Tropical Timber Market Report

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Top Story

By 2025 half world's consumers a stone's throw from ASEAN

Currently the intra-ASEAN trade represents only about 25% of total exports but with almost all tariffs being abolished when the ASEAN Economic Community (AEC) comes into effect at the end of this year 2015 this is set to change.

ASEAN countries stand to benefit from the new trade pact as it is forecast by 2025 more than half of the world's consumers would live within a five to six hour flight from the heart of ASEAN.

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Headlines

Report from Central/West Africa

Producers concerned about build-up of okoume stocks

West African log prices are unchanged and analysts expect prices to remain stable into the third quarter as there are no signs that China, the market leader, will increase purchases any time soon.

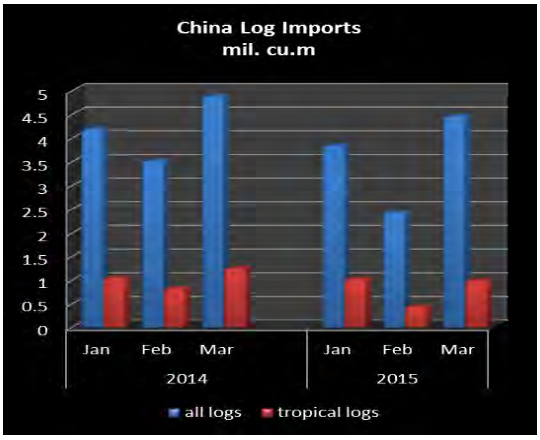
Stocks of okoume have accumulated at West African mills and producers are finding it hard to sell this at any price. One mill reported that they have sold some okoume shorts but had to offer huge price reductions. The same miller says there is just no demand for longer length okoume at present.

Okan, which fell out of favour, has regained market share so prices have stabilised. Sapele and sipo prices remain stable but at the lower levels to which they recent fell. Some firmer interest in these species from the EU and China has been reported.

Overall, demand is not good and some mills in Congo Brazzaville and Gabon are remaining temporarily closed or reducing output until the Asian markets come back to life.

Slowing demand in China

China‟s appetite for wood products is showing signs of slowing and recent announcements from China regarding investment in strategic timber reserves in order to be more self-reliant needs careful monitoring for its impact on hardwood imports.



Data source: CAF

China‟s State Forestry Administration has reported that it will begin work to establish an additional 14 million hectares of strategic national forests by 2020. These forests will be of fast growing tree species such as poplar and eucalyptus as well high value species.

There is a strong demand in China for large diameter logs and at present these are sourced from domestic natural forests or through imports.

However, with the logging restrictions in China‟s natural forests and with overseas suppliers scaling back harvests in natural forests, especially in the tropics, availability is becoming an issue. The SFA plan aims to address the huge gap in between Chinese demand for timber and supply which, in the long term, may lead to a drop in dependence on imports.

In the short term a decision by the central government to withdraw the right to approve felling from local administrations in Northeast China and Inner Mongolia Autonomous Region in order to limit harvesting may result in a log shortfall which would boost the need for imports.

South African buyers cool to African timbers

South African buyers have become less interested in West African species which has added to the woes of okoume producers. Meranti has recaptured much of the South African sawnwood market as it is landing at very competitive prices. In addition, South African end-users have begun to use more domestic softwoods to contain costs.

Middle East buyers are active in the market, demand is good and prices are holding up for the time being. However, producers have to compete hard against S.E. Asian suppliers to win orders and this is leading to heavy downwards pressure on prices.

Currently, the market for plywood has picked up in some Middle East countries as work intensifies on constructing temporary shelters to accommodate refugees fleeing conflicts in the region.

Exporters not well informed of benefits of FLEGT

Analysts familiar with the West African trade say it is a surprise that more countries are not negotiating harder for VPAs with the EU as FLEGT licenses would make it so much easier to trade into the EU.

Part of the problem, according to analysts, is that millers and exporters are not well informed of the prospective benefits of FLEGT compliant production. Because of this many millers say there are less troublesome and profitable markets elsewhere so why bother.

Log Export Prices

West African logs, FOB	€ per m^3		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	230	230	160
Ayous/Obeche/Wawa	260	260	180
Azobe & Ekki	230	230	160
Belli	300	280	-
Bibolo/Dibétou	150	145	
Iroko	330	290	260
Okoume (60% CI, 40% CE, 20% CS) (China only)	240	240	160
Moabi	335	305	225
Movingui	210	210	160
Niove	160	160	-
Okan	250	250	-
Padouk	310	285	225
Sapele	320	320	240
Sipo/Utile	345	340	265
Tali	320	320	-

Sawnwood Export Prices

West African sawnwood, FOB		€ per m^3
Ayous	FAS GMS	400
Bilinga	FAS GMS	500
Okoumé	FAS GMS	360⬇
	Merchantable	225
	Std/Btr GMS	280⬇
Sipo	FAS GMS	610
	FAS fixed sizes	610
	FAS scantlings	660
Padouk	FAS GMS	900
	FAS scantlings	980
	Strips	500
Sapele	FAS Spanish sizes	600
	FAS scantlings	600
Iroko	FAS GMS	615
	Scantlings	680
	Strips	440
Khaya	FAS GMS	450
	FAS fixed	470
Moabi	FAS GMS	610
	Scantlings	615
Movingui	FAS GMS	420

Report from Ghana

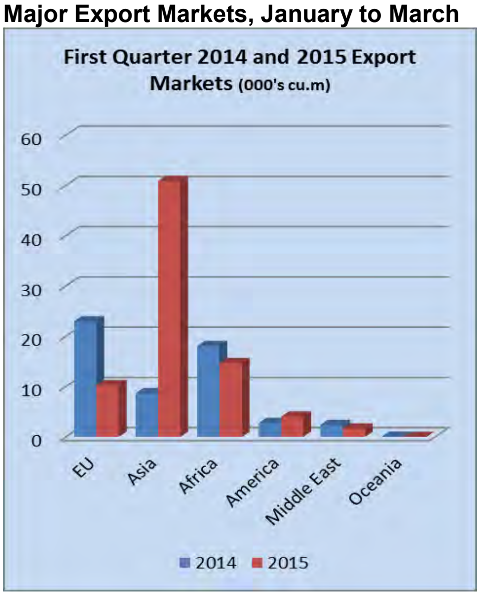
First quarter export up 48%

Ghana‟s export of wood products for the first three months of 2015 totalled 81,518 cu.m, some 48% more than for same period in 2014 and resulted in earnings of euro 43 million, almost double that in the first quarter 2014.

For the quarter 2015 there were thirteen categories of wood products shipped from 93 exporters. Products manufactured from around 40 different species were shipped to 38 countries of which shipments to India were significant.

Shipments to Asian countries accounted for 62% of total export for the period. In contrast exports to Europe, Africa and the Middle East declined by 55%, 19% and 30% respectively.

Major Export Markets, January to March

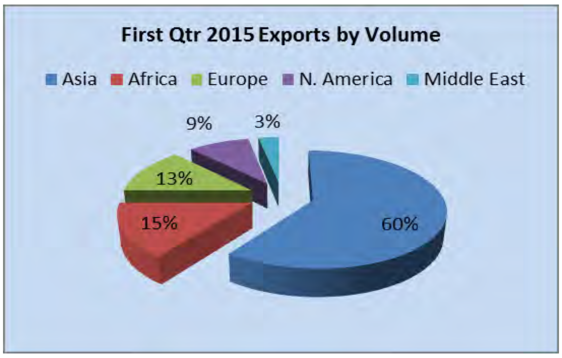


Data source: TIDD

According to the Timber Industry Development Board (TIDD) air dry sawnwood, billets and sliced veneer were the main drivers for increased revenues as all registered significant growth.

Air and kiln-dried sawnwood exported to international markets and neighbouring countries together accounted for 59% of total export volumes in the first quarter of the 2015.

Plywood accounted for 12% of the total export volume. Exports of sawnwood and plywood earned euro 32 million, around 74% of total revenues for the quarter.



Data source: TIDD

The export of wood products from Ghana to ECOWAS member countries in the first quarter totalled 10,876 cu.m compared to 14,212cu.m recorded for the same period in 2014.

Ghana soon to implement full scope of VPA

The Ghana Forestry Commission Ghana has advanced with preparations to implement a wood tracking system that will ensure only legally acquired timber is exported.

The system, when fully functioning, will enable Ghana issue the Forest Law Enforcement Governance and Trade (FLEGT) licenses under the Voluntary Partnership Agreement reached with the European Union.

Speaking at a recent workshop, Mr Chris Beeko, Director for the Timber Validation Department of the Forestry Commission, said a test run was carried out on the system involving key government agencies and selected companies.

Beeko said the next stage would be to operate all the modules of the system, close the gaps identified by external auditors in the legality assurance system and go to full implementation.

With the tracking system it is easy to collect data on trees that have been felled and those entering the mills via the electronic devices said Beeko. Currently most of the control processes are paper based making it extremely tough to ensure accuracy.

Boule Export prices

	Euro per m³
Black Ofram	313⬆
Black Ofram Kiln dry	395
Niangon	465⬇
Niangon Kiln dry	520

Export Rotary Veneer Prices

Rotary Veneer, FOB	€ per m³	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	325	415
Chenchen	330⬆	355
Ogea	450	400
Essa	325	375
Ofram	500	350

Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afrormosia	1.19	0.84
Asanfina	1.40	1.50⬆
Avodire	1.50	0.29
Chenchen	1.10	0 .80⬆
Mahogany	1.30	0.82
Makore	1.60	1.15
Odum	1.76	1.20

Export Sawnwood Prices

Ghana Sawnwood, FOB	€ per m³	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	860	925
Asanfina	492	564
Ceiba	240	272
Dahoma	410	495
Edinam (mixed redwood)	525	580
Emeri	450	520
African mahogany (Ivorensis)	630	950
Makore	700	790
Niangon	560	580
Odum	660	850
Sapele	642	800
Wawa 1C & Select	300	400

Export Plywood Prices

Plywood, FOB	€ per m³		
BB/CC	Ceiba	Ofram	Asanfina
4mm	482⬇	510	641
6mm	400	535	615
9mm	393	460	510
12mm	360	445	450
15mm	450	415⬆	374
18mm	333⬆	362⬆	370

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

Export Added Value Product Prices

Parquet flooring 1st grade	FOB € per sq.m		
	10x60mm	10x65-75mm	14x70mm
Apa	14.00	16.00	17.80⬇
Odum	10.26⬆	12.55⬆	11.70
Hyedua	14.00	14.93	18.45
Afrormosia	15.50	18.65	18.55

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

Report from Malaysia

Plantation C&I to be upgraded

The Malaysian Timber Certification Council (MTCC) has announced a working arrangement with PEFC to adjust to the new PEFC standard for forest plantations.

PEFC has granted an extension of their endorsement of the validity of the Malaysian C&I (Forest Plantations) until 31 December 2015. This is to allow for a smooth transition to the new C&I Forest Plantation.v2, which will come into force 1 January 2016 for the certification of forest plantation management.

See: www.mtcc.com.my/news-items/pefc-endorsement-of-mciforest-plantations-extended

MTCC hits out at certification assessment report

The Malaysian Timber Certification Council (MTCC) has dismissed a WWF Forest Certification Assessment Tool report (see WWF website) which, says MTCC, promotes just one certification scheme rather than promoting global sustainable forest management.

A press release from MTCC says "WWF proceeded to assess the MTCS and published the outcome of the study without any verification to support the assessment.

MTCC questions the integrity of this report which was intentionally designed to favour the FSC scheme and discriminate against other schemes, and hence has failed to guarantee no biasness in the assessment process." Following the publication of the assessment report by WWF, MTCC issued a press release on its position.

See: http://www.mtcc.com.my/wp-content/uploads/2015/06/MTCC-Press-Release-MTCC-View-on-CAT-29052015-V2-docx.pdf

FOB prices improved in first quarter

Sarawak log exporters report rising FOB prices in the face of firm demand. The domestic newspaper, The Star, has reported the earnings of a few listed timber companies.

Jaya Tiasa Holdings, part of the RH Group, reported that compared to the first quarter 2014 average logs selling prices rose by 8% while sales volume shot up by 12% in the first quarter of this year. The company harvested almost 172,000 cu m of logs some 16% down quarter on quarter.

Ta Ann Holdings Bhd, another major log exporter also reported higer average log prices and improved prices for plywood(+6%). In the first quarter, Ta Ann group produced just over 80,000 cu m of logs, significantly lower than the almost 110,000 in the first quarter last year.

WTK group"s log production in the first quarter fell to 85,535 cu m from 118.225 cu m last year and said the 28% drop was because of bad weather and the long holiday period for Chinese New year. However, the company reported a 20% increase in log sales in the first quarter due to higher domestic sales.

Sarawak plywood export prices

Sarawak plywood traders report the following FOB export prices.

Floor base (FB) 11.5mm, US$600
Concrete formboard (CP) 3‟x 6‟‟ US$ 560
Coated formboard (UCP) US$ 640
Standard plywood: 8.5 – 17.5mm
South Korea, US$ 455
Taiwan P.o.C, US$460
Hong Kong, US$ 465

Report from Indonesia

By 2025 half world's consumers a stone's throw from ASEAN

The coming into effect of the ASEAN Economic Community (AEC) at the end of 2015 is believed to be an opportunity for the Indonesian furniture industry because Indonesian furniture can readily penetrate ASEAN markets and increase market share in the region according to Indonesia‟s Minister of Industry, Saleh Husin.

He also said this new economic pact will present new opportunities for local companies as they will have access to the ASEAN consumer market of 620 million.

Currently the intra-ASEAN trade represents only about 25% of total exports but with almost all tariffs being abolished all ASEAN countries stand to benefit immediately and long into the future as it is forecast that by 2025, more than half of the world‟s consumers would live within a five to six hour flight from ASEAN.

According to the Asian Economic Journal the AEC could generate trade of between US$280 and US$615 billion by 2030, equivalent to 5- 12% of projected ASEAN GDP.

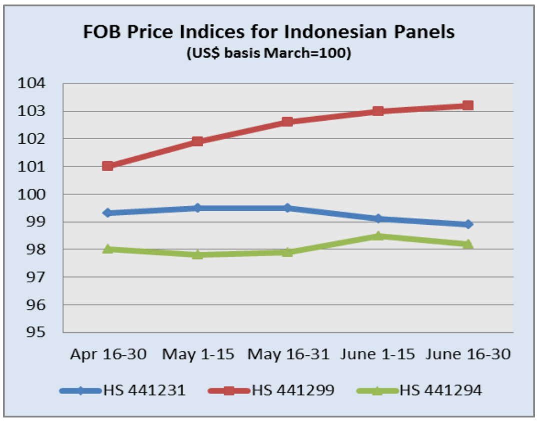
Eliminating use of fire for land clearing

As part of the fight against firms responsible for causing forest fires, the government plans to issue a regulation that would allow it to revoke land-cultivation permits. The Agrarian and Spatial Planning Ministry, the government institution authorised to issue such permits, said new regulations will be introduced immediately.

US grant to help battle climate change

The US government has will provide US$5 million to the Indonesian Climate Change Trust Fund to help efforts in mitigating drivers of climate change.

The local US Agency for International Development (USAID) mission has signed an agreement with the Climate Change Trust Fund.



Report from Myanmar

Association seeks support for wood industry exporters

The Myanmar press (Eleven Journal) has repeated a call from an executive of the Myanmar Timber Merchant Association (MTMA) to the effect that the government should provide similar support to wood prodouct manufacturers in the production and motion of value added items as is done in other ASEAN countries.

Myo Myint, an Executive Committee member of the MTMA suggested the government consider tax exemptions, subsidies and production incentives to the timber industry in the country to increase the sector‟s contribution to employment growth and GDP.

The timber industries in Myanmar are burdened with a 5% commercial tax and another 2% tax on exports. The Internal Revenue Department has announced that the combined rate of these taxes could rise to 25% in the future. MTMA has said if this is the case exporters will find it extremely difficult to remain competitive in international markets.

The MTMA has lodged an appeal with the Forest Authority and will also appeal to the Ministry of Finance and Revenue.

During the first two months of this financial year (2015-16) Myanmar exported products worth around US$33 million of which timber products accounted for just US$1.3 million.

More on timber smuggling in northern Myanmar

Reports are circulating in the domestic media that Forestry Department officers seized about 300 cubic tons of illegal timber in Shwegu township, Kachin State.

In addition, close to 175 c. tons of illegal timber was seized at registered sawmills and about 117 c. tons were seized from motor launches.

During the monsoon months from May to October, most of the timber smuggling is done by motor launches going upstream along the rivulets and creeks of the Ayeyarwady. Timber is discharged in places near the border and trucked into China. Transport costs are lower when boats are used.

It has been reported that between April and June this year more than 14,000 c. tons has been seized. Over 30,000 tons were seized in fiscal 2011-12; about 32,000 c. tons were confiscated in fiscal 2012-13; and the numbers grow: 45,465 c. tons in fiscal 2013-14 and more that 61,000 tons in fiscal 2014-15.

The largest single haul of seized timber was of 4,557 tons and the smugglers were apprehended and charged under immigration laws and also under Myanmar‟s Protection of Public Property Law No. 3 which carries a minimum 10 years in prison.

The following timber was sold by the Myanma Timber Enterprise by tender on 26 June 2015. Log volumes are expressed in hoppus tons (H.tons) and‟ conversions‟ sawn teak and hewn timber volumes are shown in cubic tons. Average prices are in US dollars.

Sawing Grade teak logs - Open Tender prices

Grade	H. tons	Av. US$/ton
SG-6	2	2540.0
SG-7	712	998.0

Hardwood logs ex-site Ta-nin-tha-yi Division, S. Myanmar

Logs	H.tons	Av. US$.ton	Area
Kanyin 1st Grade	1482	555.00	Myeik, Ta-nin-tha-yi Div.

Hardwood logs ex-site from various districts

Logs	Grade	H.tons	Av. US$/ton
Padauk	Fourth	3	2249.0
Padauk	Assorted	192	1871.0
Padauk	Domestic	256	1019.0
Pyinkado	First	406	781.0
Pyinkado	Second	662	647.0
Kanyin	First	391	666.0
Thin-ga-du	Second	57	320.0
Kaung-hmu	Second	89	342.0
Auk-chin-sa-ni	First	48	187.0
Auk-chin-sa-ni	Second	205	151.0

Note-
Thin-ga-du (Parashorea stellata)
Kaung-hmu (Anisoptera scaphula)
Auk-chin-sa-ni (Amoora wallichii)
Thinwin (Mellettia pendula)

Form-8 rough sawn (seized teak and hardwoods)

Logs	Grade	C.tons	Av. US$/ton
Teak	Market	61	1698.0
Tamalan Hewn	Market	357	2508.0
Padauk Hewn	Market	26	2065.0
Padauk Slab	Market	2	2375.0
Thinwin Hewn	Market	9	765.0
Auk-chin-sa-ni	First	36	153.0
Auk-chin-sa-ni	Second	135	117.0

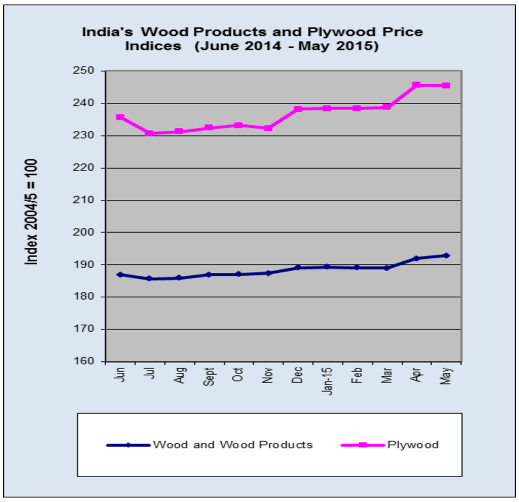
Report from India

Inflation rate trends down
The Office of the Economic Adviser (OEA) to the Indian government provides trends in the Wholesale Price Index (WPI).

The official Wholesale Price Index for All Commodities (Base: 2004-05 = 100) for May rose to 177.0 from 176.01 in April. The year on year annual rate of inflation, based on monthly WPI, stood at -2.36 (provisional) for May 2015 compared to -2.65 for April.

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

Timber and plywood price indices climb
The OEA also reports Wholesale Price Indices for a variety of wood products. The Wholesale Price Indices for Wood products and Plywood are shown below.



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

The May price index for wood and wood products rose almost 1 point while the May price index for plywood was unchanged.

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

Hardwood imports via Kandla Port

During fiscal 2014 (i.e. up to 31 March 2015) some 2,188,807 cu.m of hardwoods were imported through Kandla Port up slightly year on year.

Imports would have been higher if the housing market had recovered and if the rupee had not depreciated during the twelve month period.

Hardwood species imports

	cubic metres
Acacia	1120
Ash	7362
Beech	31398
Eucalyptus	1953
Gurjan	53930
Keruing	121225
Kapur	184854
Kempas	196842
Koompasia	23635
Tetra wood (unknown)	2777
Meranti	956970
Mersawa	22022
Mengerris	1378
Maple	1247
Nyato	2375
Oak	3713
Okoume	2117
Poplar	10989
Resak	53809
Selangan Batu	97,948
Teak	405579
Other hardwoods	5564
Total	2188807

Sources of the 405,579 cubic metres of imported plantation teak are shown below.

	cubic metres
Benin	35599
Brazil	14067
Colombia	5649
Congo	1152
Costa Rica	45985
Ivory Coast	21357
Ecuador	109042
El-Salvador	2111
Ghana	34952
Guatemala	2014
Guinea	2622
Myanmar	43306
Nigeria	1403
Panama	29526
Papua New Guinea	1050
Solomon Islands	12050
Sudan	22281
Surinam	1019
Tanzania	9817
Togo	5463
Uganda	2391
Other	2723
Total	405579

Auction of red sanders

The second International auction of 3,500 tonnes of Red Sanders by the state of Andhra Pradesh was held 17 to 20 June. Details are not yet available but prices are expected to be higher than during the last auction. At the past auction the highest price bid was Rs.15 million per tonne.

Encouraging plantations of sandal wood and agar

Investment in plantation teak began in the post-independence era in India and large areas of mixed forests were clear felled for planting teak.

Because the forest was cleared the stock of trees used for medicinal purposes as well as those for production of gums and resins dwindled. In addition, forest biodiversity suffered. These developments have been subject of debate in India and proposals have been made to address bio-diversity loss.

In addition to widespread forest clearing, illegal felling and smuggling of high value woods such as sandalwood (Santalum alba) red sanders (Pterocarpus santalinus) and Agar wood (Aquileria agalocha) decimated stocks of these timbers.

During the 1950‟s sandalwood sold by government departments was available at Rs.6 per kg but now the timber fetches over Rs.10,000 per kg. Similarly, good quality Agar wood (also known as Oud-al-Gharqui) is now so rare that a kilo can costs as much as Rs.50,000.

State governments where these valuable timbers once thrived have formulated policies encouraging their propagation. Some states have announced subsidies to encourage farmers to take up planting.

Village forest committees have been formed to revive and protect the resource and industries using these woods are entering into production and sales agreements with farmers and communities. Individually also people are anxiously going for their plantations, as they are lucrative. As past legal restrictions on plantations have been removed investments are flowing into plantation establishment.

Agar wood does well as a shade tree alongside tea, coffee, cardamom, areca nut and coconut plantations and is replacing other shade trees such as silky oak, and pongamia as agar yields a high value timber. Concurrently, with the establishment of sandal wood and Agar plantations a variety of medicinal plants are being raised commercially.

Prices for imported plantation teak, C&F Indian ports

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

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

Prices for domestically milled sawnwood from imported logs

Overall, supply and demand remains steady.

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

Price variations depend mainly on length and cross section

Current prices for Myanmar teak sawn in Indian mills

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

Price variations depend mainly on length and cross section

Imported sawnwood

Prices for imported sawnwood (KD 12%) shown below are per cu.ft ex-warehouse.

No significant price movements have been reported. AHEC continues to actively promote sales.

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

Demand is still weak and consumers are resisting every move by manufacturers to raise prices.

Prices for WBP Marine grade plywood from domestic mills

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

Domestic ex-warehouse prices for locally manufactured MR plywood

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

Report from Brazil

Entrepreneurs discuss competitiveness

The Brazilian Association for Mechanically-Processed Timber (ABIMCI) has been striving to increase wood products export. Recently ABIMCI gathered 84 entrepreneurs representing manufacturers, producers and traders to discuss market trends and opportunities and what government support could best improve the competitiveness of Brazilian timber companies.

According to ABIMCI, plywood exporters should further diversify their markets because, despite the recovery of the US housing market, Brazilian exports to the US face tough competition from US domestic plywood and from Chinese imports.

The US market accounts for around 45% of Brazil‟s sawnwood exports and currently the level of exports has been maintained. Encouragingly there has been a revival of interest in Brazilian sawnwood from some EU member states.

ABIMCI has approached the government and proposed a number of measures to promote the timber sector such as eliminating red-tape and adjusting tax structures to support investment and exports.

Timber exports contribute to Brazilian trade surplus

Because of a sharp increase in exports Brazil‟s trade surplus in May was US$2 billion, the best monthly export performance for the year. However, for the period January to May the country recorded a trade deficit of US$ 2.3 billion according to the Ministry of Development, Industry and Foreign Trade (MDIC).

The MDIC has pointed out that wood products were one of the main products exported in the first five months of the year with plywood exports doubling in May compared to May 2014. Sawnwood exports also increased 34% in May to US$40 million.

The combined value of plywood and sawnwood exports this year amounted to US$314 million a 54% increase compared to the same period in 2014.

The main driver of Brazilian wood product exports was demand from the construction and furniture industries in the US and stronger demand from companies with manufacturing facilities in Mexico. There was also stronger demand for Brazilian sawnwood in Asian and Latin American markets.

Mixed export performance in May

Pine sawnwood exports in May rose 51% in value in May 2015 compared to May 2014, from US$16.9 million to US$ 25.5 million (73,300 cu.m to 111,900 cu.m).

Tropical sawnwood exports also increased (+2.8%) in volume, from 28,400 cu.m in May 2014 to 29,200 cu.m in May 2015 (from US$14.6 million to US$14.8 million).

On the other hand pine plywood exports declined in May (-12.5% in value) with the volume of exports slipping from 109,000 cu.m to 99,100 cu.m, year on year.

In sharp contrast, tropical plywood exports increased from just 3,000 cu.m in May 2014 to 9,500 cu.m in May this year.

However, there was a fall in wooden furniture exports from US$41.4 million in May 2014 to US$ 38.7 million in May 2015, a 6.5% drop.

Furniture sector should recover its growth in 2016

The Furniture Industry Association of Rio Grande do Sul (MOVERGS) has said given the current economic situation in the country the domestic furniture market may only begin to recover in 2016.

Because of this companies must adjust production and marketing plans, reduce stock levels and cut costs if they want to maintain profit margins. From 2016, it is expected that the domestic market will respond to falling inflation, lower interest rates and a more stable currency.

MOVERGS is planning a conference in July to bring together furniture industry entrepreneurs to discuss market opportunities and investments in anticipation of improved domestic demand.

The association has said companies must be prepared for a market recovery through expanded training, process automation, product innovation and development of a strategic vision to cope with the new situation.

Economic overview

Brazil"s Consumer Price Index (IPCA) was 0.74% in May 2015, the highest since 2008 when it registered 0.79%. The accumulated IPCA reached 8.47% in the last twelve months to May, the highest index for 12 months since December 2003 when touched 9.3%.

The average exchange rate in May 2015 was BRL 3.06/US$, while in the same month of last year it was BRL 2.22/USS signaling the extent of the depreciation of the Brazilian currency against the US dollar during this period.

The Monetary Policy Committee (COPOM) of the Brazilian Central Bank (BCB) adjusted the Brazilian Selic rate for the sixth consecutive time increasing it by 0.5% to 13.75% per year. The latest round of interest rate increases while lowering inflation risks raise the risk of recession. Some analysts had expected the steady rate increases to tail off in June but now they expect further rate rises all the way to September.

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US$ per m^3
Ipé	768⬇
Jatoba	410⬇
Massaranduba	353⬇
Muiracatiara	380⬇
Angelim Vermelho	333⬇
Mixed red and white	208⬇
Eucalyptus (AD)	199⬇
Pine (AD)	144⬇
Pine (KD)	160

Domestic Log Prices

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	154⬇
Jatoba	88⬇
Massaranduba	92⬇
Miiracatiara	97
Angelim Vermelho	89
Mixed redwood and white woods	77⬇

Domestic Plywood Prices (excl. taxes)

Parica	US$ per m^3
4mm WBP	569⬇
10mm WBP	455⬇
15mm WBP	397⬇
4mm MR	517⬇
10mm MR	385⬇
15mm MR	365⬇

Domestic prices include taxes and may be subject to discounts.

Prices For Other Panel Products

Domestic ex-mill Prices	US$ per m^3
15mm MDParticleboard	249
15mm MDF	360-

Export Sawnwood Prices

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

Export Plywood Prices

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

Export Prices For Added Value Products

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

Report from Peru

Promoting investment in forest plantations

In order to promote forest plantation development and financing a delegation led by the National Forest and Wildlife Service (SERFOR) of the Ministry of Agriculture and Irrigation (MINAGRI), and the Inter-American Institute for Cooperation on Agriculture (IICA) visited the plantation forestry companies, Reforesta Peru and Amazon Reforestadora located in Ucayali and Huanuco.

The purpose of the visit was to assess investment opportunities in the plantation sector, the application of technology for increased performance and domestic and international market opportunities. The other issue addressed was how best to structure financial mechanisms in support of investment in plantations.

SERFOR Executive Director, Fabiola Muñoz, said that Peru needs to address the 15 million cubic metre domestic deficit in wood products and that plantations are the way forward as they are an opportunity for profitable investment and jobs will be created .

He further said government regulations need to be streamlined and funding mechanisms identified. Taking part in the visits were representatives from Agrobanco Development Finance Corporation (Cofide), Banco de Credito del Peru, the Inter Finance (BanBif) and the Continental Bank (BBVA).

Combating illegal logging in border areas

The National Police of Peru and the Brazilian Federal Police have conducted a series of joint operations to combat illegal logging and other environmental crimes on the border between the two countries.

Home improvement chain expands

Domestic sales of wood products will get a boost as Promart, a home improvement retailer in Peru, opens new stores. Promart currently offers a wide range of domestic and imported wood products and is set to open seven new stores across the country this year including one in the Ate

Lima district. A decision has been taken to open a store in Pisco but the locations for other stores have not been revealed.

Promart began operations in 2011 and currently has stores in Lima, Trujillo, Sullana, Piura, Cajamarca, Chiclayo, Huancayo, Huanuco, Pucallpa, Juliaca and Cuzco. The long term plan for the company is to have 30 stores in the country by 2018.

Export Sawnwood Prices

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

Peru Sawnwood, FOB Callao Port (cont.)	US$ per m^3
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	457-532
Grade 2, Mexican market	388-423
Cumaru 4" thick, 6'-11' length KD	
Central American market	841-865
Asian market	871-916
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	509-549
Dominican Republic	623-653
Marupa (simarouba) 1", 6-11 length Asian market	456-506

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

Domestic Sawnwood Prices

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

Export Veneer Prices

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

Export Plywood Prices

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

Domestic Plywood Prices (excl. taxes)

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

Domestic Prices for Other Panel Products

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

Export Prices for Added Value Products

Peru, FOB strips for parquet		US$ per m^3
Cabreuva/estoraque KD12% S4S, Asian market		1296-138
Cumaru KD, S4S	Swedish market	950-1094
	Asian market	1139-1162
Cumaru decking, AD, S4S E4S,	US market	1274-1339
Pumaquiro KD Gr. 1, C&B,	Mexican market	479-554
Quinilla KD, S4S 2x10x62cm,	Asian market	493-519
2x13x75cm,	Asian market	732-815

Report from Guyana

Shingles – A unique product from Guyana

Eperua falcata (wallaba) is one of the most abundant naturally found commercial species growing on the white sands of Guyana and has been used locally for centuries as it is highly durable.

Wallaba is highly resistance to termites and is dimensionally stable which makes this timber a favourite for a wide array of applications including heavy construction, railroad cross ties, poles and posts, industrial flooring, staves and most importantly, roofing and siding and shingles.

Wood shingles are thin, tapered pieces of wood used as roof and wall tiles. One of the main benefits from using wood shingles is their relatively low weight compared to other roofing materials.

This timber species has made a significant impact in the Caribbean market since it aesthetically pleasing and is suitable for tough weather conditions.

Export prices

Logs, FOB Georgetown	US$ price per m^3		
	Std	Fair	Small
Greenheart	-	-	-
Purpleheart	250	220	200
Mora	-	-	-

Export Sawnwood Prices

Sawnwood, FOB Georgetown		US$ price. per m^3	
EU and US markets		Undressed	Dressed
Greenheart	Prime	-	-
	Standard	-	806-1145
	Select	800-1018	-
	Sound	-	-
	Merchantable	-	-
Purpleheart	Prime	-	-
	Standard	-	721-1166
	Select	1000	-
	Sound	-	-
	Merchantable	-	-
		-	
Mora	Prime	-	-
	Select	500	-
	Sound	500	-
	Merchantable	-	-

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

Export plywood prices

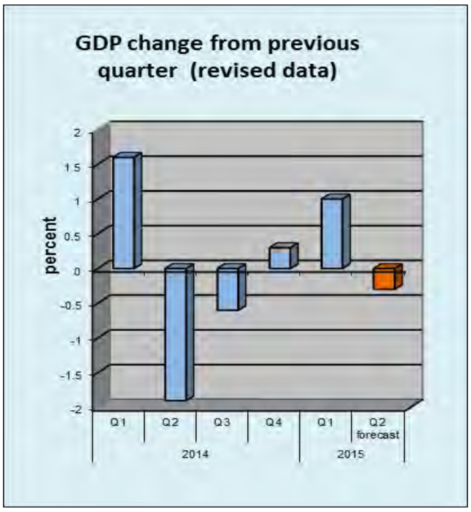
Plywood, FOB Georgetown Port			US$ Avg unit val. per m³
Baromalli	BB/CC	5.5mm	No export
		12mm	360-584
	Utility	5.5mm	No export
		12mm	No export

Report from Japan

Falling energy prices undermine BoJ's efforts to beat deflation
The abrupt decline in oil prices is weighing heavily on efforts by the Bank of Japan (BoJ) to stimulate the economy.

The rate of inflation was almost zero in May despite the huge amount of cash being circulated through the BoJs stimulus measures. In addition job creation has remained flat but the good news is that, for the first time in more than twelve months, household spending picked up in May.

The most recent economic data is showing that domestic demand, investment and manufacturing output are wakening and this is leading analysts to fear second quarter growth may be negative.

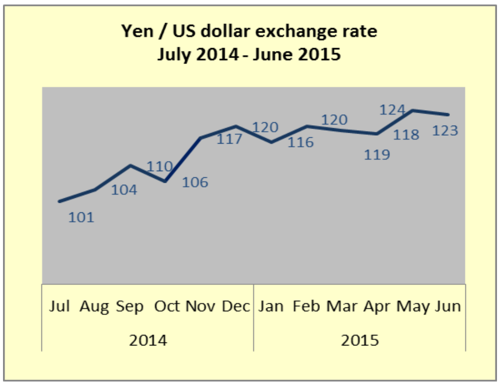


Data source: Cabinet Office, Japan and independent analysts

Yen set to weaken further when US rates rise
The yen has dipped to unprecedented lows recently and this, while a boon for exporters, comes with serious risks.

A Japanese business association has pointed out that any further decline in the yen exchange rate would drive up production costs and thus impact the profitability of exporters. The same business group also warned further weakness in the exchange rate would undermine the viability of small companies which are already suffering as many of their raw materials are imported.

The yen exchange rate against the dollar has been falling since 2013 when the BoJ started its stimulus measures and more weakness is likely in the coming months as the U.S. Federal Reserve has signaled US interest rates will rise this year which will increase the appeal of dollar-denominated assets.



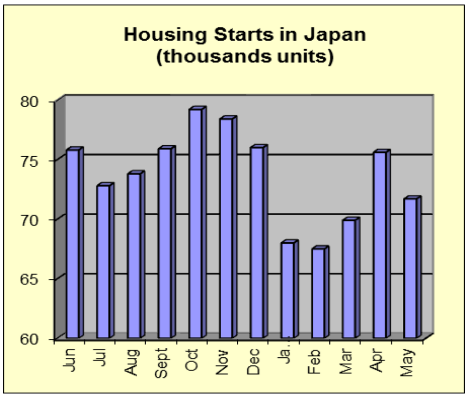
Expansion of public housing to solve evacuee problem
The prefectural government in Fukushima has been providing free housing to families who had to evacuate after the nuclear disaster but this support is set to end. Initially the free home deal was scheduled to end in March 2016 but this has been extended for a year.

When the programme ends the prefectural government will be offering financial assistance moving and will offer rent subsidies for low-income households.

For those whose homes were destroyed by the earthquake or tsunami individual arrangements with evacuees are planned and much depends on the progress made in constructing public housing.

Japan's May housing starts were down on levels in April but year on year were up almost 6% according to data from the Ministry of Land, Infrastructure, Transport and Tourism.

The May decline brings forecasts for the year down to 912,000 units, analysts had expected annualized rates to rise in May.The Land Ministry also reported that orders placed with the top house builders in May fell year on year, the second monthly fall in orders.

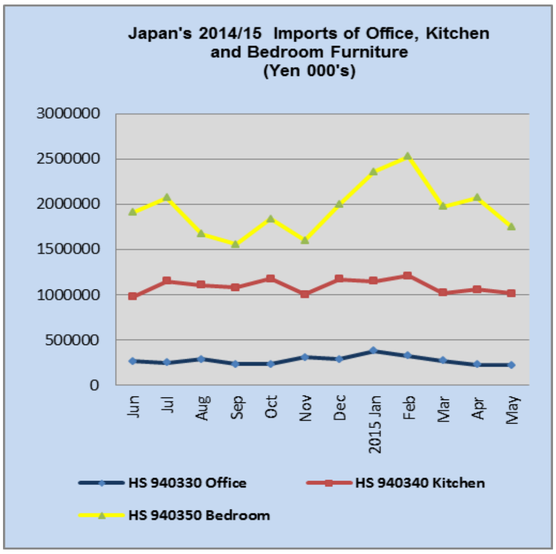


Data source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

Japan's furniture imports
From the graph below it can be seen that there has bees a major correction in bedroom furniture imports. At the end of last year imports climbed during the final three months and this momentum continued into January 2015 but

between February and May there has been a steady decline in the value of bedroom furniture.

However, the average value of imports for the first five months of 2014 is almost the same as the average in the same period this year. The steep decline in 2015 imports corresponds to the period when the yen/dollar ecchange rate was plummeting.



Data source: Ministry of Finance, Japan

Office furniture imports (HS 940330)

The top suppliers office furniture remain China, Portugal, Poland accounting for 76% of all office furniture imports in May.

The total value of May imports was almost the same as that for April but May 2015 year on year imports were down 29%. But for the first five months the decline in May 2105 imports was just 7%.

Office furniture imports

	Imports,May 2015 Unit 1,000 Yen
S. Korea	-
China	85782
Taiwan P.o.C	15979
Vietnam	1253
Thailand	277
Malaysia	2032
Indonesia	1581
India	515
Lebanon	-
Sweden	-
Denmark	4065
UK	-
Netherlands	935
France	-
Germany	413
Switzerland	-
Portugal	43382
Italy	14252
Poland	42370
Austria	-
Hungary	257
Turkey	-
Lithuania	4691
Czech Rep.	1052
Slovakia	1899
Canada	-
USA	4647
Total	225382

Data source: Ministry of Finance, Japan

Kitchen furniture imports (HS 940340)

Amongst the top three suppliers of kitchen furniture in May there were winners and losers. Vietnam is the number one supplier but there was a 40% decline in Japan‟s imports from Vietnam in May compared to April.

Japan‟s imports from China also fell in May (-13%) but Philippine exporters saw the value of kitchen furniture exports to Japan rise. May kitchen furniture imports were 4% down on the previous month and were down 6% year on year.

Kitchen furniture imports

	Imports, Apr. 2015 Unit 1,000 Yen
China	142821
Taiwan P.o.C	498
Vietnam	412397
Thailand	6181
Malaysia	698
Philippines	240686
Indonesia	131643
India	8134
Sweden	-
Denmark	282
UK	276
France	1276
Germany	28936
Italy	7364
Poland	481
Austria	3886
Romania	8445
Canada	3766
USA	14704
Total	1012474

Data source: Ministry of Finance, Japan

Bedroom furniture imports (HS 940350)

Each of the top three suppliers of bedroom furniture to Japan posted losses in May. China is the top supplier but May imports were down marginally on April on the other hand Vietnam and Thailand, the other top suppliers posted losses of 38% and 34% respectively.

Despite the sharp downturn in the value of bedroom furniture imports in May, the average value of imports in the first five months of 2015 is about the same as in the first five months in 2014.

Other losers in May were Malaysia, Indonesia and Philippines but both Italy and Romania saw a rise in exports of bedroom furniture to Japan.

Bedroom furniture imports

	Imports, Apr. 2015 Unit 1,000 Yen
S. Korea	-
China	1120627
Taiwan P.o.C	32835
Vietnam	352005
Thailand	48673
Malaysia	33993
Philippines	-
Indonesia	26320
Sweden	-
Denmark	5104
UK	-
Belgium	-
France	1002
Germany	210
Switzerland	-
Spain	-
Italy	14436
Poland	37085
Austria	322
Romania	30930
Latvia	1253
Lithuania	-
Croatia	23348
Bosnia Herzegovina	207
Slovakia	1351
Canada	-
USA	17272
Total	1746973

Data source: Ministry of Finance, Japan

Trade news from the Japan Lumber Reports (JLR)

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

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

Forestry white paper – focus on utilisation of domestic resources

White paper is the report that the government makes up to explain present situation and future prospect of certain industry. It describes issues and solution of the industry.

Forestry and Forest white paper is officially approved. The main theme this year is wood industry since the industry to process and distribute is vital and essential to promote cyclical utilisation of forest resources.

After it sorted historical trend of main areas of the industry by past period and categories such as lumber, plywood woodchip, wholesale and trading firm in the industry. It shows how each acted in different stages of the society.

History shows that there were different stages like wood demand expansion period after the war until about 1973, stagnant period from about 1973 to 1996 then declining period after 1996.

Degree of self-sufficiency of wood largely dropped during these periods then domestic trees planted after the war are now matured for harvest and new development is possible. In this situation, main task to the future is creation of new demand of wood.

Recently large domestic wood sawmills, which consume more than 30,000 cubic meters of logs a year, were built or under construction in 18 different locations since 2010, which should satisfy consumers" demand of stable supply of lumber.

At the same time, on demand side, wood use is being promoted by the law to use wood for public buildings, which is new wood demand for non-residential buildings then there is increasing demand of wood for mushrooming biomass power generation facilities.

Also export of domestic logs and lumber has been increasing. However, system to satisfy demand for efficient and steady supply and for quality and performance of the product has not been established yet.

On log production, intensification of operations, reduction of cost of afforestation and rearing of nursing trees, introduction of modern machines, preparation and maintenance of forest road system to build up low cost and efficient operations.

Japan to promote wood use for Olympic venues

Liberal Democratic Party"s joint committees heard various reports from related Ministries such as the Forestry Agency and organizations for preparations of wood use for the Olympic Game"s facilities.

LDP considers the Olympic Games is the best opportunity to appeal Japanese wood culture and traditional techniques of utilisation of wood to the world.

It decides to appeal actively to the government and Tokyo metropolitan government for building symbolic wooden buildings and development of new wood products.

Wood Use Promotion Committee for year 2020, organized by the industry groups strongly requests use of wood for the Games and the Forestry Agency appeals use of wood contributes revitalization of local villages by activating forest harvest, prevention of global warming trend and environment in forming sustainable society.

Then it also mentioned to recommend use of new materials like CLT and fire proof laminated lumber. In construction process, use of domestic product of softwood concrete forming panel is promoted.

According to the Tokyo city government, it is considering the use wood for athlete"s quarters and other temporary facilities, Olympic Eco-Village, shops and recreational facilities. For the New National Sports Stadium, wood use is expected for interior of main guest rooms and stadium chairs and interior decoration.

Plywood

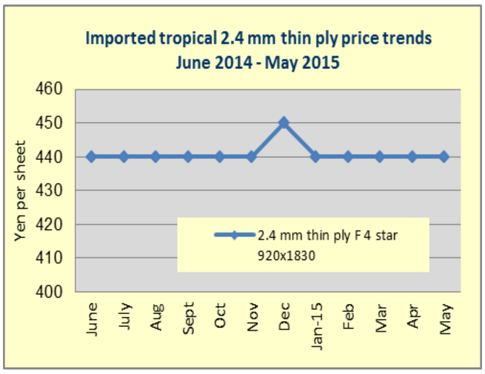
Market of domestic softwood plywood is weak. The monthly shipments have been over 210,000 cbms since last January except for February when the shipment dropped down to 178,500 cbms. Therefore, average monthly shipment for the first four months is 205,000 cbms. Meantime, the monthly production has been over 210,000 cbms for four straight months.

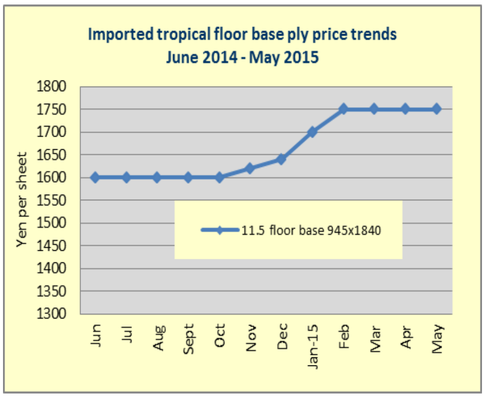
March production was over 220,000 cbms. Consequently, the inventories continue climbing to 256 M cbms at the end of April. With increasing inventories, the market remains weak.

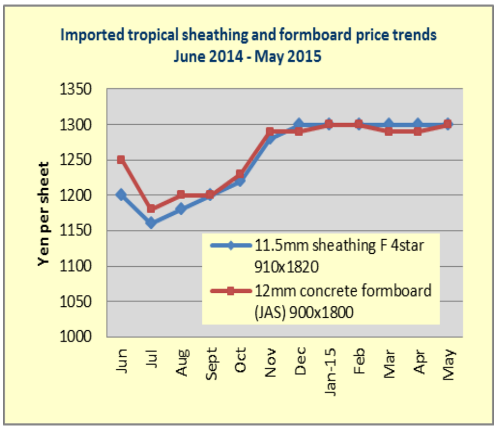
In late March, the manufacturers announced the higher prices so the market momentarily reacted and bounced back up then the momentum faded and the prices have been softening little by little in April and May. In late May, the price dropped down to 700 yen per sheet delivered and downward pressure continues in June. Imported plywood market, on the contrary, is very firm because of decreasing arrivals.

Import curtailment has been continuing due to depressed market in Japan. In particular, Malaysian supply declined for four consecutive months. Orders to the supplying mills have declined because of weak yen, dull demand and higher export prices as a result of log supply shortage in Malaysia.

Indonesian plywood suppliers reduced export prices by declining orders so the Japanese buyers shifted to Indonesia to buy standard plywood and floor base when Malaysian supply is declining and the prices are high. Result is four months decline of Malaysian supply and three months increase of Indonesian supply.







Largest LVL plant completed

Three companies, Iida group holdings, First Plywood and Kawai Ringyo built the largest LVL manufacturing plant in Japan, which completed in late March in Aomori prefecture.

This is named the First Plywood and the plant is test running now. Monthly production is about 75,000 cbms with log consumption of about 140,000 cbms. Total investment is 8.4 billion yen.

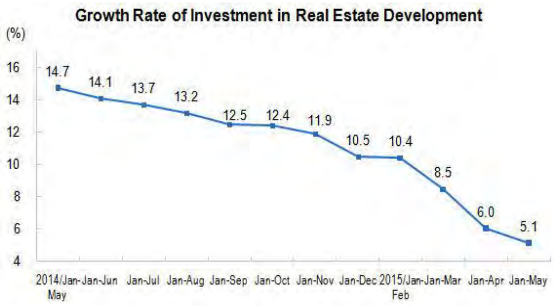
Aomori prefecture has the fourth largest forest in Japan, which trees were planted after the war and they are matured for harvest now but there was no large log consuming plant of more than 50,000 cbms a year in the prefecture so that more than half of harvested logs have been sold outside the prefecture and it has been earnest wish to have large log consuming plant in the prefecture.

Total production of LVL in Japan is about 70,000 cbms so with this new plant, the total volume will be more than double.

Report from China

Real estate developers hold off on land purchases
Investment in real estate development in the first five months of 2015 increased 5.1% of which investment in residential buildings was up by 2.9%, but this is lower than the previous month. However, there was a sharp drop (-30%) in the value of land purchased by real estate developers

See
http://www.stats.gov.cn/english/PressRelease/201506/t20150612_1158169.html



Source: National Bureau of Statistics, China

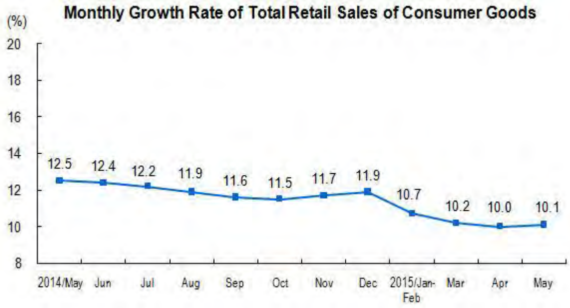
In related news, average new home prices in China's 70 major cities fell for the ninth consecutive month in May from a year earlier according to data released by the National Bureau of Statistics. Their report says compared to April, average prices in 43 major cities fell in just 20 there were modest increases and in another 7 major cities average prices did not change .

The highest month-on-month increase was 6.6% (Shenzen) and the lowest was down by 0.6 percent. Beijing and Shanghai's new home prices both fell. The weak property market is seen as one of the risks for the Chines economy. In contrast to the declines in prices for new home, prices for second had homes improved in just over half of the 70 cities included in the survey.

See:
http://www.stats.gov.cn/english/PressRelease/201506/t20150619_1181132.html

While trends in house prices are a useful indicator of the economy the number of home owners in China compared to the population is small and as such house price trends should be only one indicator considered to judge economic trends. Retail sales data from the National Bureau of Statistics are more broadly based.

In May 2015 retail sales of consumer goods reached expanded 10.1% and between January and May this year retail sales of consumer goods grew by 10.4% year-on-year. In the same period furniture sales increased 16%



Source: National Bureau of Statistics, China

Tough domestic standards for wooden furniture
The air pollutant emission standard for the wooden furniture manufacturing industry (DB11/1202-2015) has been released. This has been hailed as Beijing"s strictest environment standard for wooden furniture. The new standard will be come into effect 1 July 2015.

The new standard not only widens the restrictions applied it also has detailed provisions on coatings, production environment, production technology used in furniture manufacturing.

In the new standard, pollutant limits are 30 times lower than in the old standard. For example, the maximum allowable emission concentration of Benzene is 17 mg/m3 in the old standard, however, it is 0.5 mg/m3 in the new standard.

One of the main purposes to formulating the new emission standard is to eliminate oil based coatings. Water based coatings paint are considered more environmentally friendly.

However, less than 15% of the furniture production companies in China use water based coatings as oil based materials are esier and cheaper to apply.

New processing and trading base for imported timber
It has been reported that Zhuanghe City will create an integrated complex for furniture manufacturing and port facilties will be further developed to specialise in handling imported timber.

ZhuanghePport is national level port in the northeast region of China. In order to meet the requirements of the local industries, 13 ports have specialised wharfs which can handle up to 5 million cubic metres of timber annually. This development is part of China"s national "One Belt, One Road" logistic strategy.

To attract enterprises to take advantage of the port a 4 square kilometer wood industry park has been planned. Analysts anticipate Zhuanghe will become one of the largest imported timber distribution centres in Northern China.

No interest in local standard on formaldehyde free plywood

It has been reported that no plywood manufacturer is producing to the domestic standard for formaldehyde free plywood (DB34/T2081-2014) which came into effect in the first half of 2015.

According to a recent survey the main reason for this is that the production of formaldehyde free plywood requires additional investments in equipment. Clearly there are major obstacles to get the new standard adopted by industry.

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 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
Pau 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 *

Furniture production growing primarily in Asia

World production of furniture has grown constantly over the last five years. The CSIL Word Furniture Outlook currently estimates its worth at about US$480 billion, up from US$437 billion in 2013. Production in Europe and North America stagnated between 2009 and 2014.

High-income countries accounted for 39% of production in 2014 and middle and low-income countries for 61%. The share of middle and low-income countries in world production first exceeded 50% in 2010 and has risen steadily since.

A closer look at the different regions reveals variations among the low and middle-income countries. CSIL observed that production in South America, the Middle East and Africa was static between 2009 and 2014. The only region to show growth in the reporting period was Asia and Pacific. Production there almost doubled over the last five years.

According to CSIL, the world‟s five largest furniture producing countries in 2014 were China, the USA, Germany, Italy, and India. Production in China more than doubled between 2009 and 2014. Over half of world furniture production was in China last year. Meanwhile, production in the US and India is increasing slowly while production is stagnant in Germany and gradually declining in Italy.

World furniture trade has also grown steadily since the low of US$94 billion in 2009 during the financial crises.

CSIL estimates that the trade volume reached US$134 billion in 2014, an 8% increase compared to US$124 billion in 2013.

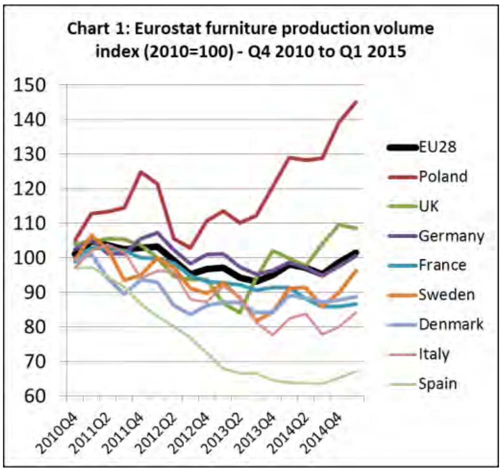
CSIL expects further growth to US$141 billion in 2015. This estimate is based on assumed world GDP growth of 3.5% in 2015, with forecast growth of 2.4% in advanced economies and 4.3% in emerging and developing economies.

Only half of world furniture trade takes place between countries in geographically distant regions, according to a study published by the EU Commission at the end of 2014.

The most important of these flows are from the middle and low-income countries of Asia to the United States and Europe. In the European Union plus Norway, Switzerland and Iceland about 75% of foreign furniture trade takes place among the same countries. In the NAFTA area (USA, Canada and Mexico), about 28% of foreign furniture trade is among the three countries. In the Asia and Pacific region about 38% of total foreign furniture trade is within the region.

Upward trend in EU furniture production continues

Eurostat data shows that furniture production in the EU is slowly recovering from the period of weakness in 2012 and 2013. The production volume index was around 1.6% above the 2010 reference level in the first quarter of 2015, the first time it has exceeded this level since early 2012 (Chart 1).



Europe‟s three largest furniture producing countries – Italy, Germany, and Poland - all raised their output in 2014 and early 2015. Furniture production in Poland increased particularly sharply last year and in the first quarter of 2015.

In the first quarter of 2015, Polish production was 45% higher than the 2010 reference level. The furniture edition of the German trade newsletter EUWID reports that Polish producers exported 78% of their output in 2014. And around 80% of the exports went to other EU countries, with Germany being the most important recipient, followed by France, the Czech Republic, Belgium and the UK.

The trend in German furniture production has been very much in line with the overall EU trend over the last four years. German production has been rising slowly since the end of 2013. The German furniture industry remains under pressure from cheaper products, especially from Poland and China, both on the domestic market and abroad.

However, to some extent German furniture producers are benefiting from robust domestic construction sector and relatively strong German consumer confidence as well as recovery in several European export markets.

The kitchen furniture industry, for example, has seen a positive trend in 2014 and early 2015, both on the domestic and in various European markets. According to the German furniture industry federation VDM, there is an on-going trend towards higher-quality and priced kitchen furniture in Germany.

Moreover, the export markets in the Benelux region, in particular, rebounded last year. The positive trend for German kitchen furniture producers has continued in the first two months of 2015, according to EUWID, with an increase in turnover of around 1.3%. Turnover in the German upholstery furniture sector was stable in the first two months of this year.

Italian furniture production dipped in mid-2014 but picked up speed again in the last quarter of 2014 and first quarter of 2015. EUWID reports that Italian furniture producers booked good increases in export sales towards the end of 2014, especially in non-European countries such as the USA, China, Saudi Arabia and the United Arab Emirates.

On the domestic market Italian furniture producers profited from tax advantages for building renovations, which include an extra bonus for furniture, according to FederlegnoArredo.

EU wood furniture trade analysis

The remainder of this report contains a review of the most recently available EU wood furniture trade data to end March 2015. Seasonal fluctuations are a major feature of the EU furniture trade. EU wood furniture exports are almost exclusively interior products, mainly destined for other western countries, which tend to rise sharply at the end of the year in the run-up to the Christmas holiday season.

In contrast, EU imports of wood furniture tend to be higher in the opening months of the year. This is partly because they contain a high proportion of exterior products mainly imported from Asian countries in the spring months. In addition, a relatively large proportion of the Asian furniture imported into the EU is bought during the January sales season.

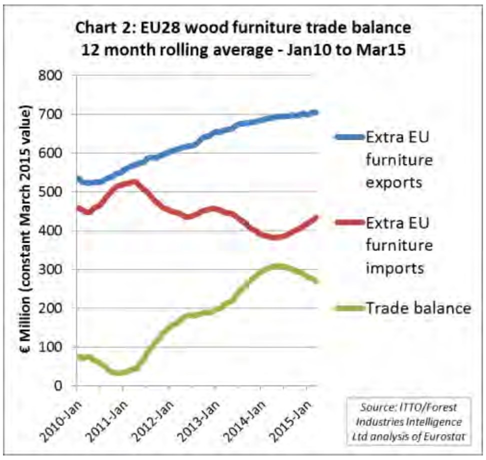
Against this background, the following analysis of EU furniture trade uses “12 month rolling average” data. This is calculated for every month by averaging the monthly imports or exports for the previous twelve months.

The data irons out seasonal variations so that potentially significant long-term changes can be more easily identified.

Fall in EU wood furniture trade surplus
Chart 2 illustrates the trend in EU trade balance of wood furniture using 12 month rolling average data between January 2010 and March 2015. It shows a steady rise in EU wood furniture exports over the last four years, although the rate of growth has flattened somewhat in recent months.

On the other hand, EU wood furniture imports, which had declined since 2011 – except for a brief interruption in 2012 – have rebounded in late 2014 and throughout the first quarter of 2015.

This is partly due to an increase in wood furniture deliveries from China, which had plummeted in 2013 and recovered again in recent months. Vietnam has also delivered more wood furniture to Europe again in the first months of 2015.



The shift in trade balance is partly due to improved consumption in individual EU markets, especially in Germany and the UK, where the construction sector has been comparatively strong in 2014 and early 2015.

Impact of EUTR
The recent downturn and subsequent recovery in deliveries from China and Vietnam may be partly attributable to the EU Timber Regulation (EUTR). The sharp fall occurred at around the time the EUTR came into force in March 2013 and may have been partly due to concerns about the reliability of evidence provided by Chinese and Vietnamese suppliers to demonstrate negligible risk of illegal timber origin.

Now the EUTR has been in effect for two years, more buyers may have established reliable supply chains and documentation and feel more confident about importing wood furniture from outside the EU.There is some evidence for the impact of EUTR from interviews with large European retailers.

A recent trade article based on interviews with representatives of European furniture manufacturer and retailer IKEA, flooring manufacturer Kahrs, and DIY retailer B&Q observes:

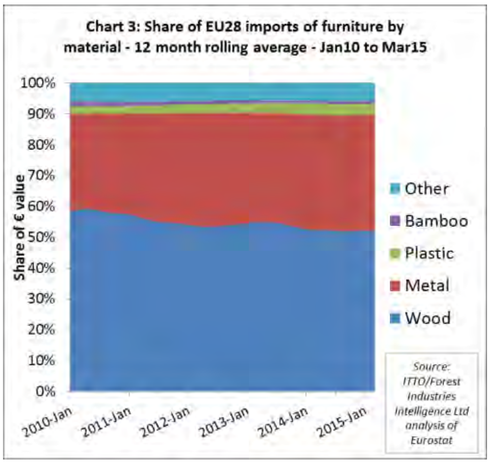
"EUTR did not require major revision of their anti-illegal timber strategies. Illegality risk assessment and due diligence were already integrated into their operations, and they are also all working towards 100% certified sustainable sourcing. What the EUTR did do, however, was prompt renewed scrutiny and reappraisal of existing systems and a step up in communication on illegality risk".

The interviewees noted that EUTR prompted an extensive effort to tighten and extend existing procedures, gather additional data from suppliers and to train staff but did not generally lead to any significant change in the supply base.

The interviewees said that they had to temporarily stop sourcing from some companies when documentation was inadequate. However problems were almost always resolved so that trading could resume.

Another line of evidence for the impact of EUTR is provided by analysis of the share wood in total furniture imports (Chart 3). Wood‟s share of total furniture import value fell in the second half of 2013 when EUTR was first implemented, from around 55% to 53%.

This loss of share was at the expense of metals and, to a lesser extent, plastic. However, wood‟s share of import value stabilised in 2014 and 2015. In the 12 months to March 2015, wood still accounted for 53% of furniture import value, compared to 38% for metals, 3.5% for plastic, 1% for bamboo and 5.5% for other materials.



Euro-dollar exchange rate influencing trade balance
An important factor in the recent euro-based increase in EU wood furniture imports is the dramatic loss in value of the euro against the US dollar over the last twelve months. This has led to exchange-rate related price inflation.

The euro lost around 16% of value against the US dollar between June 2014 and June 2015. Early this year the euro hit a historic low, triggered by the renewed financial troubles in Greece and the Swiss government decoupling the franc from the euro in December 2014.

Turnaround in imports from Asia

Chart 4, which shows the trend in EU imports of wood furniture by supply country using 12 month rolling average data, reveals that the lasting downhill trend in imports has turned around at the end of 2014.

This positive trend continued through the first quarter of 2015. In the first quarter of this year, Chinese wood furniture deliveries to the EU rose by 12.4% and China alone accounted for 55% of total imports. In the first quarter of last year, China‟s share stood at 54%.

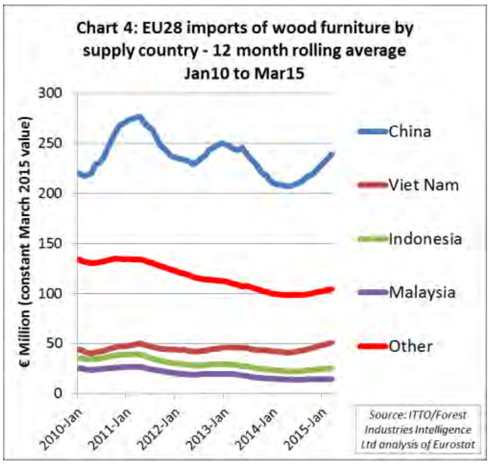


Chart 4: EU28 imports of wood furniture by supply country - 12 month rolling average Jan10 to Mar15

Vietnam and Indonesia also regained some of the ground lost between 2011 and 2014, while deliveries from Malaysia were stagnating. Vietnam‟s share in total imports rose from 11% to 12 % between the first quarter of 2014 and the first quarter of this year. Indonesia‟s share was stable at 6% while Malaysia‟s slipped from 4% to 3%.

Chart 5 shows the trend in all imports of wood furniture (from both within and outside the EU) by EU member state using 12 month rolling average data. It indicates that the overall downhill trend that persisted during most of the period from 2011 to 2014 has turned around in various member states.

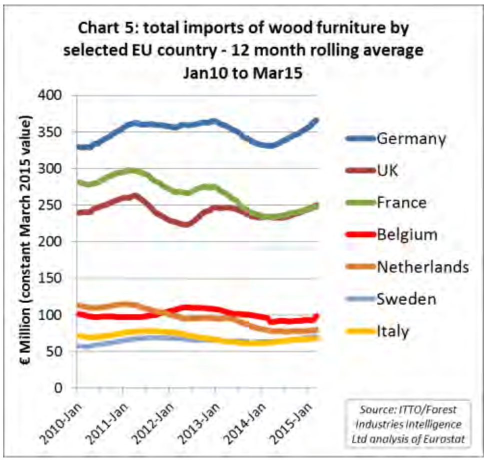


Chart 5: total imports of wood furniture by selected EU country - 12 month rolling average Jan10 to Mar15

The important German market went through a period of weakness from the end of 2012 to the beginning of 2014. However, German wood furniture imports have picked up significantly in recent months and early 2015 volumes exceed the previous peak in early 2012.

UK furniture imports have been relatively stable overall in the last four years and were showing signs of strengthening in the first quarter of 2015. Imports into France, much affected by the financial crisis in recent years, are also showing signs of recovery.

Among the smaller importing countries, the slow but steady stabilisation in Italy has continued through the first few months of 2015 and Sweden and Belgium are also recovering slowly. However imports into the Netherlands remain at a very low level.

Analysis of EU member states‟ imports of Chinese wood furniture reveals strong recovery across a wide range of markets since mid-2014 (Chart 6).

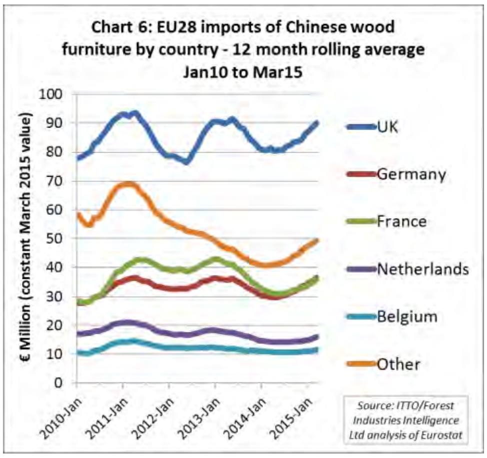


Chart 6: EU28 imports of Chinese wood furniture by country - 12 month rolling average Jan10 to Mar15

Lower EU furniture exports to CIS region

Chart 7 shows the trend between January 2010 and March 2015 in EU exports of wood furniture to non-EU countries by destination region using 12 month rolling average data.

This reveals that the slow-down noted in growth of EU exports to Russia and Eastern Europe from the second half of 2013 has since turned into decline.

This reflects political tensions between the EU and Russia in connection with the crisis in the Ukraine as well as economic difficulties in Russia, which have been aggravated by the political crisis.

According to an article in the German magazine Spiegel, the World Bank expects Russian GDP to shrink by 2.7% this year. This in turn is expected to have a significant impact on Russian imports of consumer products from the EU and Switzerland during the rest of 2015.

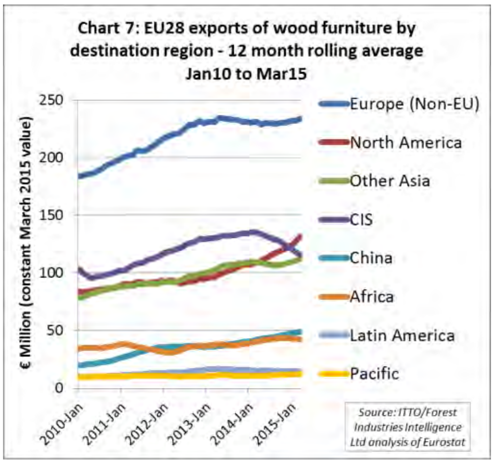


Chart 7: EU28 exports of wood furniture by destination region - 12 month rolling average Jan10 to Mar15

EU wood furniture exports to European countries outside the EU were stable over the last twelve months. The same is true for deliveries to Latin America, the Pacific region and Africa. On the other hand, exports to North America continued to rise sharply and deliveries to China and other Asian countries are also increasing.

Poland closing gap on Italy the EU's top wooden furniture exporter

Chart 8 shows the trend in exports of wood furniture (both within and outside the EU) by the EU‟s three largest furniture producing countries in the period to end March 2015. Exports from Poland and Italy have performed more strongly than those from Germany in recent years.

Italy is still by far the largest European exporter of wood furniture but Poland has been closing the gap in the last two years. In late 2014 Poland overtook Germany to become Europe‟s second largest exporter of wood furniture. However German exports have been rising since the start of 2014 after a sharp downturn in 2012 and 2013.

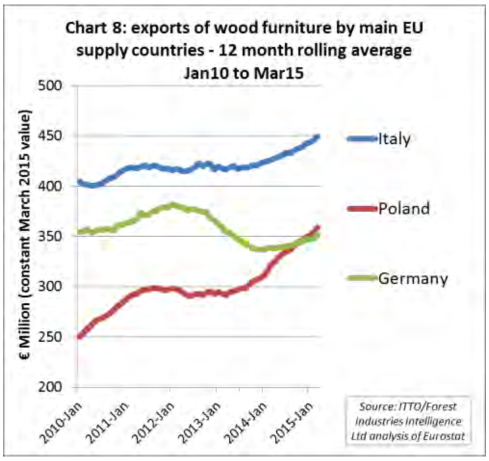


Chart 8: exports of wood furniture by main EU supply countries - 12 month rolling average Jan10 to Mar15

Besides competitive pressure, the comparatively weak performance of German exporters over the last few years could also be due to the relatively strong domestic market in Germany. Against this background, German producers were under less pressure than Italian furniture manufacturers, for example, to find new export opportunities.

Exports by other EU wood furniture exporting countries showed mixed trends (Chart 9). The sharp downward turn in French exports registered since 2010 levelled off in 2014 and exports have since stabilised at a relatively low level. Exports from Denmark show a slow but steady upturn since 2013 and the country is now the fourth largest exporter of wood furniture in the EU.

Sweden has fallen back to sixth place following a steep decline in trade in 2013 and 2014. However Swedish exports are now showing signs of stabilisation. The gradual increase in wood furniture exports by Portugal and Spain since 2012 and 2013, respectively, has continued through 2014 and into 2015.

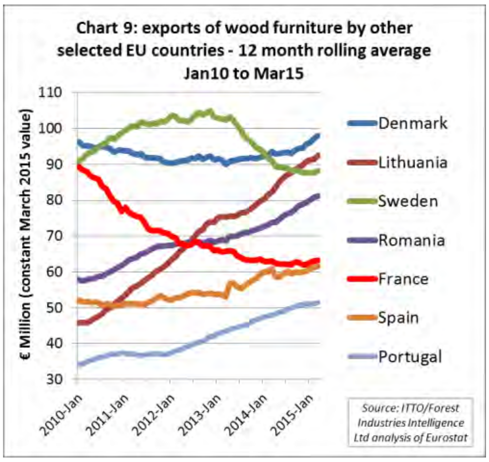


Chart 9: exports of wood furniture by other selected EU countries - 12 month rolling average Jan10 to Mar15

Lithuania has overtaken Sweden in the ranking of Europe‟s largest wood furniture exporters. Lithuanian exports more than doubled between 2010 and 2015. According to "enterpriselithuania.com" major furniture producers invested heavily in production expansion in the country in the last few years. Lithuania is also a major supplier of IKEA. Some of the loss in importance of Sweden and the increase in importance of Lithuania may be linked to IKEA shifting production capacities.

Romania is also growing in importance as a furniture exporter, with average monthly exports rising around 35% between January 2010 and March 2015. Romania benefits from abundant quality raw material, particularly beech, and a labour force which is relatively cheap by European standards with a long-tradition of wood furniture manufacturing.

Romania‟s exports are mainly destined for the EU, Russia, and Middle East. There is also rising domestic furniture demand in Romania, particularly in the hospitality sector.

Romania‟s manufacturers increasingly concentrate on higher quality hardwood furniture as Chinese manufacturers are taking a rising share of the Romanian market for lower end furniture based on wood panels.

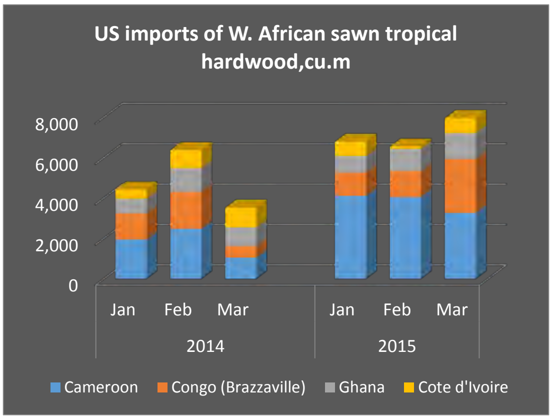
* The market information above has been generously provided by the Chinese Forest Products Index Mechanism (FPI)

Report from North America

N. American sawnwood markets head in different directions

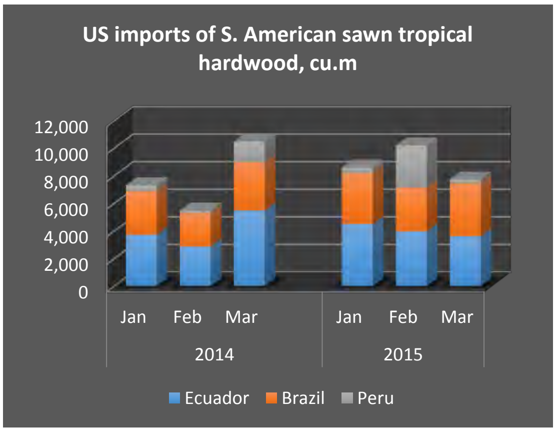
The trend in tropical sawnwood imports into the US and Canada during the first quarter of 2015 is a reflection of the variable direction of the economies in each country. US imports of sawn tropical hardwoods increased by around 25% in the first quarter while Canadian imports of the same product fell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

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



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

Brazil"s shipments of sawnwood to the US grew 20% month-on-month in March. While ipe sawnwood imports were almost unchanged from the previous month, imports of sawn virola and other species increased.



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

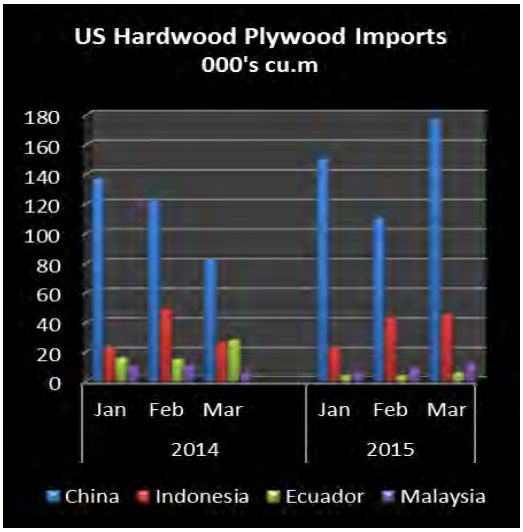
US imports of Malaysia"s keruing sawnwood in March fell to just 808 cu.m. and it was this which contributed to the over decline in first quarter US imports from Malaysia.

However, March sawnwood imports from Indonesia and Ghana increased month-on-month, which in the case of Ghana, was largely due to higher mahogany imports.

China leads hardwood plywood shipments to US

US imports of hardwood plywood grew by over 40% in the first quarter with over half coming from China. At 178,000 cu.m., March 2015 hardwood plywood imports from China were higher than at any time in 2014. First quarter 2105 imports were 28% higher than in the same period in 2014.

Imports of hardwood plywood from Indonesia and Malaysia also increased in the first quarter 2015 but at a slower pace than imports from China. In contrast year-to-March imports of hardwood plywood from Russia, Canada and Ecuador were lower year on year.



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

US housing market normalising after 7 years of turmoil

The housing market in the US is a major driver of wood product consumption and prospects are looking much better now. More Americans are looking for mortgages to buy a home, but as a sign that the US housing market is getting back to normal after seven years of decline the pace of loan applications has begun to slow, a sign that the economy and housing markets „normalising".

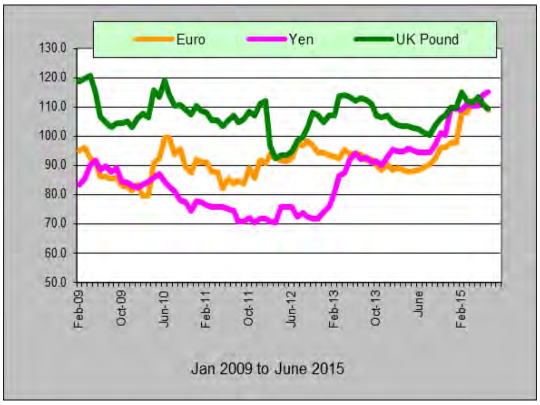
The US Freddie Mac financial institution charged with expanding opportunities for homeownership and affordable rental housing in the US has forecast both housing starts and house price trends. 2015 housing starts are set to rise throughout 2015 leading to an overall 14% increase in starts for the year to be followed by an over 20% rise in 2016.

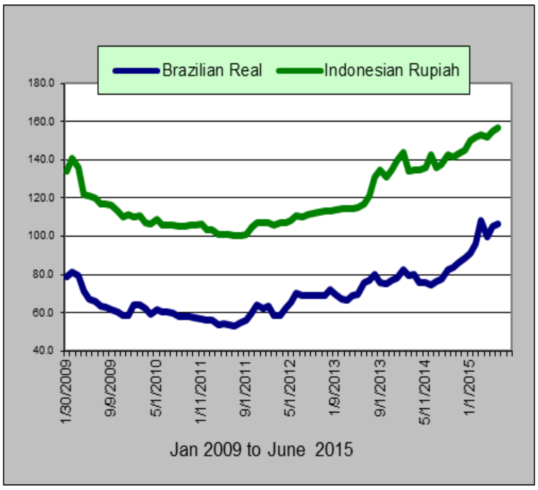
US Dollar Exchange Rates

As of 25 June 2015

Brazil	Real	3.11295
CFA countries	CFA Franc	585.57
China	Yuan	6.2090
EU	Euro	0.8955
India	Rupee	63.45
Indonesia	Rupiah	13335
Japan	Yen	123.87
Malaysia	Ringgit	3.7806
Peru	New Sol	3.1637
UK	Pound	0.6350
South Korea	Won	1122.95

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

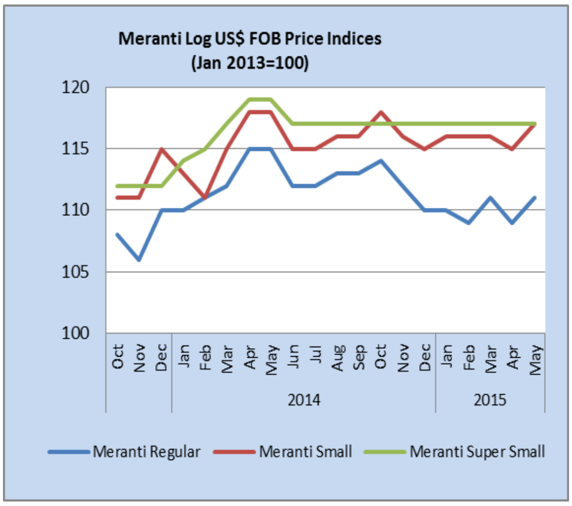
Baltic Supramax Index
July 2014 – June 2015

Data source: Open Financial Data Project

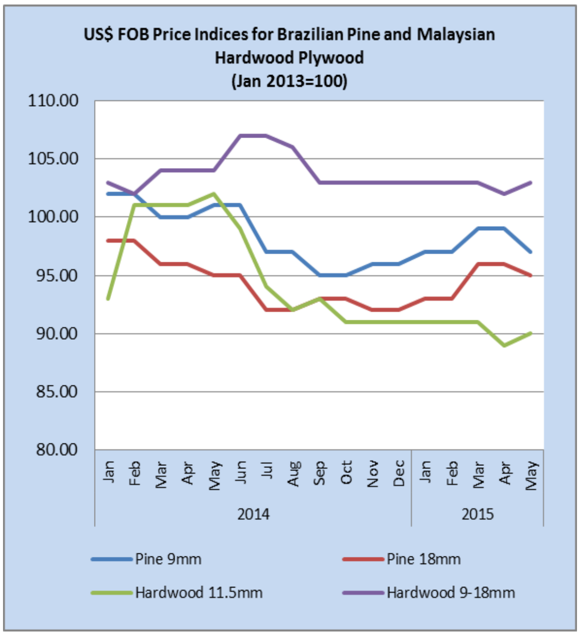
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

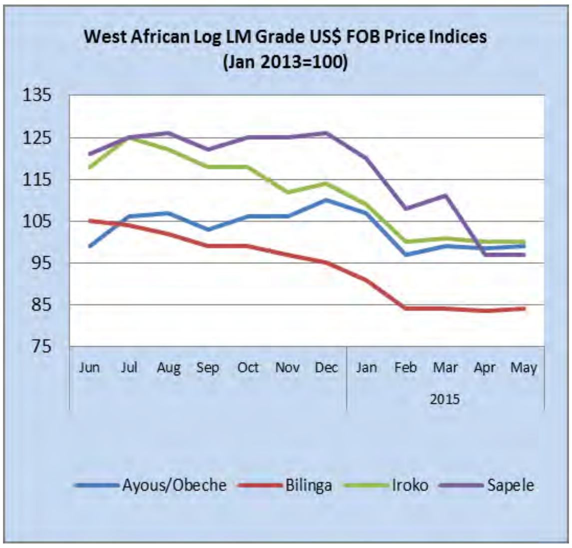
Price indices for selected products

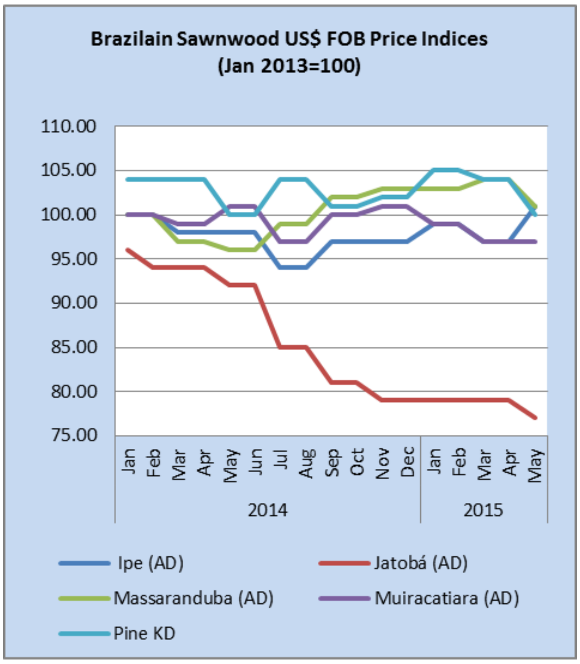
The following indices are based on US dollar FOB prices.



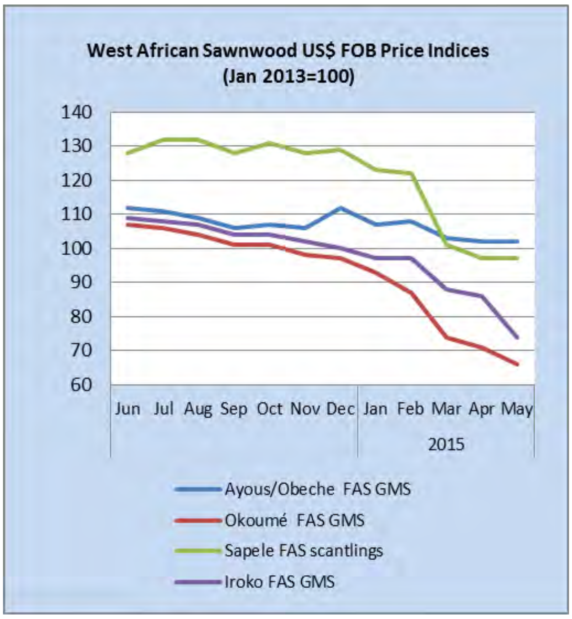
Note: Sarawak logs for the Japanese market







Note: Jatobá is mainly for the Chinese market.



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