imports of redwood logs and redwood furniture by manufacturers in Pingxiang City were valued at yuan 660 million, up by a factor of 5 year on year.

**Major timber and furniture market in Urumqi City**

The Xinjiang Production and Construction Corporations' Yanxin International Timber Furniture Market will be opened in Urumqi City at a cost of yuan 4.2 billion. The site covers some 187 hectares and will provide employment for around 20,000. The market is scheduled for completion in three years.

**Guangzhou Yuzhu International Timber Market Wholesale Prices**

**Logs**

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

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

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

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

**Sawnwood**

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

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

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

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

**Shanghai Furen Forest Products Market Wholesale Prices**

**Logs**

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

**Sawnwood**

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

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

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

**Zhangjiagang Timber Market Wholesale Prices**

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

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

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

## Report from Europe

**Rising concern on market impact of EUTR**

The market impact of the EU Timber Regulation (EUTR) is a major concern for the European timber trade and policy makers.

Now that over a year has passed since coming into force, trade interests are raising concerns about inconsistent application of the Regulation across the EU and even within Member States.

The lack of clear guidance on key elements such as risk assessment and the need for a greater focus on commercial implications and on evolution of cost-effective mechanisms for compliance, particularly amongst smaller companies that are so important in the timber trade.

Equally NGOs are raising concerns about lack of visible progress by some EU Member States to develop enforcement regimes. This, in turn, has encouraged the European Commission to take measures to ensure that all Member States honour their commitments to implement and enforce EUTR.

In July, the European Timber Trade Federation (ETTF) convened a meeting "to consider perspectives on implementation, enforcement and outcomes of the EUTR on the market".

The meeting was attended by representatives of ETTF member associations from France, Germany, Italy, Netherlands, and the UK. Also attending were Svetla Atanasova of the EC Environment Directorate and Rupert Oliver, Lead Consultant to ITTO's EC-funded FLEGT VPA Independent Market Monitoring (IMM) project.

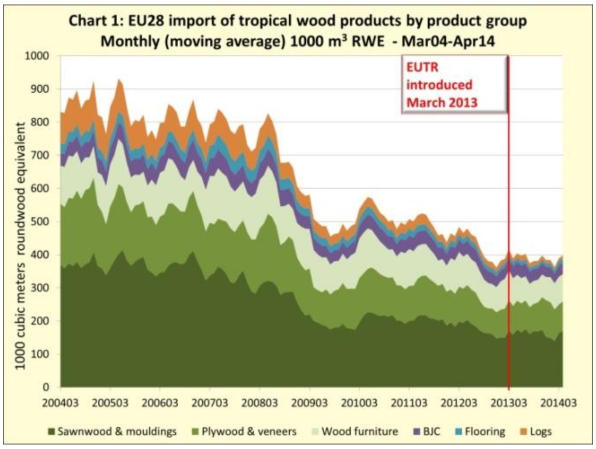
Oliver delivered a presentation for the ITTO IMM on "Do Statistics tell us anything about EUTR implementation and possible impacts?" Drawing on the following sequence of charts (1-4), he considered whether there is any evidence EUTR has contributed to a reduction in EU trade in tropical hardwoods.

Oliver further observed that, when considered over a long timescale, EU trade in tropical hardwoods since introduction of EUTR is more remarkable for its relative stability (at a low level) than for any significant change (Chart 1).

**Market weak but stable**

This stability might itself be partly due to the EUTR which, along with weak consumption and lack of financial credit, has contributed to greater risk adversity in the trade.

There appears to be much less speculative purchasing of tropical hardwood products by European importers than in the past.

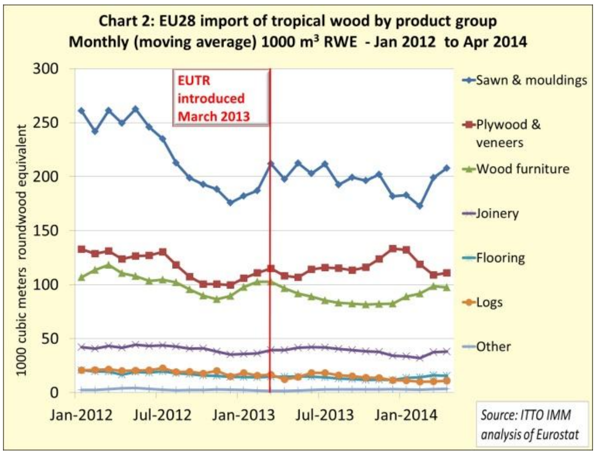



Oliver highlighted recent structural changes in Europe's tropical hardwood trade. The EU import data combined with anecdotal reports suggests that one effect of the EUTR has been to concentrate the trade in the hands of a few larger operators.

European operators are now being much more selective in who they deal with in tropical countries, tending to focus on suppliers with whom they have formed long-term commercial relationships and which have been most co-operative in provision of the detailed information now required to demonstrate negligible risk.

But the structural changes are equally due to long term constraints on supply of tropical hardwood to European specifications following a reduction in processing capacity in some tropical supply countries and increasing diversion of trade to domestic and emerging markets, notably China.

In a sellers' market, tropical hardwood exporters have more options and have become less inclined to service increasingly demanding European buyers.




Oliver noted that, when looking at short-term fluctuations in EU hardwood imports since enforcement of the EUTR, the identifiable trends are most readily explained by commercial factors rather than by the EUTR.

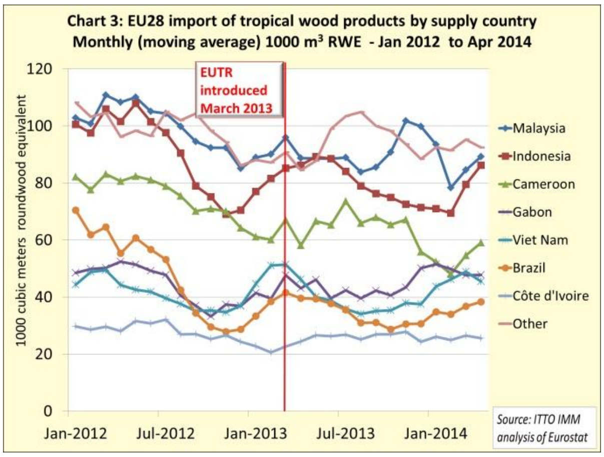
For example, a notable recent trend in EU sawn tropical hardwood imports is the downward slide that began in

August 2013 and reached a low in February 2014 (Chart 2). T

This was due to the combined effects of: low availability of the commercially most popular African species such as sapele; infra-structure problems at Douala Port, which greatly reduced exports from Cameroon; overstocking in the European garden decking sector and the sharp dip in imports from Malaysia in early 2014 after an increase in EU import taxes following the change in Malaysia's GSP status.

Since February this year, there has been a small rebound in sawn tropical hardwood imports into the EU with an easing of the tight supply situation in Africa and with improved consumption in many European markets including France, Belgium, Netherlands, Germany and the UK.

All these trends are apparent from analysis of monthly EU tropical hardwood imports by source of supply (Chart 3).




**Are imports being directed to EU countries with poor record of EUTR enforcement?**

Oliver also considered whether there is any evidence of changes in the direction of imports of tropical wood from EU countries with strong sanctions regimes to those EU countries with weaker regimes. He concluded that, up to now, there are no strong signs of this from analysis of timber trade statistics.

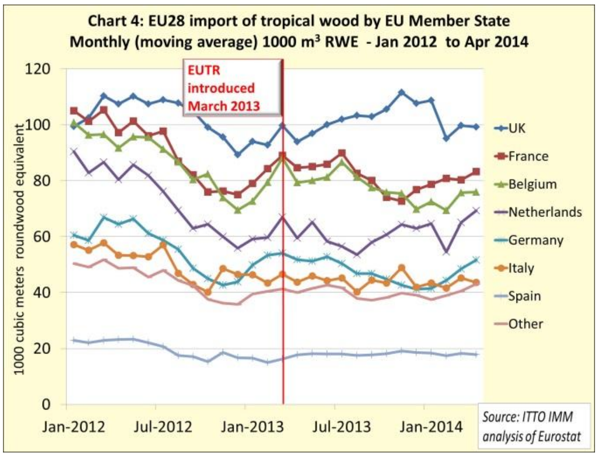
Again, alterations in the sourcing of imports into the EU are more readily explained by changes in consumption than by differences in the EUTR regimes (Chart 4).

Imports of tropical hardwood products into the UK increased consistently throughout 2013, even after implementation of the EUTR and despite the UK having one of the most active EUTR regimes.

Meanwhile tropical hardwood imports into France, which is only now introducing a regime for the EUTR enforcement, were declining last year.

Sliding tropical hardwood imports into Germany during the second half of 2013 might be partly explained by the uncertainties created by EUTR enforcement action taken against wenge log imports from Democratic republic of Congo in August 2013.

Tropical hardwood imports into Germany improved in 2014, although this is due less to recovery in imports of African products than of Asian products, notably bangkirai decking and Indonesian plywood.




It is perhaps unsurprising that trade flows have yet to show significant change as a direct response to the EUTR given the current status of enforcement regimes. Reports from national associations and the EC at the ETTF meeting highlighted that there are still significant gaps in enforcement.

**EC puts member states on notice to toughen up EUTR enforcement**

Svetla Atanasova reported that the EC Environment Director General Karl Falkenberg sent a letter to all member states in April putting them on notice to toughen up on the EUTR or face sanctions. It asked them to detail their implementation of the Regulation to date within a month.

It quizzed them on enacting legislation and sanctions, and whether due diligence checks on affected companies have been started by their national competent authorities. If these had not begun, governments were told to make sure they do.

The majority of EU countries replied to the the letter and reported that they have taken implementation measures. The EC prepared a summary table of the status of implementation across the EU found at http://ec.europa.eu/environment/forests/pdf/scoreboard.pdf).

Responses to the letter indicated that 17 of the 28 EU Member States have already fulfilled the three main obligations of EUTR – that is to establish EUTR Competent Authorities, to implement sanctions, and to start checks on operators.

The countries fulfilling all these obligations are: Austria, Belgium, Bulgaria, Czech Republic, Cyprus, Denmark, Estonia, Finland, Germany, Slovakia, Ireland, Lithuania, Netherlands, Portugal, Slovakia, Sweden, and the UK.

A further  eight countries are in the process of fulfilling all the obligations –France, Greece, Italy, Latvia, Luxembourg , Malta, Slovenia, and Romania. At this stage, only three countries have not begun to fulfil one or more of the obligations: Croatia, Poland and Hungary. Judging from the EC's summary table, Hungary seems to be particularly lagging behind.

Svetla Atanasova said the EC would take enforcement action against any Member State which fell short of their EUTR obligations. She noted that an EUTR enforcement group, comprising officials from Member States is due to meet for the second time in September. The EUTR will also be taken up by a task force, including EC representatives, which will work with countries to increase implementation efficiency.

### Regular EUTR checks in the UK

Further insights into the status of EUTR enforcement at national level were provided by trade representatives at the ETTF meeting in July. Anand Punja of the UK TTF reported that enforcement action in the UK is already well advanced with regular checks underway of UK importers.

The NMO, the UK's EUTR competent authority, has required a number of operators to alter their due diligence procedures, the main concern being a failure to adequately assess the credibility of documents received from suppliers. There have been no prosecutions to date but the trade is not being complacent.

The NMO has stated that it has concentrated so far on building capacity and improving understanding of the issues before attempting to make a legal case.

Overall there is a good working relationship between the UK trade and NMO, the latter having focused so far on helping firms to comply with the legislation. However the TTF has specific concerns.

The NMO is targeting firms on the basis of its' own analysis of risk associated with individual products, species and countries. In the TTF's view, targeting should be based on evidence of corporate due diligence. The current regime leads to too much emphasis on high profile companies that are already taking far-reaching steps, and not enough on less visible companies.

### Active EUTR enforcement in the Netherlands

Paul van den Heuvel of the Dutch VVNH noted that EUTR enforcement is active in the Netherlands, although resources are spread thin given that the Dutch Competent Authority has identified 5000 operators placing timber on the market. Although checks are underway, the Dutch Competent Authority has been unwilling to divulge details of any issues that may have been identified.

As far as VVNH is aware based on information from members, few problems have yet emerged and the existing comprehensive due diligence procedures of Dutch firms are working well.

Drawing on EC guidance and with input from the auditing firm NEPCon, VVNH has adapted its existing procurement requirements for members into a new "Timber Checker" system to ensure full compliance to EUTR.

### French EUTR regulation expected in September

Eric Boilley of the French association Le Commerce du Bois (LCB) noted that, after several delays, the French regulation establishing the EUTR enforcement regime in France is now expected to be passed September.

The first checks on operators are expected to occur soon after. The sanctions regime will be extremely onerous, with fines of €150,000 just for failure to implement adequate due diligence.

LCB has been requiring mandatory due diligence procedures for its members already for seven years so is hopeful that the new sanctions regime will not cause immediate disruption.

LCB has also formed a close working relationship with both the French Ministry of Agriculture, which will act as the EUTR Competent Authority, and with WWF which advises LCB on risk assessment and the status of legal documentation in supplying countries.

### Italian enforcement measures barely begun

Davide Paradiso and Domenico Corradetti of Italian Federlegno Arredo noted that EUTR  enforcement measures have barely begun in Italy and that all the work to date to inform industry and prepare for EUTR has been carried out by the association.

This is a vast task given the numbers of mainly smaller operators in Italy. There are estimated to be up to 10000 operators in the paper sector, 6000 in the importing sector, and 8000 forest enterprises. It was also noted that, due to the absence of sanctions in Italy, enterprises are not strongly motivated to improve due diligence procedures.

Despite these constraints, Federlegno has made significant progress to develop a practical system for EUTR conformance for member companies. The system is known as LEGNOK which sets out standard procedures for risk assessment in line with EUTR.

Companies can upload all their own risk assessments of suppliers on to an on-line database to reduce duplication of effort and to allow review by a Wood Information Centre located in the Italian office of TRAFFIC, the international NGO established to monitor trade in wildlife.

The Wood Information Centre provides an independent view of the credibility of legality information and makes recommendations to the importer.

### Bureaucratic approach to EUTR in Germany

Nils Olaf Petersen of GD Holz noted that the Federal Office for Agriculture and Food (BLE) which acts as the

EUTR Competent Authority in Germany has undertaken checks of timber importers since July last year.

Around 60 companies have been checked so far and the procedures have been strict, more so than audits of financial accounts.

The BLE has adopted a bureaucratic approach, assessing first whether the operator has a due diligence system in place, second whether the operator has adequately described the system in company documents, and third whether it is being implemented effectively.

The latter step involves operators being required to show specific examples of risk assessments and demonstrating a clear rationale for acceptance of legal documents. There have penalties imposed, including a severe penalty on an importer of wenge logs from the Democratic Republic of Congo.

BLE has reported that of those companies so far visited, 25% were identified as not undertaking due diligence as required under EUTR. BLE state that the main problem is that while nearly all companies are collecting documents they are not then taking sufficient time to consider their credibility and authenticity.

The BLE has emphasised that the regulatory approach will be progressively tightened and more companies will be sanctioned in the future if they do not demonstrate more diligent checks on documents received from suppliers.

BLE is also working closely with the Thünen Centre of Competence on the Origin of Timber which brings together expertise of the three Thünen Institutes of Wood Research, Forest Genetics, and International Forestry and Forest Economics, responsible for wood identification, proof of origin, certification and timber trade structures.

The Centre is extremely busy, not only with enquiries from the BLE, but also from Competent Authorities in the UK and a few other EU Member States, NGOs seeking to identify illegal imports, and from trading companies wishing protect themselves from regulatory action.

**ETTF call for definitive guidance on supplier legal documents**

ETTF ended their July meeting with a call for definitive central guidance on the legal documents provided by overseas suppliers. Competent Authorities are clearly keen to ensure that importers do not take legal documents at face value and instead scrutinise their validity.

It was noted that Greenpeace's latest claims that legality documentation from Brazil fell short of EUTR requirements also highlighted the importance of this issue. In the absence of clear independent advice, several large European importers have discontinued all purchases of Brazilian ipe on the strength of the Greenpeace campaign.

Given that very few timber importing companies have the resources or skills at their disposal to undertake detailed scrutiny of the legal situation in each country and the validity of every document supplied with consignments, there is an essential need to rationalise the approach and provide more support. Otherwise more tropical wood may well be excluded at the merest hint of controversy simply for lack of better information.

Andre de Boer, ETTF's Secretary General, concluded by stating that a detailed proposal would be prepared, for possible funding as an ITTO project, to develop a central public on-line database which would provide access to detailed information on applicable legislation in all timber supplying countries.

He emphasised that the aim would be to provide well-structured comprehensive information and not to judge the quality of legislation or documents. Forming judgments would remain the obligation of the EU operator, as required by the EUTR.

## Report from North America

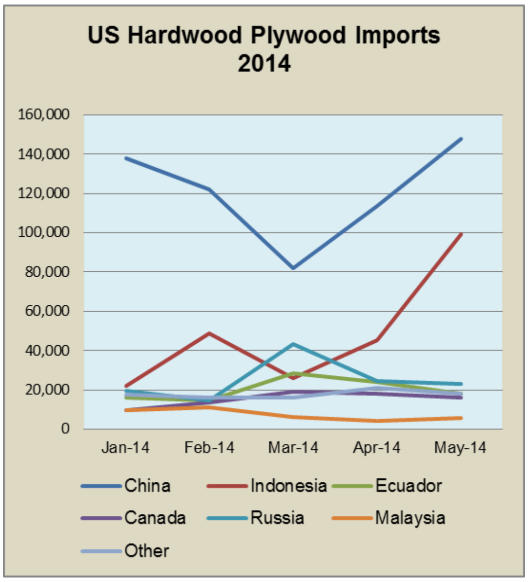
**Recovery in wood product imports in May**

US imports of most major wood products increased in May. The most significant growth was in imports of wooden furniture.

The increase is partly a recovery from low imports earlier this year, when severe winter weather disrupted supply chains, but May 2014 imports of furniture and several other wood products were higher than at the same time last year.

**Hardwood plywood imports from Indonesia more than doubled**

Hardwood plywood imports in May at 327,887 cu.m were around 30% higher than in April and year-to-date imports are 6% higher than in 2013.




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

The growth in hardwood plywood imports was mainly in hardwood plywood imports from Indonesia which shipped more than doubled the amount from a month earlier to almost 100,000 cu.m in May. Year-to-date imports from Indonesia were 38% higher than in 2013.

Hardwood plywood imports from China also grew by 30% to 147,958 cu.m. Year-to-date imports are still slightly below 2013 (-3%). Hardwood plywood imports from Russia, Ecuador and Canada all declined in May,

**Brazil's moulding shipments up**

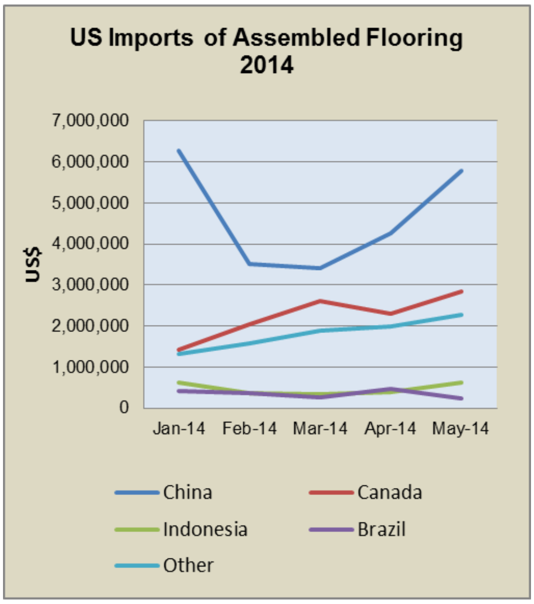
The value of hardwood moulding imports was US$19.7 million in May, up 19% from the previous month. Year-to-date imports were 8% higher than in 2013.

Imports from all major suppliers increased, except Canada. At US$6.9 million, China was again the largest source of imports. Imports from China increased by 37% from April, but year-to-date imports in 2014 are still below 2013 levels.

Brazil's moulding shipments were worth US$5.4 million in May, up 25% from the previous month.

**Hardwood flooring imports down, but Malaysia shipped more**

Imports of assembled flooring panels grew in May, while hardwood flooring imports declined. Assembled flooring imports were worth US$11.7 million in May, up 25% from April. Hardwood flooring imports were US $2.9 million, down 8%.




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

Assembled flooring shipments from China increased by 35% in May to US$5.8 million but solid hardwood flooring imports from China were US$0.4 million, down 34%.

On a year-to-date basis assembled flooring panel imports from China are below 2013 levels, while hardwood flooring imports are 10% higher than last year.

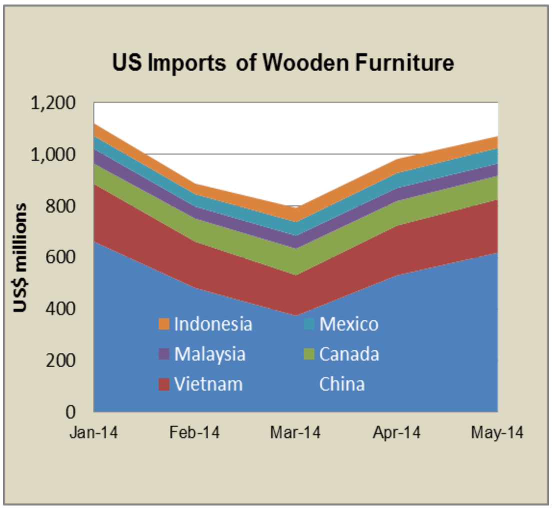
Assembled flooring panel imports from Brazil fell by 50% in May, while imports from Indonesia and Canada increased. Year-to-date imports from Brazil are now 40% below May 2013.

For hardwood flooring, Malaysia was the only major supplier with higher shipments to the US in May and imports from Malaysia increased by 27% to US $0.7 million. Brazil and Vietnam also shipped more hardwood flooring to the US in May.

**Growth in furniture imports from China, Vietnam and Mexico**

Wooden furniture imports continued to grow in May. Total imports were worth US$1.25 billion, up 8% from April and 11% higher year-to-date than in 2013.

China led the growth in shipments to the US market. Imports from China were US$618.8 million in May, up 17%. China's share in total US imports of wooden furniture year-to-date was 47.1% in May, slightly down from 47.7% in May 2013.




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

Furniture imports from Vietnam were worth US$206.8 million, up 7%. Year-to-date imports from Vietnam were 50% higher than at the same time in 2013. Vietnam's imports share to date in 2014 was 17.0%, up from 12.5% in 2013.

Furniture imports from most other major suppliers declined in May, with the exception of shipments from Mexico.

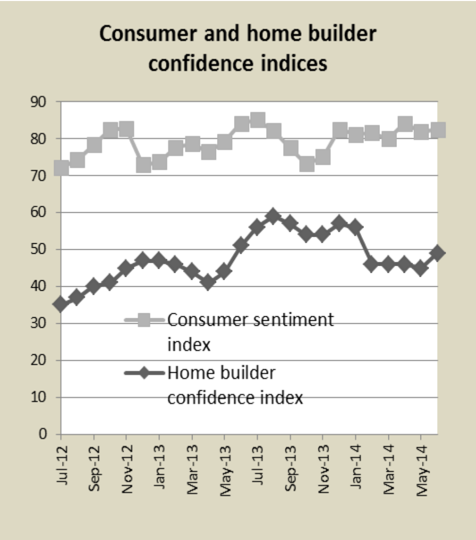
**Unemployment down, furniture manufacturing up**

The unemployment rate in the US declined from 6.3% in May to 6.1% in June, according to the Department of Labor. Job gains were widespread, with the fastest growing employment in professional and business services.

In June the overall US economy expanded according to survey data from the Institute for Supply Management. The manufacturing sector continued to grow. The furniture industry posted the highest growth rate of all industries. Wood product manufacturers also reported production growth in June.

**Neither consumers nor builders very confident**

Consumer confidence in the US improved slightly in June, despite poor economic growth in the first quarter of 2014.




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

Most consumers reported improvements in their financial situation in June but were less optimistic about the future. Only one quarter of household expected their finances to improve in the year ahead.

Builders' confidence in the market for newly built single-family homes increased significantly in June, but it remains just below what is considered good business conditions.

Consumers are still hesitant to enter the housing market.

**Decline in housing starts**

Construction of both single-family and multi-family homes declined in May, according to US Census Bureau data. Housing starts fell by 6.5% to just over 1 million units at a seasonally adjusted annual rate. Growth in the housing market remains slow and builders are careful not to add too much inventory.

The National Association of Home Builders still forecasts a 12% growth in housing starts for 2014.

Housing starts increased in the US South, but they fell in Northeast, Midwest and West. May data on sales of existing homes was positive where sales were up almost 5% in May, although they remain below May 2013 levels.

The US housing inventory increased to 2.28 million existing homes available for sale. Nevertheless, the National Association of Realtors warn that some US states could face housing shortages and low affordability unless more new homes are built.

**Canadian housing market steady**

Canadian housing starts were steady in May at just under 200,000 at a seasonally adjusted annual rate but still higher than the 181,100 housing starts predicted by the Canadian Housing and Mortgage Corporation. The number of multi-family starts declined slightly in May while single-family construction grew by 6%.

The Canadian Housing and Mortgage Corporation still expect reduced housing starts in 2014 compared to last year. The average five-year mortgage rate was at 4.79% in May, the lowest rate since data collection started in the 1970s.

**Few changes in non-residential construction**

Spending on non-residential was largely unchanged in May. Public spending declined for the construction of offices (-3.7%) and health care facilities (-2.2%).

The American Institute of Architects reported higher activity in commercial and industrial construction in May but overall the institutional construction market is still weak.

**Americans spend more on home remodeling**

The home remodeling market grew strongly in the fourth quarter of 2013 and the first half of 2014. Spending on home repair and renovation increased by over 10% on an annual basis, according to estimates by the Joint Center for Housing Studies of Harvard University.

In the first quarter of 2014, the harsh winter weather had a negative effect on the remodeling market. Spending is expected to increase in the third quarter but towards the end of 2014 the growth in spending on remodeling will probably decline because homes sales are still relatively slow.

The Joint Center for Housing Studies forecasts remodeling spending of US$158.9 billion for the third quarter and US$153.1 billion for the fourth quarter. Fourth quarter spending in 2013 was estimated at US$139.9 billion.

**Changing wood product use in N. American housing markets**

In North America, around US $500 billion are spent every year on residential construction and remodeling. Ninety percent of single-family homes in Canada and the US are built of wood.

In the US, approximately two thirds of all new homes are single-family houses. In Canada it is only one third because the population is concentrated in urban areas where land is increasingly scarce and expensive. In 2011 the share of single-family homes in new construction was close to 40% in Canada, compared to 32% in May 2014.

Only about 50% to 65% of the multi-family buildings in the US and Canada are built in wood. Not only is less structural wood used in multi-family homes, but demand for finishing and interior wood products is also lower.

The average home size of apartments is much smaller now and less flooring, mouldings, furniture and fewer interior doors and cabinets are used than in single-family homes.

In the US most multi-family housing is rental housing, except in the Northeast. Price and low maintenance of products is often more important than appearance in rental housing.

Many products used in multi-family housing are made from non-wood materials such as plastic or metal.
In Canada most multi-family homes are occupied by their owners and the use of wood finishing materials is higher (for example, wood flooring and wooden kitchen cabinets).

The share of multi-family homes in the US has been on the rise since the housing market crisis. Demand for rental apartments is high, according to the report 'The State of the Nation's Housing' by the Joint Center for Housing Studies of Harvard University. Between 2011 and 2014 the share of multi-family in new construction increased from 25% to 38%.

The Canadian Housing and Mortgage Corporation expect the multi-family market to remain strong, especially in Vancouver, Toronto and Montreal. Canada's high immigration rate supports multi-family construction in the urban centres.

Any further growth in multi-family housing will affect the types and volumes of wood products sold for construction, repair and remodeling of homes in both the US and Canada. In the US, the trend will be towards durable and low maintenance floors, mouldings and cabinets, often non-wood products. In Canada, wood appearance products will be in high demand to make apartments more attractive to potential buyers.

**US Supreme Court ruling on greenhouse gas emission rules**

The Supreme Court ruled in June that the US government is permitted to regulate greenhouse gas emissions from industry through its Clean Air Act. The Environmental Protection Agency (EPA) requires power plants, oil refineries and other large emission sources to obtain permits and control emissions when they modify an existing plant or build a new one.

But smaller facilities that the EPA wanted to regulate will likely be exempt from the regulation. The smaller facilities include many wood product manufacturers, pulp and paper mills and chemical production plants.

For many smaller companies the regulation would have meant a significant administrative and financial burden to their business. The large commercial facilities account for 86% of greenhouse gas emissions from stationary sources in the US (i.e. excluding transportation). The smaller facilities now excluded from the new regulation account for just 3% of emissions.

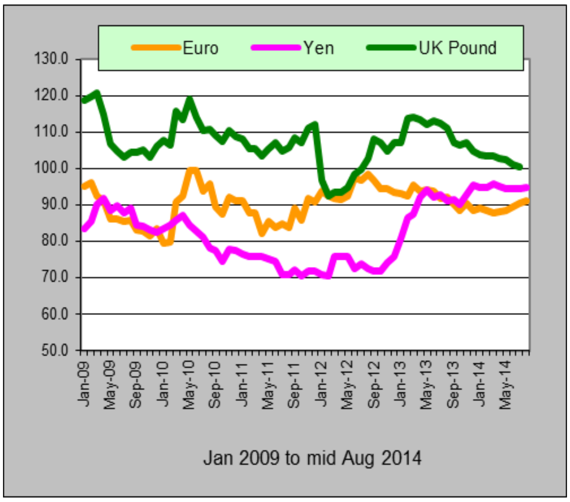
The EPA ruling did not distinguish emissions from fossil fuels and biomass such as wood. Following the Supreme Court decision the EPA will consider the appropriate treatment of emissions from biomass.

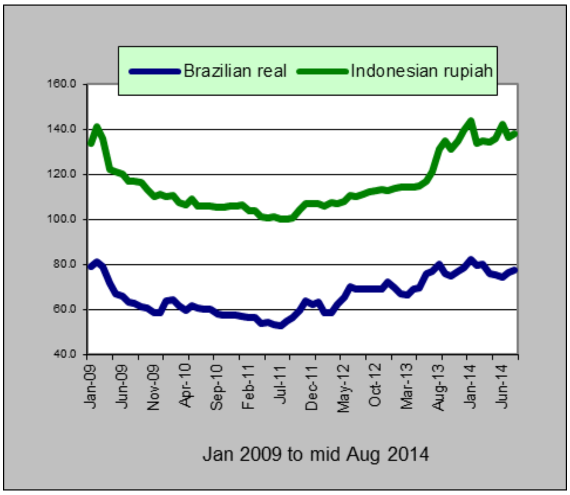
## in US Dollar Exchange Rates

**As of 11th August 2014**

| | | |
|---|---|---|
| Brazil | Real | 2.2736 |
| CFA countries | CFA Franc | 490.03 |
| China | Yuan | 6.1539 |
| EU | Euro | 0.7471 |
| India | Rupee | 61.13 |
| Indonesia | Rupiah | 11,710 |
| Japan | Yen | 102.2 |
| Malaysia | Ringgit | 3.1993 |
| Peru | New Sol | 2.7901 |
| UK | Pound | 0.5957 |
| South Korea | Won | 1030.65 |

**Exchange rate index (Dec 2003=100)**



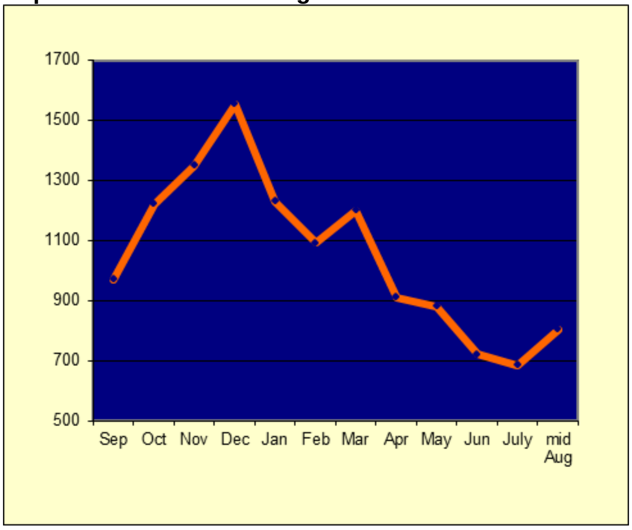




## Abbreviations and Equivalences

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

## Ocean Freight Index

**Baltic Supramax Index**
**September 2013 – mid August 2014**




Data source: Open Financial Data Project

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

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