

Tropical Timber Market Report

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Top Story

1.6 million hectares of verified legal forest

Barama (BCL), a logging and wood products manufacturing company in Guyana, operates in a 1.6 million hectare concession. The company has secured internationally recognised forest certification.

BCL worked with the Tropical Forest Trust (TFT) to develop a Verified Legal Origin (VLO) system for their operations. The Rainforest Alliance developed a certification scheme for BCL which was subsequently put into operation and audited.

The company now claims to have the largest single block of VLO tropical forest in the world.

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Report from Central/West Africa

Lunar New Year dampens demand

The Chinese New Year holiday, during which some 210 million Chinese families return home for the week long Spring Festival, has slowed business with China and this has contributed to the already dull market conditions in all major consumer markets.

None of the major EU consumers are rushing to make big purchases from West and Central Africa ahead of the coming into force of the EUTR in March.

Some minor price changes were observed over the past two weeks but analysts say these do not indicate any significant change market conditions.

African exporters enjoy short-term boost in Mid-East markets

However, Middle East market demand remains firm and the temporary slower supply, notably from Malaysia where the Chinese community is celebrating the lunar New Year, may benefit African exporters who are well established suppliers to the Middle East markets.

So far this year there is no apparent trend in prices for West and Central African timbers. Exporters in the two regions believe the stable conditions will continue well into the second quarter of 2013.

All producers in the region hope that demand will be maintained and eventually increase as the euro zone countries make progress in stimulating their economies back onto a growth track.

West and Central African companies lack of interest in investing downstream

Although there is increasing interest from buyers in surfaced to size lumber, a move which is improving the profitability of suppliers, there seems little interest on the part of West and Central African producers to invest in manufacturing of downstream products. Ghana is almost the only producer country exporting downstream products, mainly mouldings.

Past efforts to promote exports of downstream products by several countries have yielded mixed results and exports of manufactured products from African countries are still very small. Manufacturers in Africa have not been able to match the Asian countries in production of joinery and furniture for export.

To support industrialization and diversification of the economy through investment the Gabonese Government is developing economic free zones throughout the country to bring industry closer to the resource base.

The Mandji Island Free Zone located near Port-Gentil, the economic capital of Gabon, covers an area of around 900 ha and is an unique location in the Gulf of Guinea. This Free Zone offers development potential for wood processing industries.

Log Export Prices

West African logs, FOB	€ per m ³		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	205	205	145
Ayous/Obeche/Wawa	220↑	205↓	135
Azobe & Ekki	205	205	135↑
Belli	210	210	-
Bibolo/Dibétou	145	130	-
Iroko	270	230↑	220↑
Okoume (60% CI, 40% CE, 20% CS) (China only)	245	225	200
Moabi	280	280	190
Movingui	185	155	150
Niove	165	165	-
Okan	300-	295↓	-
Padouk	340	320	235
Sapele	270	255	170
Sipo/Utile	320	295	170
Tali	285↑	285↑	-

Sawnwood Export Prices

West African sawnwood, FOB	€ per m ³
Ayous FAS GMS	325↑
Bilinga FAS GMS	515
Okoumé FAS GMS	460
Merchantable	290
Std/Btr GMS	345
Sipo FAS GMS	520↑
FAS fixed sizes	-
FAS scantlings	495↑
Padouk FAS GMS	800
FAS scantlings	860
Strips	340
Sapele FAS Spanish sizes	475
FAS scantlings	505
Iroko FAS GMS	565↓
Scantlings	590↓
Strips	410
Khaya FAS GMS	430↑
FAS fixed	465
Moabi FAS GMS	550
Scantlings	555
Movingui FAS GMS	400↓

Report from Ghana

Forestry Commission gears up preparations for EUTR

A three member Ghanaian delegation is in Europe to participate in a series of meetings to create awareness of the interim arrangements that Ghana has put in place to ensure the supply of legal timber to the EU market in advance of the adoption in Ghana of the FLEGT licensing system.

Ghana will deliver FLEGT licensed wood products to the EU when the Ghana/EU Voluntary Partnership Agreement is ratified by both parties. The Ghanaian delegation to the EU plans to meet with Customs Authorities in Belgium.

A series of workshops have been planned in Ghana to create awareness of the requirements of the EU Timber Regulation. The first workshop will take place on 21 February 2013 in Kumasi.

The Forestry Commission is working with the Ghanaian Trade Associations in providing support to firms in meeting the documentary requirements of EU buyers.

SMEs seek support from the Government

Small-scale timber companies in Ghana have asked the government to try and find ways to assist in sourcing much needed capital to boost their businesses and give the whole industry a 'make-over'.

According to a statement from the group of small companies, timber enterprises are finding it very difficult to secure financing for importing the machinery needed for downstream manufacturing of products such as doors, knockdown furniture, plywood and joinery etc.

According to an executive from a small-scale company in Sunyani West District of Brong Ahafo, Mr. Kofi Vinyo, the association representing the small companies is asking the government to put in place financial structures and mechanisms for the timber industry to be modernised and thus contribute more to national development.

Financial institutions in Ghana are reluctant to provide loans to small companies and many enterprises cannot have access credit. Even if financing is available small companies find it very difficult to service the loans as interest rates are high.

Bank of Ghana poised to cut interest rates

Analysts suggest that the Bank of Ghana is likely to cut interest rates when its rate setting committee meets next month to reconsider its monetary policy.

The head of Databank Research in Accra said there is room for the monetary policy committee to lower interest rates by as much as 200 basis points.

The Bank of Ghana has not lowered its benchmark policy rate since July 2011 when it brought the rate down by 50 basis points to 12.5 percent. In 2012, the Bank boosted the policy rate by 250 basis points to 15 percent as part of a series of actions to stem a slide in the cedi exchange rate.

Boule Export prices

	Euro per m ³
Black Ofram	225▲
Black Ofram Kiln dry	290
Niangon	484▲
NiangonKiln dry	545

Domestic Log Prices

Ghana logs	US\$ per m ³	
	Up to 80cm	80cm+
Wawa	154-163▲	165-180▲
Odum Grade A	168-174▲	177-188▲
Ceiba	122-152▲	135-152▲
Chenchen	93-105▲	108-123▲
Khaya/Mahogany (Veneer Qual.)	111-123	125-145
Sapele Grade A	145-155	160-185
Makore (Veneer Qual.) Grade A	132-138▲	140-166
Ofram	109-117	122-131

Export Sawwood Prices

Ghana Sawwood, FOB	€ per m ³	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up		
Afromosia	855	945
Asanfina	480	-
Ceiba	185▲	240▲
Dahoma	318▲	409▲
Edinam (mixed redwood)	375▲	444▲
Emeri	358▲	424▲
African mahogany (Ivorensis)	575▲	643▲
Makore	538▲	607▲
Niangon	502▲	573▲
Odum	610▲	698▲
Sapele	600▲	627▲
Wawa 1C & Select	302▲	353▲

Export Veneer Prices

Rotary Veneer, FOB	€ per m ³	
	Core (1-1.9mm)	Face (<2mm)
Bombax	315	350
Ofram,	295	355▲
Ogea & Otie	285	350
Chenchen	285	350
Ceiba	245	353▲

The above prices are for full sized panels, smaller sizes minus 15%. Thickness below 1mm would attract a 5% premium.

Export Rotary Veneer Prices

Rotary Veneer 2mm and up, FOB	€ per m ³	
	CORE (2mm & up)	FACE (2mm & up)
Ceiba	280	353
Chenchen	315	350
Ogea	315	350
Essa	215	350
Ofram	315	355

Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afromosia	1.19	1.00
Asanfina	1.40	0.80
Avodire	1.00	0.60
Chenchen	0.72	0.44
Mahogany	1.25	0.70
Makore	1.20	0.65▲
Odum	1.75	0.95

Export Plywood Prices

Plywood, FOB	€ per m ³		
	Ceiba	Ofram	Asanfina
BB/CC			
4mm	404▲	571	622
6mm	392	602▲	600
9mm	335▲	415▲	461
12mm	333▲	406	422
15mm	296	356▲	359
18mm	286	345	355

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	12.00	14.47	17.00
Odum	8.30▲	11.00▲	11.60▲
Hyedua	13.67	13.93	17.82
Afromosia	13.72	18.22	17.82

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

Industries close to welcome Chinese Year of the snake

The timber industry in Malaysia traditionally closes for the Chinese New Year celebrations. This year the Chinese Year of the Snake started on 10th Feb 2013. Factories in Malaysia are expected to be closed until 18 February. There is virtually no timber traded during this holiday period.

Furniture exports set to exceed US\$2 billion for 2012

The latest national statistics on the timber sector were released for the period January to November 2012 showing a very healthy export value of RM 18.5 billion (approx. US\$ 6.0 billion).

The leading timber sub-sector, in terms of export, was wooden furniture which reached RM 5.99 billion (approx. US\$ 1.93 billion). Plywood exports were the second highest at RM 4.7 billion (approx. US\$ 1.52 billion).

Other major export sub-sectors were sawnwood RM 2.25 billion (approx. US\$ 726 million), logs RM 1.55 billion (approx. US\$ 500 million), MDF RM 1.06 billion (approx. US\$ 342 million) and joinery products RM 900 million (approx. US\$ 290 million).

New CEO for Malaysia Timber Certification Council

The Malaysian Timber Certification Council (MTCC) announced the appointment of Teng Koon Yong as its CEO with effect from 1 Jan 2013. MTCC develops and operates the Malaysian Timber Certification Scheme (MTCS) as an independent body. Mr. Yong is a trained forester with considerable experience.

32 percent of Malaysia's permanent forest certified

The standards under the Malaysian certification system which are used for auditing forest management practices in the forest management units (FMUs) and forest plantation management units (FPMUs) are the Malaysian Criteria and Indicator (MC&I); one for natural forests and another for forest plantations.

The development and review of the standards had taken into account the country's wide geographical spread and involved regional and national level consultations with multiple stakeholders.

Currently, there are nine FMUs certified under the Malaysian timber certification system covering an area of 4.65 million hectares and 32% of the total Permanent Reserved Forests in Malaysia. Certified timber from these areas is supplied to 171 companies which have obtained Chain of Custody certification.

No forest plantations have been certified under the Malaysian timber certification system at present. However, in line with international practice requiring a certification to standard be reviewed once every five years, the MC&I (Forest Plantations) is presently undergoing its first review process.

The MC&I (Forest Plantations) are now being subjected to the first 60-day public comment period which started from 15 January 2013.

In May 2009, the MTCS became the first tropical timber certification scheme in the Asian region to be endorsed by the Programme for the Endorsement of Forest Certification (PEFC), which is currently the leading forest certification system in the world. Certified companies in Malaysia are eligible to carry the PEFC logo on their certified timber products.

In July 2012, PEFC endorsed the MC&I (Forest Plantations) as part of the PEFC endorsement of the MTCS after an independent evaluation report was made to the PEFC Board. Accordingly, Malaysian companies which own or manage forest plantations can apply for forest plantation management certification under the PEFC scheme.

MTCC will be co-hosting the 18th General Assembly of the PEFC in Kuala Lumpur on 15 November 2013.

Malaysia expects RM 1bil investment from China in 2013

A press release by the Minister of International Trade and Industry indicates that Malaysia is expecting about RM1bil. in investment from China this year.

Up to November 2012 the approved investment in the Malaysian manufacturing sector by Chinese enterprises was RM1.5bil, accounting for 7.8% of the total foreign investment of RM19.1bil approved for the sector.

The Minister said that Malaysia is hoping for more investments from China with the development of the joint Malaysia-China Industrial Park in Kuantan which is expected to be fully operational within two years.

China has been Malaysia's biggest trade partner since 2011, surpassing Singapore. For the first 11 months of 2012, the total trade between Malaysia and China was RM165.32bil, 9% higher than the same period in 2011.

The new industrial park is strategically located for investors from ASEAN and the Asia-Pacific regions and is seen by the Malaysian government as a possible catalyst for growth on the Peninsular East Coast.

The industries targeted for the site include the manufacture of equipment for plastics and metal, automotive components, fibre cement boards, stainless steel products, palm oil processing, carbon fibre, electrical and electronics, petrochemical, information and communications technology.

Log Export Prices (Sarawak)

Meranti SQ	US\$ 240 – 260 FOB
Kapur SQ	US\$ 320 – 350 FOB
Keruing SQ	US\$ 260 – 280 FOB
Selangan Batu regular	US\$ 320 – 360 FOB

Export Plywood Prices

Malaysia ply MR BB/CC, FOB	US\$ per m ³
2.7mm	445-506
3mm	427-457
9mm & up	378-448

Report from Indonesia

Exporters urged to diversify international markets

The Ministry of Forestry recently hosted a press conference for the Secretary General of the Ministry of Forestry and the head of EU Delegation for Indonesia, Brunei Darussalam and ASEAN, Ambassador Julian Wilson.

The press conference underscored the cooperation between Indonesia and EU in respect of the adoption by Indonesia of its new policy for trade in verified legal wood products.

Both parties agreed to continue to work together to combat trade in illegally harvested and manufactured wood products through the implementation of Indonesia's V-Legal certification scheme for wood product exports.

Ambassador Wilson encouraged exporters of certified Indonesian wood products to be confident of the Indonesian scheme and diversify into international markets.

He further reiterated that the EU member states recognise the credibility of the Indonesian Timber Legality Assurance Scheme (TLAS) in meeting the market requirements for the proof of legality of wood products entering the EU.

V-Legal certificates for export to 94 countries

Recent Ministry of Forestry data for exports suggest that, from 1-22 January a total of 3,427 V-Legal certificates were issued covering more than 1 million cubic metres of logs and wood products. Some of these certificates were issued for plywood and sawnwood which was exported to some 90 countries.

The Secretary General of the Ministry of Forestry hopes Indonesian wood products exports to the EU will increase to more than US\$1.2 billion this year.

Group certification for furniture manufacturers

Seven furniture companies in Solo, Central Java, have applied for group SVLK/TLAS certification under the new scheme set out in the Ministry of Forestry Regulation Number 38/Menhut-II/2009 amended by Regulation No. P.68/Menhut-II/2011, as well as the additional amendment in P.45/Menhut-II/2012. This will be the first experience in group certification for furniture makers.

Plan mooted for 'wood terminals'

An official of the Ministry of Industry, Benny Wahjudi, said that the government will initiate the development of 'wood terminals/clearing houses' for verified legal wood products.

He pointed out that the forestry and timber sectors are strategic industries and contribute significantly to the Indonesian economy. Over the past 5 years however, wood product exports have been falling, most notably for pulp, added value products and wooden handicrafts.

The purpose of developing the "wood terminals" for certified legally logged timber is to strengthen efforts in curbing illegal logging.

It is proposed that wood product manufacturers will be required to purchase raw materials from the terminals. The Ministry of Forestry official asserted that some manufacturers may still be tempted to buy illegally harvested timber because it is cheaper.

With clear regulations and the building of wood terminals to supply logs to the timber industry the risk of illegal logs entering the supply chain will be minimised, said the official.

International Furniture and Craft Fair Indonesia

ASMINDO, the Indonesia Furniture and Handicraft Association will organise Indonesia's largest annual furniture and handicrafts fair, the International Furniture and Craft Fair Indonesia (IFFINA) from 11-13 March 2013.

The venue will be the Jakarta International Expo, Jalan H. Benyamin Sueb, Kemayoran – Jakarta 10610, Indonesia. This Southeast Asian international fair is expected to attract buyers from over the world.

Domestic Log Prices

Indonesia logs, domestic prices	US\$ per m ³
Plywood logs	
Face and core logs	240-270
Sawlogs (Meranti)	232-330
Falcata logs	110-270
Rubberwood	94-125
Pine	90-172
Mahoni (plantation mahogany)	135-385

Domestic Ex-mill Sawnwood Prices

Indonesia, construction material, domestic	US\$ per m ³
Kampar (Ex-mill)	
AD 3x12-15x400cm	729
KD	781
AD 3x20x400cm	750
KD	802
Keruing (Ex-mill)	
AD 3x12-15x400cm	417
AD 2x20x400cm	469
AD 3x30x400cm	480

Export Plywood Prices

Indonesia ply MR BB/CC, export FOB	US\$ per m ³
2.7mm	625
3mm	525

Domestic Plywood Prices

MR Plywood (Jakarta), domestic	US\$ per m ³
9mm	369-405
12mm	350-423
15mm	303-432

Export and Domestic Other Panel Prices

Indonesia, Other Panels, FOB		US\$ per m ³
<i>Particleboard</i>	Export 9-18mm	175-205
	Domestic 9mm	225-275
	12-15mm	215-233
	18mm	205-224
<i>MDF</i>	Export 12-18mm	278-293
	Domestic 12-18mm	210-280

Export Added Value Product Prices

Indonesia, Mouldings, FOB		US\$ per m ³
Laminated Boards		
Falcata wood		370-450
Red Meranti Mouldings 11x68/92mm x 7ft up		
Grade A		520-551
Grade B		478-500

Report from Myanmar

Freshly harvested logs attracting buyers

The Myanmar Timber Enterprise (MTE) open tenders for February will be held on the 22nd and the 25th and a report on the average log prices will appear in the next TTMR.

Analysts report that the market situation for teak and non-teak hardwoods is stable and trading is following the usual pattern for the beginning of a year. Teak logs are being sold easily but, in the case of non-teak hardwoods, only freshly harvested logs are of interest to buyers.

Logs which were harvested during past cutting seasons are not attracting buyers and can be sold only at lower prices.

In Myanmar felling and skidding are carried out during the monsoon rains from May to September and trucking takes place from late November when forest roads become dry.

If not trucked during the dry season following felling logs must be left until the next dry season a year later and such logs deteriorate and do not attract good prices.

Buyers hasten to ship out logs in anticipation of log export ban

The pace of shipments from Myanmar normally reflect the market and stock positions in the importing countries but since the announcement of a log export ban in Myanmar beginning April 2014, buyers are seeking faster shipment of the logs they have paid for.

The following is an estimation of monthly exports over the past months. The figures are in cubic metres.

	Oct	Nov	Dec	Jan-13
Teak logs	50609	41819	53777	47390
Hardwood logs	138938	109233	110484	132439
Sawn Teak	1315	742	847	1869
Sawn Hardwood	7	95	13	112
Others	938	855	932	1707

Debate on certification continues

The domestic journal 'Newsweek' reported on February 7th that, according to an official from the Ministry of Environmental Conservation and Forestry (MOECF), only verified legally harvested timber will be permitted for

export from 2015. The timber industry is yet to respond to this news.

The Myanmar forestry sector has been working for several years towards a certification system for forest products and representatives from the European Commission have visited Myanmar to promote the adoption of the EU FLEGT license system.

The debate on forest and wood product certification in Myanmar has been arduous and to date no positive results have been achieved. The timber industries in Myanmar face many difficulties, with poor communication between the industry in Myanmar and authorities in the importing countries being a major constraint to achieving progress on certification.

A workshop on 'Timber Legality Assurance Systems' was recently conducted. Attending the workshop were representatives from the Forest Department, Myanmar Timber Enterprise and the Timber Merchants Association. This workshop explored the feasibility of a timber legality verification system for the forestry sector.

Analysts assert that only through the adoption of a legality verification system can the Myanmar timber industries secure unrestricted access to markets in the main consuming countries.

Myanmar Teak Log Auction Prices (natural forest logs)

Average prices during the January 2013 Teak tender sales are shown below. Prices are in Euro, per hoppus ton.

Grade	Quantity (Tons)	€ per ton
4 th Quality	11	5039
SG-1	21	3426
SG-2	51	2805
SG-4	218	2526
SG-5	92	1823
SG-6	118	1678
SG-7	74	1366

Hoppus ton=1.8m³; All grades, except SG-3/5/6, are length 8' x girth 5' & up. SG-3/4/6 are girth 4' & up. SG-3 grade is higher than SG-4 but with lower girth and price. Prices vary due to quality and/or girth at the time of the transaction.

Report from India

Budget expected to focus on stimulating industrial production

At the end of February the national budget for the coming fiscal year is expected to be submitted to parliament. Analysts expect the new budget to contain stimulus measures to address the slowdown in the Indian economy.

This slowdown is primarily the result of weak demand in the main export markets of the USA and Europe. It is anticipated that the stimulus measures will focus on boosting industrial production for exports and on checking inflation.

Over the past year the Indian timber industries have managed to adjust to the slowing economy and overall market developments.

As mentioned in the previous issue of the TTMR, log imports have been increasing. The performance of Indian wood product exporters is encouraging as illustrated in the table below.

Exports of wood products 2011-12 compared to 2010-11

	Value Rs. Million		Value USD Million	
	2010-11	2011-12	2010-11	2011-12
Plywood and Wood Products	23612.4	26864.8	519	567.6
Cork & cork products	116.2	140.1	2.6	3
Hard board of wood fiber	486.2	598.8	10.7	12.7
Other articles of wood	4560.7	6854.6	100.2	144.8
Sandalwood chips	92.8	105.8	2	2.2
Sawn timber	831.1	1008	18.3	21.3
Tea chest panel	1	6.5	0	0.1
Veneer	717.5	698.4	15.8	14.8
Wooden furniture	16207.1	16487	356.2	348.3
Other plywood and products	599.7	965.7	13.2	20.4

Source: Min. of Commerce Export/Import Databank

Sales of Teak and other hardwoods from Indian forests.

The latest average prices for teak and other hardwoods at government teak depot tenders in Central India are shown below. Prices are in rupees per cubic foot, ex depot.

2-3 metre length	
46-60 cm girth	Rs.800~900
61-75 cm girth	Rs.900~1000
76-90 cm girth	Rs.1000~1050
91 cm and up	Rs.1300 and up
3-4 metre length	
46-60 cm girth	Rs.850~950
61-75	Rs.1000~1100
76 ~ 90 "	Rs.1150~1200
91 cm and up	Rs.1300 ~1350
4-5 metre length	
45-60 cm girth	Rs.1050~1150
61-75	Rs.1200~1350
76-90	Rs.1400~1500
91 cm and up	Rs.1600 and up
Haldu (Adina cordifolia) and Laurel (Terminalia tomentosa)	
3 metre and up length	
75 cm and up girth	Rs.400~600

Import volumes of plantation teak logs

India is a major buyer of plantation teak from more than 30 countries. Imports of natural teak come only from Myanmar.

Details of imports of plantation teak received at Kandla port during the 2011-12 financial year are shown below.

The table provides information on the volume of imports from countries supplying more than 5000 cubic metres of plantation teak during the year.

	Cubic metres
Ecuador	89,631
Myanmar	70,732
Ghana	53,804
Costa Rica	44,883
Ivory Coast	41,439
Panama	33,880
Benin	33,850
Sudan	18,980
Brazil	15,944
Tanzania	11,825
Togo	11,004
El-Salvador	9,637
Nigeria	6,154
Other	13,053
Total	454,816

Plantation teak log prices

Current C & F prices per cubic metre for imported plantation teak are shown below. Analysts report that supplies and deliveries of plantation teak remain stable and that prices levels have not changed significantly.

Current prices, C & F Indian ports, for plantation Teak are shown below.

Imported Plantation Teak Prices (C&F)

	US\$ per m ³
Tanzania Teak sawn	450-800
Côte d'Ivoire logs	450-850
PNG logs	450-550
El-Salvador logs	400-550
Guatemala logs	400-500
Nigeria squares	300-500
Ghana logs	350-650
Guyana logs	300-450
Benin logs	425-650
Benin sawn	700-800
Brazil squares	400-600
Burkina Faso logs	-
Colombia logs	400-600
Togo logs	350-500
Ecuador squares	350-500
Costa Rica logs	400-650
Panama logs	350-450
Sudan logs	500-650

Variations exist based on lengths and average girths of logs in a parcel. Prices also vary with measurement allowances given for bark and sap in different countries of origin.

Domestic Ex-mill prices for imported timbers

Domestic prices (per cubic foot ex-sawmill) for air dried sawn timber remain unchanged and are indicated below.

The price range reflects differences in the length and cross section. Analysts say the trend to replace teak with other durable tropical hardwoods continues, driven mainly by the high price of teak.

Domestic Ex-mill Prices for Imported Sawwood

Saw wood, (Ex-mill) (AD)	Rs. per ft ³
Merbau	1500-1650
Balau	1600-1700
Kapur	1100-1250
Red Meranti	800-900
Radiata Pine (AD)	500-550

Saw wood, (Ex-warehouse) (KD)	Rs. Per ft ³
Beech	110-1200
Sycamore	1200-1300
Red oak	1400-1550
White Oak	1400-1650
American Walnut	2000-2150
Hemlock clear grade	1000-1100
Hemlock AB grade	950-1000
Western Red Cedar	1400-1550
Douglas fir	1050-1100

Domestic Ex-mill prices for Myanmar Teak Sawn in India

Teak Export Grade F.E.Q	Rs 4500 to 10500
Teak A grade sawn timber	Rs .3400 to 4000
Teak B grade sawn timber	Rs. 2800 to 3100
Sawn Myanmar Plantation Teak	
FAS grade lumber	Rs .2000 to 2600

Indian plywood manufacturers investing overseas

The sourcing by Indian plywood manufacturers of core and even face veneers from Vietnam, Thailand, Malaysia and Myanmar is increasing. There is growing interest from Indian companies in constructing plywood mills in the countries mentioned above.

Current plywood prices, ex-warehouse, per square foot are shown below:

Domestic Ex-warehouse Prices WBP Marine Grade Plywood

Plywood, (Ex-warehouse) (MR Quality)	Rs. per sq.ft
4 mm	30.00
6 mm	43.00
12 mm	66.50
15 mm	79.00
18 mm	95.00

Domestic Ex-warehouse Prices for Locally Manufactured MR Plywood

Locally Manufactured Plywood "Commercial Grade"	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	Rs.14.10	Rs.24.00
6mm	Rs.20.60	Rs.32.00
8mm	Rs.26.50	Rs.35.00
12mm	Rs.32.00	Rs.40.00
19mm	RS.42.00	Rs.55.00
5mm Flexible ply	Rs.30.00	

Report from Brazil

Stimulating private investment in plantations

The Strategic Affairs Secretariat (SAE) of the Brazilian government is developing ideas on mechanisms to stimulate more private financing in the forest sector.

The SAE is investigating a variety of models appropriate for the long term investment that is necessary for plantation development.

The SAE says that it is necessary to identify or develop a credit mechanism offering a grace period for repayments for borrowers. At the same time the SAE recognizes that there is a need to provide guarantees to investors since plantation development requires substantial investment for periods that can range from 7 to 35 years before income is generated.

The SAE Secretariat for Sustainable Development has held a series of meetings with financial analysts to assess options for financial instruments related to private financing for forest plantations.

According to an SAE advisor, at present there are a variety of financial models being applied in the agricultural sector but these often only address the short-term financing needs for agricultural crops. The key difference between the agricultural and forest plantation sectors is the time until harvesting generates income.

According to the SAE a research programme will be undertaken on possible private investment financing models for the development of forest plantations in Brazil. The aim of the SAE is that a new financing model should be included in a National Policy for Planted Forests which is also being formulated by the SAE.

Alagoas State to ensure growth of furniture cluster

The Alagoas State Planning and Economic Development Secretariat (SEPLANDE) recently met with representatives of Arapiraca's local government, the Brazilian Service Support for Micro and Small Enterprises (SEBRAE) of Alagoas and the steering committee for the development of the furniture industry in the Agreste region to discuss ways to expand the furniture industry cluster in Arapiraca.

Through such a meeting the partnership between the state and the manufacturing sector is strengthened.

The State has invested resources to support the promotion of a furniture manufacturing cluster in the region and emphasised the need for effective participation of entrepreneurs in the management of activities in support of the cluster. Currently, the Agreste Furniture Industry Association (Amagre) is taking the lead in this undertaking.

The furniture cluster in this region has grown in recent years with the support of local and state governments and now extends to an area of 96,000 sq.m with 45 plots for micro-enterprises.

Many micro-industries cannot afford to invest in their own storage buildings and to address this a building will be provided through a partnership between the Arapiraca local government and the State Government.

The building of the community storage capacity will, it is hoped, encourage more small companies to the cluster and will result in greater employment opportunities in the municipality of Arapiraca, State of Alagoas, located in the Northeast Brazil.

Rio Grande do Sul furniture manufacturers up-beat on export prospects in 2013

The state of Rio Grande do Sul was the only state reporting a year on year growth in furniture exports in 2012. However, the level of growth in 2012 compared to 2011 was only 1.1% for a total export for 2012 of US\$ 205.7 million.

The Bento Gonçalves furniture cluster, the largest in the state, chalked up a 4.4% increase in exports in 2012 to US\$ 63 million. Overall Brazil's furniture exports in 2012 fell by 5.2% to US\$ 723.4 million.

This data is presented in a report published by the Rio Grande do Sul State Furniture Industry Association (MOVERGS), in collaboration with the Innovation Management Center (CGI Moveleiro) and the Foreign Trade Secretariat of the Ministry of Foreign Trade, Industry and Development (MDIC).

The report identifies Uruguay, the United Kingdom, Chile, Peru, and the United States as major importing countries for furniture from Rio Grande do Sul in 2012. However, Argentina was the largest importer of Brazilian furniture in 2012.

While the 2012 data is not very encouraging, MOVERGS says that the latest statistics indicate signs of recovery in furniture exports. Manufacturers have been trying to achieve product differentiation, investing in exclusive designs and applying the latest technology to improve the competitiveness of Brazilian furniture.

MOVERGS is forecasting a 10% growth in regional furniture exports but analysts point out that, after taking

into account likely inflation levels and increases in the price of inputs and raw materials, the most optimistic forecast for the national furniture sector is a net growth of 3%.

High hopes for 'Brazil Móveis' international furniture fair

The international furniture fair "Brazil Móveis", planned for August 6-9, 2013 in São Paulo, is one of the largest fairs for the furniture sector. This year the fair is expecting around 200 of the national furniture makers to exhibit.

The organisers report that around 45% of the exhibition area is already booked and some 30,000 national and international visitors are expected. Exhibitors have expressed expectations that the 2013 fair will be the springboard for their success with international buyers. The pace of growth in the Brazilian construction sector should give a boost to the furniture sector this year.

According to the Rio Grande do Sul State Furniture Industry Association (MOVERGS) during 2012 consumers have invested in remodeling of homes but now there is greater interest in new home building a trend that will increase demand for new furniture.

According to the Institute of Industrial Studies and Marketing (IEMI), the domestic furniture sector could grow 5.5% this year, up on the 2.8% growth last year. MOVERGS has suggested that the exemption of the sector from payroll taxes and the tax on Industrialized Products (IPI) and the efforts by industry to better meet consumer demand will improve competitiveness.

Domestic Log Prices

	US\$ per m ³
Brazilian logs, mill yard, domestic	
Ipê	154
Jatoba	111
Guariuba	85
Mescla (white virola)	91

Export Sawnwood Prices

	US\$ per m ³
Sawnwood, Belem/Paranagua Ports, FOB	
Jatoba Green (dressed)	1330
Cambara KD	705
Asian Market (green)	
Guariuba	354
Angelim pedra	800
Mandioqueira	302
Pine (AD)	215

Domestic Sawnwood Prices

	US\$ per m ³
Brazil sawnwood, domestic (Green)	
Northern Mills (ex-mill)	
Ipê	862
Jatoba	642
Southern Mills (ex-mill)	
Eucalyptus (AD)	232
Pine (KD) 1st grade	217

Export Veneer Prices

	US\$ per m ³
Veneer, Export (Belem/Paranagua Ports) FOB	
White Virola Face 2.5mm	338
Pine Veneer (C/D)	237

Domestic Veneer Prices

	US\$ per m ³	
Rotary cut Veneer, domestic		
(ex-mill Northern Mill)	Face	Core
White Virola	266	214

Export Plywood Prices

	US\$ per m ³
Plywood, FOB	
White Virola (US Market)	
5.2mm OV2 (MR)	498
15mm BB/CC (MR)	439
White Virola (Caribbean market)	
4mm BB/CC (MR)	612
12mm BB/CC (MR)	468

	US\$ per m ³
Pine Plywood EU market, FOB	
9mm C/CC (WBP)	345
15mm C/CC (WBP)	323
18mm C/CC (WBP)	323

Domestic Plywood Prices

	US\$ per m ³
Plywood, domestic (ex-mill Southern mill)	
Grade MR (B/BB) White Virola 4mm	764
White Virola 15mm	558

Domestic prices include taxes and may be subject to discounts.

Export Prices For Other Panel Products

	US\$ per m ³
Belem/Paranagua Ports, FOB	
Blockboard Pine 18mm 5 ply (B/C)	405
<i>Domestic Prices, Ex-mill Southern Region</i>	
Blockboard White Virola faced 15mm	542
Particleboard 15mm	363

Export Prices For Added Value Products

	US\$ per m ³
FOB Belem/Paranagua Ports	
Decking Boards	
Cambara	920
Ipê	2,400

Report from Peru

Peru commended for improved management of mahogany trade

The Deputy Minister for Foreign Trade, Carlos Posada, recently met with business representatives to discuss the implications for the forestry sector arising from the Forest Trade Promotion Agreement (CPA) concluded with the United States.

The Deputy Minister congratulated the work being done by Peruvian companies to ensure the sustainable management of forests.

Exports of big leaf mahogany and spanish cedar from Peru to the US will continue with export licenses for these species to be issued by the Ministry of Agriculture, through the General Directorate of Forestry and Wildlife.

Peru has undertaken a series of regulatory reforms in respect of the issuance of export permits for mahogany and spanish cedar to ensure traceability of the legal origin of the products.

In other news related to the trade in mahogany, the Standing Committee of CITES publicly congratulated the Peruvian government for the progress made in the management of the mahogany trade. Further, the CITES Committee agreed to delete the requirement for specific reporting on the management of mahogany, and encourage Peru to include additional information in their national reports.

Public and private sector cooperation on forestry agenda

The public sector, represented by the Ministry of Foreign Trade and timber and forestry private sector representatives agreed to continue working together to safeguard the resources of the Amazon thereby bring benefits to both the local population and the national economy.

The private sector was represented by Adex, the National Society of Industries (SNI), the National Forest (CNF) and the Peruvian Confederation of Woodworkers (CPM), among others.

The ADEX Wood and Timber Industry Committee Chairman, Erik Fischer, highlighted the potentials of the Peruvian Amazon and the need for industry to work with the ministries of Foreign Trade and Tourism (Mincetur) and Agriculture (Minag) as well as the Agency for the Supervision of Forest Resources and Wildlife (OSINFOR) and regional governments.

The ADEX representative said that the forestry sector needs a better legal framework that encourages investment. He said there is a need to improve the quality of forest regulation such that companies are encouraged to stay on in the timber business.

He added some public institutions do not appear well equipped to meet challenges of bringing value to the Amazon forests and people.

Highway checkpoints visited

The regional president of Madre de Dios Jorge Soto Aldazábal, accompanied by facility staff, recently visited the Regional Forestry and Wildlife checkpoints located along the Inter-Oceanic Highway between Puerto Maldonado and Iñapari. The purpose of the visit was to verify the situation under which these check points operate.

The delegation not only verified the working conditions at each of the checkpoints but also met with employees to listen to their concerns. The regional president urged workers to become the main allies of his administration in the fight against corruption.

Export Sawnwood Prices

	US\$ per m ³
Peru Sawnwood, FOB Callao Port	
Mahogany S&B KD 16%, 1-2" random lengths (US market)	1570-1655
Spanish Cedar KD select	
North American market	958-977
Mexican market	946-965
Pumaquiro 25-50mm AD Mexican market	532-586

Peru Sawnwood, FOB Callao Port (cont.)	US\$ per m ³
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	402-431
Grade 2, Mexican market	333-365
Cumaru 4" thick, 6'-11' length KD	
Central American market	834-849
Asian market	798-871
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	509-549
Dominican Republic	564-573
Marupa (simarouba) 1", 6-11 length Asian market	368-394

Peru Sawnwood, FOB Iquitos	US\$ per m ³
Spanish Cedar AD Select Mexican market	887-909
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	409-444
Grade 2, Mexican market	321-354
Grade 3, Mexican market	161-176
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	272-294▲

Domestic Sawnwood Prices

Peru sawnwood, domestic	US\$ per m ³
Mahogany	867-911
Virola	80-111▲
Spanish Cedar	264-305
Marupa (simarouba)	73-87

Export Veneer Prices

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

Export Plywood Prices

Peru plywood, FOB Callao (Mexican Market)	US\$ per m ³
Copaiba, 2 faces sanded, B/C, 15x4x8mm	318-347
Virola, 2 faces sanded, B/C, 5.2x4x8mm	412-420
Cedar fissilis, 2 faces sanded 4x8x5.5mm	759-770
Lupuna, treated, 2 faces sanded, 5.2x4x8mm	363-385
Lupuna plywood B/C 15x4x8mm	366-382
B/C 9x4x8mm	345-350
B/C 12x4x8mm	350-360
B/C 8x4x15mm	410-429
C/C 4x8x4mm	384-396
Lupuna plywood B/C 8x4x4mm Central Am.	389-425

Domestic Plywood Prices

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

Domestic Prices for Other Panel Products

Peru, Domestic Particleboard	US\$ per m 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	866-981
Asian market	1090-1175
Cumaru decking, AD, S4S E4S, US market	1210-1298▲
Pumaquiro KD # 1, C&B, Mexican market	423-511
Quinilla KD, S4S 2x10x62cm, Asian market	477-503
2x13x75cm, Asian market	708-768

Purpleheart logs attract favourable prices

Guyana did not export any Greenheart logs in the period under review. However, some shipments of Purpleheart logs were made and the Guyana Forestry Commission reported that prices were at favourable levels. The maximum price for Standard Sawmill Quality Purpleheart log rose as high as US\$385 per cubic metre.

Purpleheart Fair Sawmill Quality logs were traded at a top price of US\$300 per cubic metre while Small Sawmill Quality Purpleheart logs fetched US\$ 270 per cubic metre.

Mora log export prices remained unchanged from price levels reported earlier for all Sawmill log qualities.

Prices for Greenheart sawnwood (Undressed) rise

During the period under review average export prices for Greenheart Select sawnwood (Undressed) moved up from US\$721 to US\$1,145 per cubic metre.

Analysts report that a significant sale of Greenheart Select sawnwood was made to buyers in the French West Indies at premium prices. On the other hand, Greenheart Sound sawnwood (Undressed) suffered a decline in export price from US\$721 to US\$604 per cubic metre.

Sawn Purpleheart (Select, Undressed) export prices were favourable with the top price achieved was as high as US\$1,062 per cubic metre.

There were no exports of Mora sawnwood (Undressed) during the period but Mora sleepers were exported to the Caribbean market.

Prices for dressed sawnwood ended mixed

Over the past two weeks, Dressed Greenheart sawnwood export prices were firm at as much as US\$1,272 per cubic metre up from the US\$1,039 recorded previously reported.

However Dressed Purpleheart sawnwood export prices dipped from the high of US\$1,081 per cubic metre to just US\$1,065 per cubic metre in the period reviewed.

As always, Dressed Washiba (Ipe) enjoyed a satisfactory export price of US\$2,500 per cubic metre.

Plywood and added value products fetch good prices

Plywood export prices were significantly higher in the latest round of shipments compared to the prices reported in the previous report earning as much as US\$ 1,988 per cubic metre. The Caribbean and Central and South American destinations are the main markets.

Splitwood (Shingles) attracted good export price of US\$ 795 per cubic metre while other value added products continue to contribute to Guyana's total timber export earnings.

Single block of 1.6 million hectares of forests verified legal

Barama Co. Ltd (BCL), a logging and wood products manufacturing company in Guyana, is one of the largest operational foreign companies in the country. At full production the company employs around 1000 workers.

BCL operates in a 1.6 million hectare concession. The company has worked to secure internationally recognised forest certification through an SFM model defined by the Edinburgh Centre for Tropical Forest which was subsequently refined into a Code of Practice for timber harvesting.

BCL has worked with the Tropical Forest Trust (TFT) to develop a Verified Legal Origin (VLO) system for their operations.

The Rainforest Alliance was contracted to develop a certification scheme for BCL and when this was completed an audit of the standards was undertaken for the company's up-stream and down-stream operations

BCL was successfully audited in July 2012 resulting in the issuance of the certificate in November 2012. As a result, BCL now claims to have the largest single block of VLO tropical forest in the world an achievement which will create opportunities for the company to increase its market share internationally and to promote verified legal timber from Guyana.

Comprehensive planning puts Guyana in good stead for negotiations on VPA

Guyana and the European Union have begun formal dialogue on a Voluntary partnership Agreement (VPA). The first formal negotiations were held in December 2012 at which key timelines were agreed that will guide the process forward.

In announcing its decision to begin negotiations on the VPA the Guyana government indicated that it was aware of the potential benefits of the EU FLEGT licensing scheme in stimulating market demand and enabling Guyana's exporters to retain market share in the EU.

The commencement of formal dialogue with the EU was preceded by a series of stakeholder meetings and consultations that helped the government take the decision to enter into formal negotiations.

The Government of Guyana, FAO, EU and local stakeholder groups were instrumental in supporting a process of sharing information, conducting initial analyses and assessing potential impacts and benefits of a VPA for Guyana.

As a result of the engagement with stakeholders there is now a broader understanding of the major issues that need to be addressed during the negotiation process.

In a joint statement issued by the Government of Guyana and the EU in June 2012, the parties agreed to commence formal negotiations by the end of 2012, with the objective

of concluding negotiations on a VPA by September 2015, according to an agreed roadmap which will be developed jointly.

The parties emphasised that the agreement should have the objectives of adding value to forest governance, forest industry development and sustainability of the forestry sector. Additionally, the statement underlined the assurance that the extractive industry within Guyana will not be limited by any interventions made under the VPA.

So far, a number of steps have been taken, including the establishment of a VPA Secretariat in Guyana which is located within the Guyana Forestry Commission, the formation of a multi-stakeholder steering body for the VPA negotiation and implementation efforts and the development of a Guyana Roadmap for EU FLEGT negotiations.

In September 2012, through a multi-stakeholder process, Guyana collaborated with international and local experts to develop a Guyana EU FLEGT Roadmap to guide the negotiations process in Guyana.

This effort involved the participation of various stakeholder representatives from the private sector, civil society, NGOs, Government and other groups, in shaping the Roadmap which contains both activities that Guyana will itself undertake, as well as those aspects that will be jointly undertaken by Guyana and EU.

The process of negotiations on the VPA will include a strong element of stakeholder participation. As part of the management structure developed to oversee the VPA negotiations in Guyana, several meetings of a steering body called the National Technical Working Group (NTWG) have already been held.

Additionally, specific stakeholder constituency meetings have been concluded and there are plans to continue with these sessions throughout the negotiation process. To date, four meetings of the NTWG have been held. Ten meetings of separate key stakeholder constituency groups, mainly targeting indigenous Groups, NGOs and the private sector have been held.

In early February, the NTWG and the EU held its first joint technical meeting at which both parties started work on discussing the various aspects of the VPA with the aim to commencing drafting of key sections. The discussions will continue at the next scheduled meeting planned for July 2013.

Amongst the priority technical activities discussed in preparation for the July meeting is the legality assurance system for Guyana which involves aspects of the definition of forest legality and wood tracking systems.

The NTWG has expressed confidence that Guyana's existing systems for forest management and legality, including its log tracking and chain of custody management systems that have been in place since 2001,

are robust enough to serve as a solid foundation for the VPA.

This assessment took into account the programmes being implemented in Guyana such as Independent Forest Monitoring, VLO certification at company level and the development of a framework for legality assurance.

As the formal effective date of the EUTR approaches (March 2013), Guyana has outlined plans to expand its communication efforts to local and international stakeholders to share information on the efforts made so far in the EU FLEGT VPA process, as well as details of existing operational systems in Guyana on which the FLEGT VPA can be built. The government is confident that it can fulfil the requirements of the EUTR through its current system of verified forest legality.

Export Log Prices

Logs, FOB Georgetown	SQ - \$ Avg unit value per m ³		
	Std	Fair	Small
Greenheart*	-	-	-
Purpleheart	225-385	215-385	205-270
Mora	150	130-150	130-135

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

Export Plywood Prices

Plywood, FOB Georgetown Port		\$ Avg unit val. per m ³	
Baromalli	BB/CC	5.5mm	Not available
		12mm	450-1988
	Utility	5.5mm	No export
		12mm	"

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

Export Sawnwood Prices

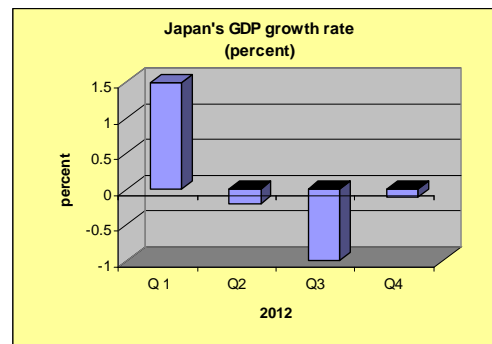
Sawnwood, FOB Georgetown		\$ Avg unit val. per m ³	
EU and US markets		Undressed	Dressed
Greenheart	Prime	860	-
	Standard	-	721-1272
	Select	594-1145	-
	Sound	604	-
	Merchantable	-	-
Purpleheart	Prime	-	-
	Standard	-	721-1065
	Select	650-1062	-
	Sound	-	-
	Merchantable	-	-
Mora	Prime	-	-
	Select	-	-
	Sound	-	-
	Merchantable	-	-
			-

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

Report from Japan

Negative GDP growth fuels new stimulus measures

Japan's fourth quarter 2012 GDP data was released on February 14th 2013 showing the economy shrank by 0.1 percent. This disappointing result is fuelling the ruling party's case for more monetary stimulus to end deflation. The 2012 annualized GDP was worse than expected at minus 0.4 percent.



With three quarters of 2012 recording negative growth the government seems even more determined to push for a weaker yen to reverse the negative growth and achieve positive economic output in the first quarter of 2013.

Japanese industrial output has been falling for the past six months, dragged down by the euro crisis and by the island dispute with China which has negatively affected trade between the two countries.

The fourth quarter decline in GDP growth was a surprise to most analysts who had been forecasting an improvement after the two previous quarter declines.

The monetary and fiscal stimulus measures introduced by the new government are expected to result in a recovery in 2013.

As further monetary easing is expected the yen continues to weaken against major currencies. This apparent deliberate weakening of the yen has stirred an international debate on whether the Japanese government was simply printing money to drive the yen lower to boost export competitiveness.

In mid February the slide of the yen eased but a comment by a possible candidate for the job of governor of the Bank of Japan that an exchange rate from 90-100 per US dollar would be reasonable target, drove the yen weaker.

Stock market strength drives up consumer confidence

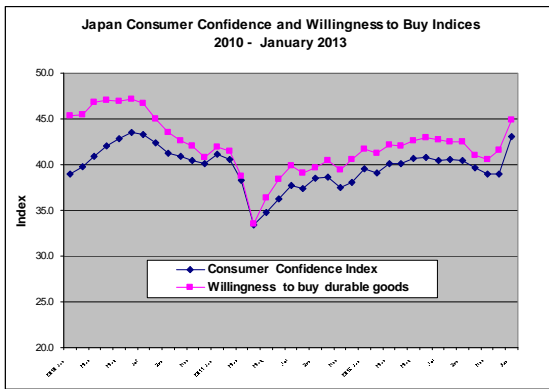
The Japanese Cabinet Office recently released the results of its consumer survey. The survey, which is used to compile the consumer confidence index, showed an improvement in sentiment in January 2013 with the index rising for the first time in five months.

The consumer confidence index for, what the survey identifies as, 'general households' increased to 43.3 in January 2013 compared to the level of 39.2 in December 2012.

The survey, conducted in mid January, also indicated that the Japanese public expects inflation to rise in the coming months.

Analysts point out that the improvement in sentiment, while still below the 50 point (neutral level), is the result of the weakening of the yen to drive up exports, this has resulted in a surge in the Japanese stock market.

Put together, consumers seem to interpret the stock market improvement as positive for job security.



Increased consumer spending gives rise to optimism

The Japanese government has revised upwards its forecast for private consumption for the early part of 2013. In November and December 2012 consumer spending remained stable.

Reports suggest that car sales in October levelled out and were seen improving in November and December 2012 such that domestic car production started to recover.

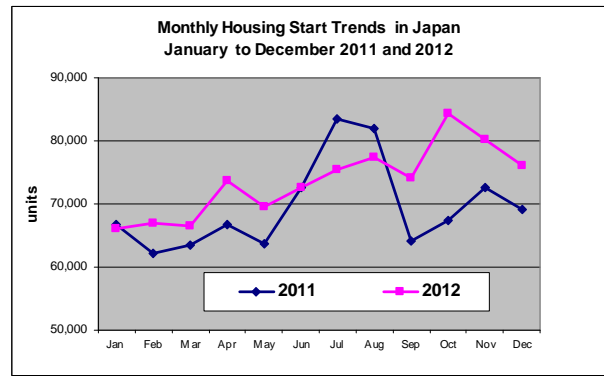
However the Cabinet Office report says the risk to the Japanese economy from negative developments in overseas economies could still affect the sustainability of growth. To maintain the recovery of the Japanese economy analysts say the government needs to address deregulation and possible participation in the Trans-Pacific Partnership (TPP) free trade agreement.

Japanese businesses want the government to join the TTP, allowing exporters to compete more effectively with overseas rivals however; there is strong opposition to the TTP from the politically powerful agricultural sector in Japan which fears a big increase in imports of low cost agricultural products.

Despite some recovery, 2012 housing starts remain one of the lowest since 1965

December 2012 starts were 75,944 units, 10% more than December 2011. Condominium starts were higher with more than 10,000 units being made available for three consecutive months. Wood framed housing starts totalled 43,552 in December 2012, 7.4% up on levels in 2011.

While there has been some recovery in housing starts in Japan, the level in 2012 is the sixth lowest level of housing starts since 1965.

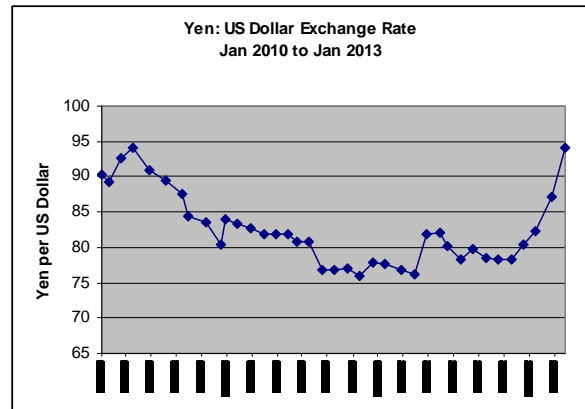


Impact of weaker yen

The new government in Japan has introduced economic measures which triggered a plunge in the yen dollar exchange rate. The yen has dropped by about 19% from 75 yen to the US dollar to over 90 yen to the US dollar in four months.

This devaluation of the yen pushes up the costs of all Japan’s imports and is affecting the timber sector. The demand for new housing in Japan is firm and this is driving demand for wood products. Currently, imported European redwood laminated beams are in short supply and market prices are rising rapidly.

Wholesale prices of whitewood laminated posts were around yen 1,700 -1,750 per piece in early February and analysts expect these to rise to yen 1,850 per piece in March.



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>

Extracted from the Japan Lumber Reports:

1. Domestic logs and lumber

2. Plywood

1. Domestic logs and lumber

Log market in Northern Japan and Tokyo region continues bearish. Log production has been high but sawmills are not able to increase the production because logs are frozen solid.

In normal years, this is demand slow season so slower lumber output poses no problem but after European lumber prices climbed by weakening yen, there are active demand for lumber of domestic species such as KD cedar post and stud.

Therefore lumber prices are firming but log prices are weakening, which is abnormal pattern. Post cutting cedar log prices in Tochigi and Fukushima prefecture, north of Tokyo are down by 500 yen from January.

Log price drop in winter is nothing unusual but a degree of drop is large this winter. Compared to the same period of last year, Fukushima prices are 1,000 yen lower.

Meanwhile, lumber prices are escalating. In Tokyo market, 105 mm post and stud prices are over 50,000 yen, 5,000 yen higher than the bottom price last year so sawmills want to increase the production but cannot saw frozen logs so they are not able to take advantage of low log prices.

2. Plywood

Demand for plywood continues brisk but in Northern Japan and Japan Sea side had much heavier snow this winter so that surface transportation is hampered since last December.

Also rough sea in Japan Sea bothers inland freighters' trip from Northern Japan to Western Japan. In Western Japan, inventories of manufacturers and distributors are way down due to robust orders by house builders and pre-cutting plants.

Under this situation, in Tokyo market, delivery time from the manufacturers to distributors became uncertain up until late January so that the supply got short at retail level. Therefore, securing the volume becomes priority matter rather than the prices.

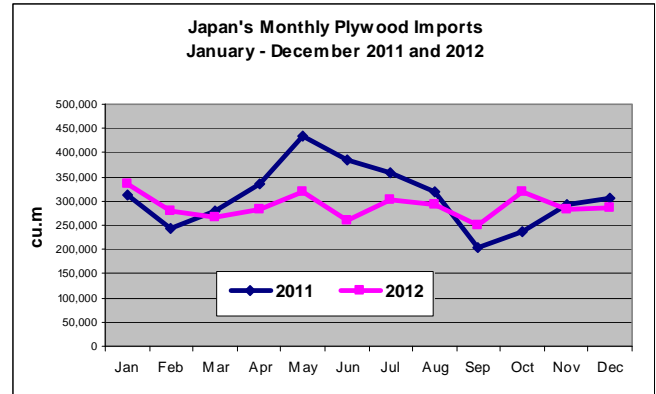
The manufacturers, which carry heavy order files, are cautiously increasing the sales prices little by little. In fact, shipment volume has been more than mills' production for more than six months now. December production was 202 M cbms while the shipment was 211 M cbms.

Current prices are 780-800 yen per sheet delivered on 12 mm 3x6 panel, 30 yen up from January. 1,520-1,650 yen on 24 mm thick panel.

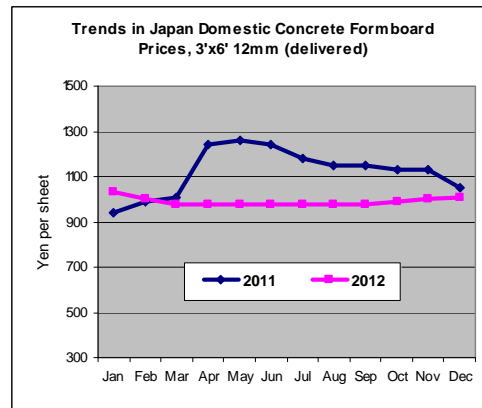
Import plywood market is also vigorous with the prices ascending. FOB export prices have been climbing since

late December but the prices in Japan did not react so the major importers decided to push the prices up in mid January then the market prices took off sharply.

Regardless of higher prices, it is hard to source the volume in the market and the dealers are frantically looking for panels in demand.



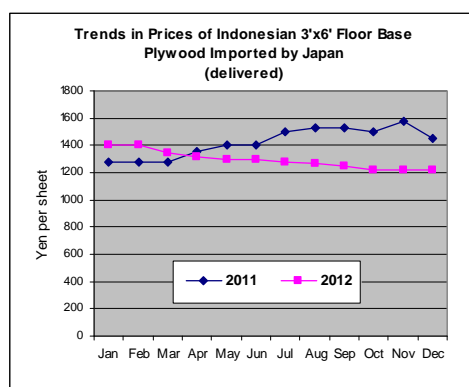
Data source: JLR Feb 8 2013



Data source: JLR Dec 21 2012



Data source: JLR Dec 21 2012



Data source: JLR Dec 21 2012

2011 and 2012 furniture imports

The source and value of Japan's 2011 and 2012 imports of Office Furniture (HS 9403.30), Kitchen Furniture (HS 9403.40) and Bedroom Furniture (HS 9403.50) are shown below. The data are for 2012 and 2011 and represent imports by Japan from main suppliers in each year.

Total imports of Office Furniture by Japan totalled yen 2,157 mil. in 2012 up 19% from levels in 2011. The main suppliers were China (38%), Indonesia (6.5%), Malaysia (5.2%) and Taiwan P.o.C (4.3%). Asian suppliers dominated the market. Of EU suppliers to the Japanese Office Furniture market, Germany led the way supplying yen 98 mil. in 2012, just 4.5% of total imports of Office Furniture.

Office furniture (HS code 9403.30)

	2012	2011
	Yen 000's	Yen 000's
total	2157111	1816098
R KOREA	14375	6926
CHINA	822737	562274
TAIWAN P.o.C	93382	108090
HONG KONG	373	213
VIETNAM	864	7744
THAILAND	9192	11339
SINGAPORE	842	1596
MALAYSIA	112090	130113
PHILIPPINES	1293	226
INDONESIA	139763	171569
INDIA	2390	1439
IRAN	1149	na
SWEDEN	5374	77095
DENMARK	62109	103528
UK	2700	3204
NETHERLANDS	346	na
BELGIUM	423	na
FRANCE	2673	3632
GERMANY	98079	66346
SWITZERLAND	7960	1932
PORTUGAL	na	122176
SPAIN	na	1475
ITALY	na	143373

The Kitchen Furniture market in Japan is huge and imports account for a significant market share. China, Vietnam, Philippines and Indonesia are major suppliers. Germany and Italy contribute together around 5% of total imports and other EU suppliers include Denmark, France and Sweden.

The largest supplier of Kitchen Furniture to the Japanese market is Vietnam (2011, yen 3,075 mil. and 2012 yen 3,325 mil.) China, Philippines, and Indonesia each provide around yen 1500 mil. and together account for some yen 5,282 mil. or around 53% of the total imports of Kitchen Furniture.

Kitchen furniture (HS code 9403.40)

	2012	2011
	Yen 000's	Yen 000's
total	9895271	9920935
R KOREA	5888	13909
CHINA	1922512	1514503
TAIWAN P.o.C	15177	8334
VIETNAM	3324819	3075033
THAILAND	114502	402994
MALAYSIA	275911	324955
PHILIPPINES	1616768	1960764
INDONESIA	1744201	1757627
INDIA	1275	419
SWEDEN	2503	968
DENMARK	5862	13278
UK	5349	2337
NETHERLANDS	580	316
BELGIUM	326	483
FRANCE	5066	2358
GERMANY	304761	260786
ITALY	146379	127196
FINLAND	1015	na
AUSTRIA	6015	na
ROMANIA	228	na

The value of Japan's imports of Bedroom Furniture in both 2011 and 2012 was approximately twice that of the value of Kitchen Furniture imports and some eight times that of Office Furniture imports.

Manufacturers in Vietnam supplied around 34% of all of Japan's Bedroom Furniture imports in 2011 and in 2012. After Vietnam the main suppliers of Bedroom Furniture to the Japanese market in 2012 were China (yen 1,922 mil.), Indonesia (yen 1,744 mil.), and Philippines (yen 1,616 mil.)

Bedroom furniture (HS code 9403.50)

	2012	2011
	Yen 000's	Yen 000's
total	16949445	14761215
R KOREA	12606	18993
CHINA	9437752	8114820
TAIWAN P.o.C	208822	134952
VIETNAM	3338593	2929844
THAILAND	657846	570780
MALAYSIA	1804659	1662948
PHILIPPINES	2143	4470
INDONESIA	522626	485402
INDIA	1335	922
SWEDEN	129349	77443
DENMARK	7917	10876
UK	2010	1057
FRANCE	8755	13661
GERMANY	13654	21517
SWITZERLAND	2776	1038
PORTUGAL	216	213
SPAIN	378	1458
ITALY	204977	na
FINLAND	10572	na
POLAND	255853	na

Report from China

Flooring sales fall 5 percent

The Wood Flooring Commission within China's National Forest Products Industry Association (CNFPI) recently published data on China's flooring production and sales in 2012. Although the report mentions that the available statistics are incomplete, the indications are that total output and sales of domestically manufactured wooden flooring fell around 5% to 377 million square metres in 2012.

Weaker than expected GDP growth, coupled with central government efforts to reign in housing growth, have seriously affected wood flooring manufacturers. According to the National Statistics Bureau GDP grew year on year by 7.8 percent, the lowest rate of growth since 2000.

The flooring statistics show that output and sales of impregnated paper laminated floor in 2012 fell 10 percent to 211 million square metres, wood composite flooring output dropped 5 percent to 86 million square metres, output of solid wood floors fell 2 percent to 41.7 million square metres while output of bamboo flooring remained unchanged compared to levels in 2011 at around 25 million square metres.

The output and sales of bamboo/wood composite, a new product category in the statistics, was 10 million square metres.

Higher Log imports through Zhangjiagang Port in 2012

According to statistics from the Zhangjiagang Entry-Exit Inspection and Quarantine Bureau, total log imports entering China through Zhangjiagang Port in 2012 amounted to 2.95 million cubic metres valued at US\$723 million, up 5 percent in volume and 10 percent in value on levels in 2011.

This volume of log imports represents a significant increase from the 1.78 million cubic metres imported through Zhagnjiagang Port in 2007.

Logs entering China through Zhangjiagang Port were mainly from Oceania and Africa. The level of log imports from suppliers in Oceania was largely unchanged from levels in 2011.

Log imports from Papua New Guinea increased (1%) to 1.36 million cubic metres. Log imports from the Solomon Islands slipped 18 percent to 515,600 cubic metres in 2012 compared to levels recorded in 2011. However, log imports from the Solomon Islands have been increasing over the past few years.

Log imports from African countries through Zhangjiagang Port totaled 797,000 cubic metres, up 33 percent year on year.

Private and foreign enterprises dominate Shandong furniture exports

According to the statistics from the Qingdao Customs, furniture and furniture parts exports through Shandong Port in 2012 rose about 10 percent to US\$1.73 billion.

In 2012 furniture exports utilising domestic timbers accounted for more than 80 percent of total exports and were 15 percent higher than in 2011 at US\$1.45 billion.

Furniture and furniture parts exports from Chinese companies utilizing imported timber fell 13 percent to US\$0.27 billion.

The EU, US, Japan and South Korea were the main export markets for furniture and furniture parts exported through Shandong Port in 2012.

Furniture and furniture parts exports through the Port to the EU increased 7 percent to US\$560 million, exports to the US rose 9 percent to US\$540 million, exports to Japan were up 5 percent to US\$260 million and exports to South Korea grew 14 percent to US\$130 million.

The value of furniture and furniture parts exports to the main markets above accounted for around 85 percent of the total value of furniture and furniture parts exports from Shandong Province.

Private and foreign-funded enterprises dominated Shandong furniture exports in 2012. The furniture and furniture parts exports of these enterprises accounted for 95 percent of the total export value of furniture and furniture parts from Shandong Province.

Stable GDP growth amid global uncertainty in 2102

A National Bureau of Statistics of China press release provides a summary of China's economic performance in 2012.

see:

(http://www.stats.gov.cn/english/pressrelease/t20130118_402867147.htm)

The press release says that, despite the increasingly complicated and severe international situation, China's national economic performance in 2012 was stable. According to preliminary data, GDP in 2012 grew 7.8%. Growth in the first quarter was 8.1 percent, 7.6 percent for the second quarter, 7.4 percent for the third quarter and 7.9 percent for the fourth quarter.

Industrial production records modest growth

The total value added by industrial enterprises above a designated size in 2012 was up approximately 10%, but rate of growth represented a 3.9% decline on growth for 2010/2011.

Year-on-year growth of industrial production the first quarter was 11.6 percent, 9.5 percent for the second quarter, 9.1 percent for the third quarter and 10.0 percent for the fourth quarter.

The annual growth in production by heavy industries was 9.9 percent, and 10.1 percent for the light industries. All 41 industrial categories in the statistics registered year-on-year growth.

The growth rates in eastern, central and western regions of China were up by 8.8 percent, 11.3 percent and 12.6 percent respectively.

Growth in fixed asset investments remain strong

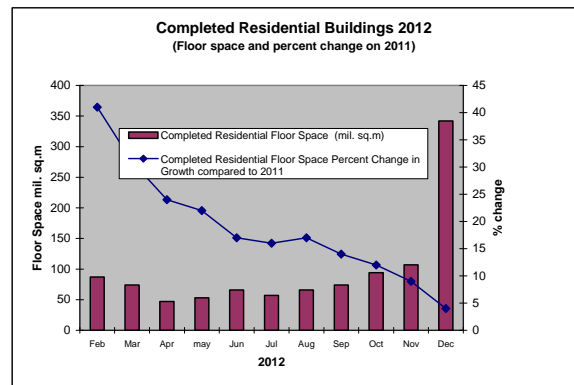
In 2012, investment in fixed assets (excluding rural households) grew by 20.6% but this was a 3.4% lower rate than that in the previous year. Investments by state-owned and state holding enterprises rose 14.7%; private investment grew by 24.8 percent and accounted for 61.4% of total investment.

Recorded growth in investment in the eastern, central and western regions was 17.8 percent, 25.8 percent and 24.2 percent respectively. Total investment in new start-ups in 2012 increased 28.6% year on year and the number of new projects totaled 356,296, or 28,948 more than that in 2011.

Real estate investment

Total investment in real estate development in 2012 was yuan 7,180.4 billion, a year-on-year growth of 16.2%, but this represented a decline in the rate of expansion of 11% on growth in 2011.

Investment in residential buildings was yuan 4,937.4 billion yuan, (+11.4%) accounting for 68.8% of all real estate investment.



Source: ITTO analysis of data from National Bureau of Statistics of China

In 2012, real estate investment in the eastern region was up 13.9 percent year-on-year, in the central region +18.3%; the western region +20.4%.

In 2012, the floor space under construction was for 5,734.18 million square metres, up by 13.2 percent year-on-year of which, residential floor space was up 10.6%.

Domestic demand grows at robust rate

In 2012, total retail sales of consumer goods reached 20,716.7 billion yuan, a nominal annual rise of 14.3 percent but 2.8% lower than in 2011. Retail sales in urban areas grew 14.3% and retail sales in rural areas grew by 14.5%.

Sales of motor vehicles rose by 7.3%, (down 7% on 2011 growth rates); furniture sales also +27%, but this was 5.8% down on growth rates in 2011.

Income levels chalk up double digit growth

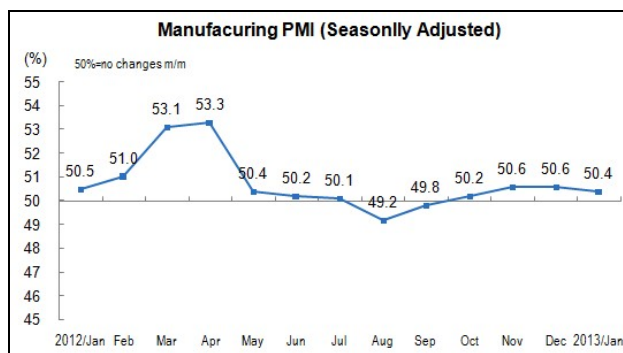
In 2012, the per capita income of urban households was yuan 26,959 of which the disposable income of urban households was assessed to be yuan 24,565. The nominal income growth was 12.6% just 1.2% higher than that in 2011.

Per capita net income of rural households was reported as yuan 7,917, up by 13.5 percent, a marginal 0.7% lower growth rate than in 2011.

The number of rural migrant workers at the end of 2012 was 262.61 million, or some 9.83 million more than in 2011. This represented an increase of 3.9% in the number of migrant workers. The average monthly income of a migrant worker at the end of the year was 2,290 yuan, up 11.8% in a year.

PMI falls in January but stays out of negative territory

In January, China's manufacturing Purchasing Managers Index (PMI) was 50.4, down slightly month-on-month but still above the negative.



Source: National Bureau of Statistics of China

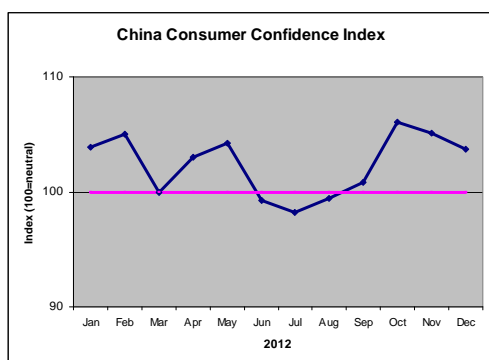
The PMI for large-sized enterprises was 51.3 (+0.2) month-on-month. This PMI has been above the negative threshold for five consecutive months. The PMI for medium-sized and small-sized enterprises were 49.7 and 46.2 percent below the negative threshold.

The overall PMI of enterprises in the eastern and central region were 50.9 and 51.1 percent respectively, higher than the national level. The PMI of enterprises in the western north-eastern region were below 50 at 48.1 and 49.9, respectively.

The production indices for non-metallic mineral products, petroleum, timber and furniture manufacturing, chemical fibre manufacturing, rubber and plastic manufacturing and electronics, amongst others, were below the negative threshold and output declined in 2012.

Consumer confidence fell marginally in December 2012

The National Bureau of Statistics of China has released data showing that Consumer Confidence levels in China fell to 103.70 in December of 2012 down 1.4 points from the 105.10 November 2012 level.



Source:

This index is compiled from surveying respondents in 20 cities throughout China. The Index measures confidence on a scale of 0 to 200, where 200 is the most optimistic level, 0 the most negative situation and 100 neutral.

Guangzhou Yuzhu International Timber Market

Logs		Price (yuan/cu.m)
Lauan	Dia. 60 cm*	2000-2200
Kapur	Dia. 80 cm*	3100-3200
Merbau	Dia. 100 cm*	5500-5600
	Dia. 30-60 cm	10000-13000
Teak		
Wenge	not specified	4500-5500
Sawn wood		
Maple	Grade A	7500-9500
Walnut USA	FAS 2 inches	14000-16000
Cherry USA	FAS 2 inches	10000-12800
Sapelli	Grade A	6600-7000
Okoume	Grade A	4200-4500
Plantation Teak	Grade A	9600

Shanghai Furen Forest Products Wholesale Market

Logs		Price (yuan/tonne)
Red sandalwood	All grades	1 million-2 million
India		
Myanmar and Nepal	All grades	7000-8800
Granadillo (Mexico)	All grades	7500-8000
Sawn wood		Price (yuan/m ³)
Okoume (Africa)	grade A	3700-4000
Sapelli (Africa)	grade A	6300-6500
Beech (Europe)	grade A	4400-4800
Red Oak (USA)	2 inch FAS	7300-7500
Cherry (USA)	2 inch	9800-10000
Maple (USA)	2 inch	8000-8300
Sapelli (Africa)	2 inch FAS	6300-6500
Merbau (Indonesia)	All grade	8500-13500

Hangzhou Timber Trading Market

Logs		Price (yuan/m ³)
Ash	4 m 30 cm	3200-4500
Larch	4 m 8 - 10 cm	1800-2900
Linden	4 m 26 cm	2200-3100
Sawn wood		
Beech (Europe)	All grades	3200-4900
Black w alnut (USA)	All grades	7000-13000
Teak (Myanmar)	All grades	9000-18000
Red oak (USA)	All grades	4200-7200
Alder (Myanmar)	All grades	4500-5300
Merbau	All grades	7200-14500
Plywood		Price (yuan/sheet)
Red beech	4'x 8'x 3 mm	50-72
Black w alnut	4'x 8'x 3 mm	50-95
Teak	4'x 8'x 3 mm	70-138

Shandong De Zhou Timber Market

Logs	Length	Dia.	Price (yuan/cu.m)
Larch	4m	18-22 cm	1200
		24-28 cm	1250
		30 cm	1450
	6m	18-22 cm	1230
		24-28 cm	1250
White Pine	4m	24-28 cm	1350
		30 cm	1450
		36 cm	1500
	6m	24-28 cm	1350
		30 cm	1450
Korean Pine	4m		1700
	6m		1750
Mongolian			
Scots Pine	4m	30 cm	1360
		36 cm	1500
	6m	30 cm	1420
		36 cm	1600

Wenzhou Timber Trading Market

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

Report from Europe

Slight signs of rising optimism

Prospects for the European economy seem more positive now than this time last year. The worst fears of a destructive domino effect that might have resulted from Greece or another country being forced out of the euro-zone have failed to materialise. The effects of the financial crises were largely contained within the most afflicted economies of southern Europe.

The countries of central and north-western Europe, while experiencing higher than normal levels of economic volatility, have so far managed to weather the storm. Their relative stability has prevented the effects of the financial crises from spreading throughout Europe.

In recent months, several economic indicators in the EU, such as the Economic Sentiment Indicator and the Construction Confidence Index, have improved. There is cautious optimism that economic reforms in the most troubled EU countries are beginning to work.

But while confidence has risen, it is starting only from a very depressed level and remains well below pre-recessionary levels. Many serious underlying constraints to market growth remain. Financing and credit are still tight. Companies remain highly risk averse.

Activity in the construction sector remains very slow and may even decline further this year. Latest data for the Eurostat building permits index - a key forward indicator of likely future levels of construction - has yet to show any sign that the market has turned a corner.

Fourth quarter 2012 GDP data for the large euro-zone economies - France, Germany, Italy, and Spain - has yet to be published, but economists are already pencilling in likely declines across the board. After a buoyant 3rd quarter of 2012, the UK economy shrank again (by 0.1%) in the last quarter of the year.

Mario Draghi, president of the European Central Bank, was gloomy in his comments to the media on 7 February, suggesting that economic risk remains skewed to the downside and that there is likely to be further weakness in 2013.

Short-term increase in tropical hardwood imports

Nevertheless, several factors have encouraged a slight increase in European imports of tropical hardwood products during the opening weeks of 2013. The euro exchange rate has strengthened, hitting \$1.3657 in mid-February, its highest level since November 2011.

This trend has generally reduced the costs of imports. At the same time, European stocks of tropical wood products were very low at the start of the year following low import volumes in the second half of 2012.

Another factor is the imminent enforcement of the EU Timber Regulation on 3 March 2013. After that date, European importers will be liable for prosecution if the European authorities are able to demonstrate that the wood is from an illegal source, or that the importer has failed to implement due diligence procedures in line with the regulatory requirements.

This last factor has encouraged some European tropical wood importers to take steps to rebuild stocks earlier rather than later.

Unfortunately all these factors are likely to be short-lived and few in the European tropical wood importing industry are expecting any significant upturn in real consumption during 2013.

Decline in EU hardwood veneer market

In the first 9 months of 2012, the EU imported 203,000m³ of tropical hardwood veneer with a value of €19 million, down 11% and 10% respectively compared to the same period in 2011 (Table).

Imports from Gabon, Cameroon and the Congo Republic were declining in 2012, while imports from Ivory Coast, Equatorial Guinea and Ghana were stronger than in 2011.

The quarterly data (Chart 1) reveals that there was a particularly dramatic fall in tropical hardwood veneer imports from Gabon in the 3rd quarter of 2012.

EU-27 hardwood veneer imports, Years 2010-2011 and Jan-Sep 2011-2012										
Supply country	Value (€million)					1000 m3				
	Year		Jan-Sep			Year		Jan-Sep		
	2010	2011	2011	2012	%chge	2010	2011	2011	2012	%chge
Tropical hardwood veneer										
TOTAL	181.5	174.7	132.5	118.7	-10.4	305.9	303.3	228.5	202.9	-11.2
GABON	72.1	79.9	60.3	48.9	-18.8	156.4	169.4	127.4	103.9	-18.4
IVORY COAST	35.1	31.2	22.9	24.6	7.6	69.5	60.1	44.2	47.3	7.0
CAMEROON	30.5	27.0	21.9	16.9	-22.8	29.1	31.5	25.0	20.1	-19.6
EQU. GUINEA	8.7	7.8	6.0	6.5	8.2	19.6	14.6	11.2	11.2	-0.2
CONGO REP.	6.1	7.6	5.7	5.0	-11.7	12.3	13.9	10.4	8.7	-15.8
GHANA	8.8	6.3	4.9	6.3	27.8	8.1	6.1	4.8	6.7	39.6
CHINA	4.8	2.7	1.8	1.2	-34.9	2.7	1.3	0.9	0.5	-44.4
OTHER	15.4	12.1	9.0	9.3	3.0	8.3	6.3	4.7	4.6	-3.7
Temperate hardwood veneer										
TOTAL	239.3	230.5	176.0	156.7	-11.0	193.3	195.9	146.6	138.5	-5.5
UKRAINE	44.7	49.7	37.3	39.7	6.3	37.3	38.5	28.8	31.1	8.0
U.S.A.	93.6	78.5	61.6	52.0	-15.6	54.4	46.4	36.1	31.0	-13.9
RUSSIA	8.1	7.7	5.8	7.2	24.2	26.2	25.4	19.0	22.5	18.4
CROATIA	24.5	24.4	18.4	17.0	-7.3	15.3	14.2	10.9	10.1	-7.2
CHINA	23.7	22.8	18.3	10.5	-42.8	11.0	11.0	9.0	5.0	-43.8
OTHER	44.7	47.4	34.7	30.4	-12.4	49.1	60.4	43.0	38.8	-9.7

Forest Industries Intelligence Ltd analysis of Eurostat

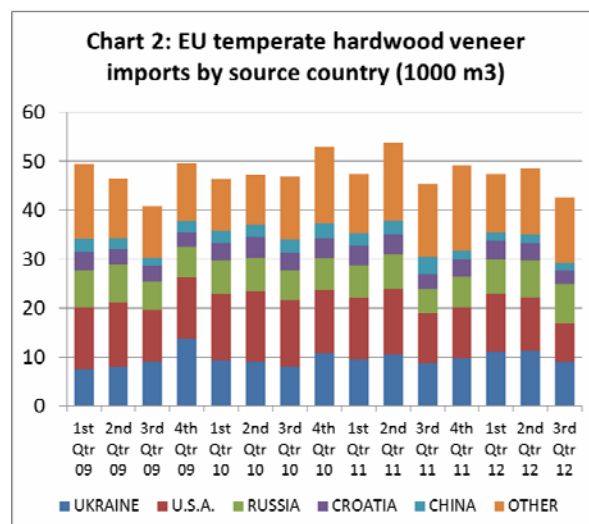
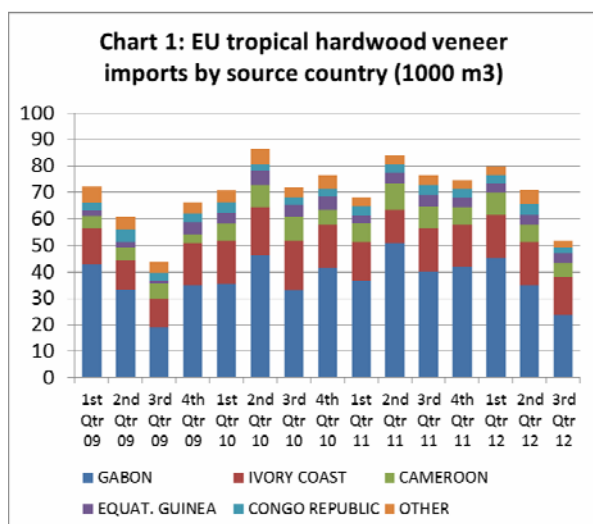
The decline in imports is not confined to tropical hardwood veneer. EU imports of temperate hardwood veneer were 138,500 m3 with a value of €157 million in the first nine months of 2012, down 6% and 11% respectively compared to the same period in 2011.

Imports of this commodity fell sharply from the USA and China in 2012, but were rising from Ukraine and Russia. As for tropical hardwood veneer, the quarterly data indicates that imports of temperate hardwood veneer were particularly weak in the third quarter of 2012 (Chart 2).

Falling veneer imports is a symptom of long term weakness in the European plywood and veneer industries. European manufacturing of tropical hardwood plywood has been declining under pressure from weak construction sector growth in the key markets of France, Netherlands, Italy and Spain.

Okoume plywood manufactured in the EU is also struggling to compete against cheaper imported plywood, particularly from China, and alternative panel products.

As a result the fall in okoume log imports following the Gabon log export ban in May 2010 has not been offset by any increase in rotary veneer imports.



The European market for decorative sliced veneers is also suffering. According to the German trade journal EUWID, European domestic manufacturers of this product were only operating at around 60% capacity during 2012.

There was a short-lived upturn in the European market for decorative sliced veneer in the first quarter of 2012 after a poor year in 2011.

However this recovery failed to gain traction and demand slowed again in April/May 2012.

A major factor contributing to the slowdown in European decorative sliced veneer market was a decline in orders by furniture manufacturers, notably IKEA which plays a critical role in the market. At the end of 2012, EUWID reported that IKEA is planning to slash veneer orders over the next two years and that the furniture giant may halve its use of veneer by 2014.

Demand from furniture companies other than IKEA also fell dramatically during the second half of 2012.

Demand from the European door sector was weakening. The only industrial sector EUWID reckons was performing reasonably well during 2012 was the high-end market for veneer in car interiors.

With Europe's industrial markets for sliced veneer seemingly in long-term decline, European manufacturers and traders are selling more veneer products for bespoke joinery and interior remodelling projects.

According to the 2012 GD Holz survey of the German veneer trade, this sector accounts for 42% of all veneer sold by the 39 veneer mills and veneer traders located in Germany.

Only around 34% of sales volume is now destined for industrial users (including doors, furniture, flooring, and board producers). This compares to a figure of 47% only three years ago.

The GD Holz survey also provides an insight into species preferences in the German veneer sector. Species usage by surveyed companies in 2012 was as follows: European oak (22%), tropical hardwood (16%), European maple (10%), European beech (9%), European ash (6%), American white oak (9%), American walnut (8%), American hard maple (4%), American cherry (3%), and others (13%).

Niche markets for tropical wood in Spain

In the years up to 2007, Spain was one of Europe's largest markets for tropical hardwood products. However Spain's hardwood consumption has nose-dived since then following the very sharp decline in construction activity and weak domestic and export demand for Spanish furniture.

Nevertheless, hardwood continues to be consumed in Spain, with much demand now driven by renovation and refurbishment in the building sector and by exports of the larger joinery and furniture manufacturers.

A recent survey of Spanish hardwood importers by the Spanish Timber Importers Association (AEIM) with support from the American Hardwood Export Council (AHEC) highlights where different types of hardwood continue to be used.

The AEIM/AHEC survey shows that tropical species account for nearly all the hardwood used by Spanish windows manufacturers. Iroko alone accounts for two thirds of all hardwood consumed in this sector, with the remainder mainly comprising a mix of African and Brazilian species.

Naturally durable tropical species, mostly from Brazil, still account for around 97% of the Spanish wood decking market, although there is a small but growing demand for heat-treated ash which is being adopted now for both technical and environmental reasons.

Tropical wood is less widely used in the interior joinery sector, although it still occupies some important niche markets. Around 45% of the hardwood used for stair components in Spain comprises tropical wood, mostly from Brazil and Africa. Much of the rest of this market is served by American white oak, European oak and beech.

Oak, including both U.S. white oak and European oak, is also the leading hardwood consumed in Spain's flooring sector. But the survey also shows that darker tropical species sell better than oak in northern Spain where traditionally there has been a strong market for solid hardwood flooring.

In the interior doors sector, formerly a large consumer of hardwood lumber and veneer in Spain but now much diminished, tropical wood species account for around one third of hardwood usage.

The dominant hardwood species in this sector is American white oak, but sapele and a range of Brazilian species continue to be used by the surviving manufacturers.

Tropical timbers - notably iroko - are also used for shop-fitting in Spain and account for around a quarter of all hardwood used in this sector. The main temperate hardwoods used in this sector are European beech and oak, with smaller volumes of US white oak.

Tropical species contribute only a relatively small proportion of hardwood used in the Spanish interior furniture sector. About 15% of hardwood used to manufacture classic furniture in Spain is tropical, nearly all from Africa.

The modern furniture sector in Spain uses mainly beech and pine, but about 10% is comprised of tropical wood, mainly a mix of African and Brazilian species. Manufacturers of high class solid hardwood kitchens typically use American white oak, European oak and beech, with tropical wood accounting for around 8% of hardwoods used.

Environmental NGO highlights improvements in tropical forest governance

Ten years on since the EU Forest Law Enforcement Governance and Trade (FLEGT) Action Plan was launched, and one month before the introduction of the EU Timber Regulation (EUTR) which makes it a criminal offence to put illegally sourced timber on the EU market, new research by FERN, an EU-based environmental NGO, has shown strong forest governance improvements have already been achieved.

The FLEGT Action Plan, launched by the EU in 2003, includes the development of voluntary partnership agreements (VPAs) with timber producing countries. VPA negotiations have so far been concluded with six timber producing countries: in chronological order, Ghana, the Republic of Congo, Cameroon, the Central African Republic, Indonesia and Liberia.

Six more VPAs are currently being negotiated. A key part of the VPA process is development of procedures to ensure credible legality licensing procedures for all timber exported by partner countries into the EU.

FERN report that "*international and national NGOs have been part of their design, and have helped ensure VPAs include essential principles of forest governance. FERN's research shows these have been largely respected.... One of the most startling findings was that all the VPAs concluded to date have been negotiated in a multi-stakeholder process involving representatives from local human rights and environmental organisations, the private sector and government. This is the first time that legally binding trade agreements have been negotiated and agreed in such an inclusive, consensus-based process. The process has therefore been perceived as empowering local civil society actors*".

FERN's analysis has shown that every VPA concluded so far covers all exports (not just those to the EU), and all timber products. With the exception of the Central African Republic, all concluded VPAs also include the domestic

market. FERN comment "this could have a large impact on local communities in these timber-producing countries. Most VPAs also include reforms concerning community forests, the domestic market, and to some extent improved recognition of customary rights".

In their report, FERN emphasise the importance of successful implementation of the EUTR in order to build on the work already done through VPAs.

They suggest that "if this legislation is not effective in reducing illegal timber imports, producer countries may lose interest in a VPA.....To ensure the EUTR and the FLEGT VPAs become mutually supportive, the EU and the Member States have to ensure a robust and effective implementation of the EUTR across all Member States. If illegal timber continues to be imported into the EU, the effectiveness of the VPAs will be undermined."

Report from North America

Tropical hardwood sawnwood imports

The US tropical sawn hardwood imports slowed in December, but the decline is likely seasonal. December imports were 17,516 cu.m., down 6% from the previous month. Year-to-date imports of tropical sawn hardwood were up 8% in December compared to 2011.

Imports from Brazil were 3,166 cu.m., up 19% from November. The increase was not only in ipe (1,941 cu.m.) but also in other (not specified) tropical species (668 cu.m.).

Jatoba imports from Brazil declined to 346 cu.m. Total 2012 ipe imports are 38% above 2011 volumes. Ecuador's balsa shipments to the US fell by 33% to 2,418 cu.m. in December.

Imports from Malaysia grew by 7% to 2,418 cu.m. Keruing shipments of 2,222 cu.m. accounted for much of the increase.

December imports from Cameroon were 1,849 cu.m., unchanged from 2011 on a year-to-date basis. Sapele shipments fell from 1,748 cu.m. in November to 998 cu.m. in December, while acajou d'Afrique imports increased to 635 cu.m. Ghana's acajou d'Afrique exports to the US soared to 1,503 cu.m. in December.

Malaysia's exports to the US increased in November, mainly because of higher keruing sawnwood shipments (1,855 cu.m.). Indonesia exported 724 cu.m. of sawn hardwood in December, up 34% year-to-date from 2011.

Export growth was in other, various species, while meranti shipments declined by 65% from November to only 181 cu.m. Annual 2012 US imports of sawn tropical hardwood by species and the % change from the previous year are shown in the table below.

US imports of sawn tropical hardwood, by species

Species	2012 Imports Cu.m	Change from 2011
Balsa	47,573	0%
Sapelli	27,061	6%
Acajou d'Afrique	26,199	10%
Keruing	19,221	11%
Ipe	27,859	38%
Mahogany	14,001	7%
Virola	12,142	-5%
Meranti	6,157	-2%
Cedro	5,925	-45%
Jatoba	5,485	38%
Teak	5,209	5%
Iroko	1,248	197%
Padauk	943	1%
Meranti	515	415%
Aningre	328	-82%
Other tropical	24,185	29%
Total	224,051	8%

US imports of sawn tropical hardwood, by country

	2012 Imports cu.m	% change on 2011
Ecuador	40,869.00	-11%
Brazil	37,539.00	27%
Cameroon	27,086.00	0%
Malaysia	23,045.00	13%
Congo (Brazzaville)	11,680.00	54%
Peru	9,871.00	-1%
Indonesia	9,658.00	34%
Ghana	10,760.00	3%
Cote d'Ivoire	9,437.00	253%
Other	53,543.00	7%
total	224,051.00	8%

FOB prices for US imported tropical hardwood

	US\$/cu.m
Ipe (Brazil) Decking premium Grade 1x6 ins FOB Belem	2750
Ipe (Brazil) Decking premium Grade 5/4x6 ins FOB Belem	2780
Khaya (Cote d'Ivoire) FAS KD, FOB Abidjan	870
Khaya (Ghana) FAS KD, FOB Takoradi	980
Sapele (Cameroon) FAS AD, FOB Douala	810
Sapele (Cameroon) FAS KD, FOB Douala	980

Ipe and wood-plastic composites used for boardwalks

The devastation brought by Hurricane Sandy last October included the destruction of boardwalks in towns along the New Jersey and New York coast. In New Jersey, almost every town and city along the coast has a boardwalk.

Although many boardwalks had been destroyed in previous storms, they were always rebuilt because they are major tourist attractions and often the economic and social centres of the shore towns.

New Jersey towns are now working on rebuilding and repairing the more extensive damage from Hurricane Sandy before the summer season.

Ipe from Brazil has been a popular material for the boardwalks since it is structurally strong and long-lasting in the humid conditions and near saltwater. As a result, boardwalk repair is a major market for ipe.

The environmental group Rainforest Relief estimated in 2007 that 40% of New Jersey's boardwalks are made from ipe.

Towns have increasingly been asked by environmental groups and concerned citizens to use non-tropical wood or wood-plastic composites (WPC) when repairing their boardwalks. Several towns are now rebuilding their boardwalks in WPC.

According to a press release by Trex, the largest manufacturer of WPC, four towns will use their WPC product to rebuild boardwalks destroyed by Hurricane Sandy, including the famous Atlantic Beach boardwalk in New York.

Other towns, however, continue to use ipe, especially if it is FSC certified. The town of Wildwood, New Jersey, ordered native black locust wood to avoid the use of tropical species.

But the delivered wood was too low quality, the town was planning to go back to ipe if no black locust of adequate quality is found. Aesthetically, WPC does not offer the same experience to users as a wooden boardwalk. Southern yellow pine has historically been used in boardwalks, but even when treated it has a short lifespan compared to ipe and it is less fire-resistant.

In the town of Belmar, New Jersey, officials planned to use certified ipe to rebuild the boardwalk, but the town switched to WPC after an environmental group was prepared to fight the use of ipe. The possible legal battle would have delayed construction, which the town hopes to complete before May this year.

Overall however, it appears that most towns do not change the material previously used in boardwalk repairs, whether it is ipe or WPC. Additional wooden structures on top of the boardwalk, such as pavilions, will be added later in most towns as the focus is to have the boardwalks ready for the start of the tourist season this year.

Cross-laminated timber handbook published for US construction industry

A handbook on design, construction and implementation of cross-laminated timber (CLT) in residential and non-residential construction in the US has been published by a group of research institutes and industry associations (FPInnovations, the American Wood Council, the US Forest Products Laboratory, APA The Engineered Wood Association, and US WoodWorks).

The handbook is aimed at building professionals and can be downloaded for free at www.masstimber.com. A recent building code change will allow greater use of CLT in non-residential construction in the US, potentially replacing non-wood materials.

Correction

In the ITTO TTMR No. 17:2 on page 22, the table 'Canadian imports of sawn tropical hardwood, by country' was erroneously shown in units of cubic metres. The units for this table should be US dollars.

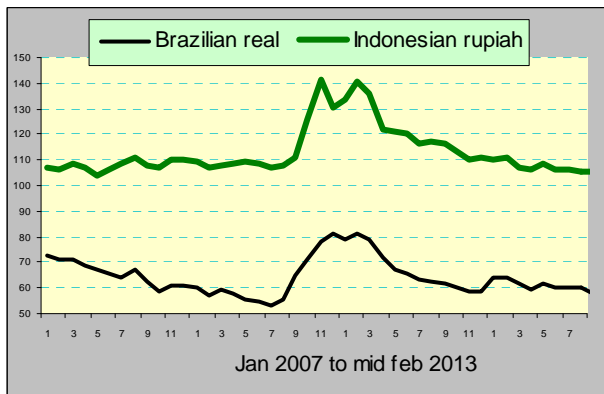
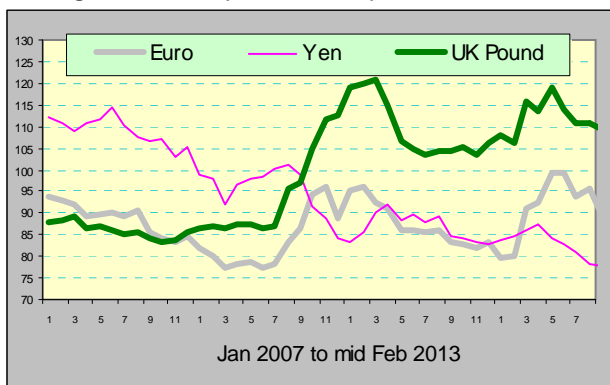
Disclaimer: *Though efforts have been made to keep prices near to accurate, these are published as a guide only. ITTO does not take responsibility for the accuracy of this information.*

Main US Dollar Exchange Rates

As of 11th February 2013

Brazil	Real	1.9721
CFA countries	CFA Franc	487.01
China	Yuan	6.2338
EU	Euro	0.746
India	Rupee	53.9655
Indonesia	Rupiah	9621
Japan	Yen	94.32
Malaysia	Ringgit	3.0988
Peru	New Sol	2.5821
UK	Pound	0.6386
South Korea	Won	1096.1

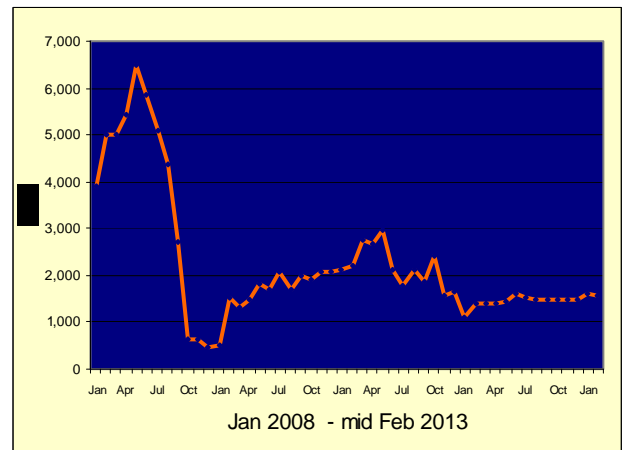
Exchange rates index (Dec 2003=100)



Abbreviations and Equivalences

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

Ocean Freight Index



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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