

Tropical Timber Market Report

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Top Story

Preliminary US anti-dumping duties on plywood imports from China

The US Department of Commerce announced on April 30 the preliminary anti-dumping duties on decorative plywood imports from China.

These duties were to come into effect on July 17 but, because two of the affected companies requested the postponement of the deadline the entry into force was delayed to allow for further investigation.

Those investigations have been concluded and the duties will come into effect in July. Plywood from China has an estimated 30% market share in the US.

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Report from Central/West Africa

Small mills preferring supply contracts with larger companies not direct export

As previously reported, small sized producers in West Africa which have short term concession agreements are becoming less willing to export directly. Instead these small companies are looking to supply large mills that are able to consolidate volumes and arrange markets and shipments.

Analysts suggest that it is likely that many smaller sawmills and manufacturers will prefer to make permanent supply contracts with, or to be taken over by, larger companies. The larger companies have better access to major markets, have the resources to develop emerging markets and have the capacity to meet the demands of the EUTR and legality verification demands in other markets.

No clear price trends discernable in the short term

Log export prices remain largely unchanged once again and there are no discernable signs of significant market movements over the coming month. There are reports of the occasional small changes in sawnwood prices but these do not reflect an overall trend.

The market seems to have lost interest in padouk and okan and the market for sapele is rather volatile however, prices are still favourable and demand from China is strong and increasing.

Log availability may result in extended deliver times for some species

Even though demand is low, some European buyers are prospecting purchases for shipment over the next few weeks. However, producers are cautious and are advising buyers that they are finding it increasingly difficult to fulfil some existing contracts because of log availability problems.

Producers warn of possible extended delivery periods for the most popular species unless there is an improvement in log supply.

There are reports of an uptrend in prices within the Asian domestic markets but this has not yet translated to better prices for Central and West African timber.

Analysts suggest that there is no clear prospect for Central and West African producers to break out of the current cycle of stagnant prices except in the case of a few species for which there is stronger demand.

Log Export Prices

West African logs, FOB		€ per m ³	
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	215	215	-
Ayous/Obeche/Wawa	220	210	150
Azobe & Ekki	215	215	140
Belli	220	220	-
Bibolo/Dibétou	145	130	-
Iroko	265	220	215
Okoume (60% CI, 40% CE, 20% CS) (China only)	245	225	200
Moabi	285	280	-
Movingui	185	155	150
Niove	165	165	-
Okan	285	300	-
Padouk	340	320	235
Sapele	270	255	175
Sipo/Utile	320	290	175
Tali	280	280	-

Sawnwood Export Prices

West African sawnwood, FOB		€ per m ³
Ayous FAS GMS		330
Bilinga FAS GMS		515
Okoumé FAS GMS		480
Merchantable		290
Std/Btr GMS		340
Sipo FAS GMS		550
FAS fixed sizes		-
FAS scantlings		520
Padouk FAS GMS		860
FAS scantlings		-
Strips		-
Sapele FAS Spanish sizes		480
FAS scantlings		505
Iroko FAS GMS		580
Scantlings		600
Strips		435
Khaya FAS GMS		440↑
FAS fixed		465
Moabi FAS GMS		550
Scantlings		550
Movingui FAS GMS		400

EU FLEGT Update from EFI

The European Forest Institute's (EFI) EU FLEGT Facility, in cooperation with the EU FAO FLEGT Programme and the European Union, publishes regular updates on progress in negotiating and implementing VPAs. The following is extracted from the recent EFI Update.

Côte d'Ivoire and EU prepare for their first VPA negotiations

The EU and Côte d'Ivoire have begun preparations for the first VPA negotiation session scheduled to take place on 20-21 June. Three technical working sessions have taken place since the end of March. Participants in these preparatory meetings included forestry officials and representatives from civil society and the private sector.

VPA implementation in Cameroon gets a positive review

Work on implementing Cameroon's VPA received a positive evaluation during the first 2013 meeting of the Joint Monitoring Committee on 25-26 April. The Committee noted that considerable progress had been made.

Technical progress includes the development of a methodology to assess private certification schemes and procedures for issuing legality certificates, as well as the organisation of an independent audit.

Other notable efforts were the adaptation of the regulatory framework to meet VPA requirements, with three related decrees published, and in communication and transparency, with progress made on the annual report, website and information to be made public.

Other progress includes the establishment of structures to monitor the VPA, namely the National Monitoring Committee, Joint Monitoring Committee and Joint Implementation Council.

In the coming months, work will be undertaken to fulfil commitments for documents to be put into the public domain (Public Information Annex), through a website which is under development.

In addition, the Committee agreed to a strategy for developing an updated version of the legality verification system, as the work to date does not yet meet VPA requirements.

With the EU Timber Regulation already in force but FLEGT licensing not yet in place, Cameroon’s timber producers and exporters must demonstrate their compliance with the country’s legal framework.

The Joint Monitoring Committee highlighted the need to prioritise the issuing of ‘certificates of legality’ and to be able to explain why certificates are not yet available to help businesses respond to questions from their European buyers.

Report from Ghana

Sawnwood exports generate bulk of first quarter earnings

Ghana exported a total of 64,166 cu.m of wood products during the first quarter of 2013 to earn Euro 29.48 million.

Compared to exports in the same period in 2012 there was a 4.6% increase in export volumes and a 35% increase in export earnings in the first quarter 2013.

Exports of rotary veneer, boules, lumber (air and kiln dry), sliced veneer and mouldings were the main driver of the increase in export earnings.

Exports of Air-Dry lumber (including overland exports) and Kiln-Dry lumber together accounted for 47% of the total wood export volume for the first quarter of the 2013.

Plywood exports were the second best performer accounting for 24% of the total export volume. These three products together accounted for 68% (Euro 20.18 mil.) of the total value of exports for the quarter.

	Jan-Mar 2013	% change on 2012
Sawn Timber	Vol. cu.m '000's	
Lumber (AD)	16.14	84.5
Lumber (KD)	15.66	9.1
Veneers:		-
Sliced Veneer ¹	7.1	73.6
Rotary Veneer	1.93	211.3
Plywood ²	15.63	-40.9
Mouldings	3.72	27.4
Boules (AD+KD)	0.54	134.8
Parquet/Flooring	0.02	-71.4
Other Wood Products	3.43	-11.1
TOTAL	64.17	4.6

1 - Sliced Veneer includes Layons

2 - Plywood includes Overland exports

EU remains main export market despite economic downturn

Of the total Euro 29.48 million in export earnings from wood products in the first quarter Europe emerged as the major destination accounting for 41% of the trade. Imports by countries in Asia accounted for 25%, and this was closely followed by imports by African countries at 23%.

Export of wood products from Ghana to ECOWAS countries for the period Jan-Mar 2013 amounted to 17,558 cu.m compared to 26,204 cu.m recorded for the same period in 2012.

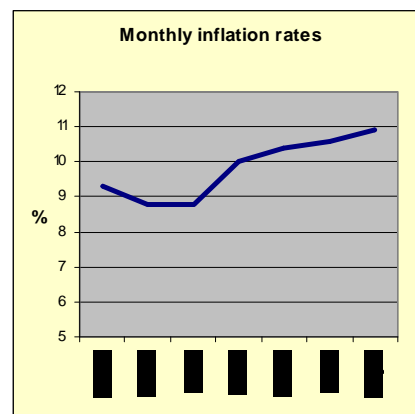
Removal of fuel subsidy will lead to higher prices

From the 1 June the fuel subsidy was withdrawn and this, say analysts, will result in price increases which will eventually have to be passed on to consumers.

Ghana’s budget deficit remains high and the Vice President, Kwesi Amisshah-Arthur, has said Ghana needs to renegotiate some resource contracts to increase tax revenues and to give the country more fiscal room to maneuver.

May inflation highest in three years

Ghana's annual consumer price inflation rose to 10.9 percent in May, the highest in three years.



An increase in the annual rate of inflation from 10.6 percent in April was due to seasonal rises in the cost of education and clothes and a scarcity of major food staples ahead of the next agricultural harvest.

Boule Export prices

	Euro per m ³
Black Ofram	220
Black Ofram Kiln dry	313
Niangon	500
NiangonKiln dry	565

Domestic Log Prices

Ghana logs	US\$ per m ³	
	Up to 80cm	80cm+
Wawa	150-160	163-180
Odum Grade A	169-174	178-188
Ceiba	110-125	130-145
Chenchen	94-105	109-123
Khaya/Mahogany (Veneer Qual.)	112-123	126-145
Sapele Grade A	146-155	161-185
Makore (Veneer Qual.) Grade A	132-138	140-166
Ofram	107-115	126-135

Export Sawnwood Prices

Ghana Sawnwood, FOB	€ per m ³	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up		
Afrormosia	855	945
Asanфина	480	544
Ceiba	210	255
Dahoma	322	395
Edinam (mixed redwood)	370	450
Emeri	355	450
African mahogany (Ivorenensis)	582	638
Makore	558	620
Niangon	513	600
Odum	611	715
Sapele	559	648
Wawa 1C & Select	269	319

Export Rotary Veneer Prices

Rotary Veneer 1-2mm , FOB	€ per m ³	
	CORE (1-1.9 mm)	FACE (2mm)
Ceiba	293	339
Chenchen	320	356
Ogea	322	354
Essa	326	355
Ofram	320	357

Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afrormosia	1.32	1.04
Asanфина	1.45	0.91
Avodire	1.22	0.72
Chenchen	0.81	0.50
Mahogany	1.30	0.80
Makore	1.32	0.70
Odum	1.88	1.00

Export Plywood Prices

Plywood, FOB	€ per m ³		
	Ceiba	Ofram	Asanфина
BB/CC			
4mm	427	600	648
6mm	420	610	622
9mm	360	438	475
12mm	361	430	439
15mm	317	378	368
18mm	305	363	364

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	12.60	15.00	18.33
Odum	9.00	11.20	12.40
Hyedua	14.08	14.00	18.45
Afrormosia	14.30	18.65	18.33

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

Report from Malaysia

Malaysian Timber Council brochure sets out scope of MYTLAS

The European Union (EU) Forest Law Enforcement, Governance and Trade Voluntary Partnership Agreement (FLEGT VPA) is a mechanism to combat illegal logging and facilitate trade in legal timber. The Malaysian government has signalled its full support for this EU initiative and is in the final stages of negotiation to conclude a FLEGT VPA.

Pending conclusion of negotiations for a FLEGT VPA with the EU, Malaysia commenced implementation of a timber legality assurance scheme (TLAS) designated as MYTLAS (Malaysia TLAS) on the 1February.

This is Malaysia's own initiative to assure the legality of its timber and timber products exported to the EU. MYTLAS has also in place comprehensive control procedures to ensure the exclusion of unverified timber.

A brochure for MYTLAS has been produced with information on the scope of MYTLAS, its control procedures, institutional arrangements and its implementation in Peninsular Malaysia.

The Malaysia Timber Council has said it is confident that MYTLAS meets the requirements for due diligence on the part of EU importers under the EU Timber Regulation.

For more information see: www.mtc.com.my/issues/

Industry urged to consider species other than Acacia for plantations

Over the past weeks the timber industry in Malaysia was focused on the Sarawak Grand Timber Expo and Conference 2013, held in Kuching in early June. There were 112 exhibitors showcasing various products and the conference attracted wide participation.

The Chief Minister of Sarawak, Abdul Taib Mahmud presented a keynote address which touched on the policies and development objectives of the State.

Taib said forest plantations are fast approaching 20% of the permanent forest area in the state and in the future these plantations should be able to yield as much as presently harvested from around 80% of the natural forests.

The species currently planted are fast growing but he urged the industry to conduct more research on species other than Acacia mangium.

By December 2012, Sarawak had 306,486 ha of tree plantations. Acacia is the main species (comprising 72% of total), Batai 12%, Eucalyptus 7%, Kelampayan 6% and others 2% make up the balance.

However, to meet the state target of one million hectare of tree plantations by year 2020 the industry has to plant 90,000 ha. a year.

Sarawak slow to supply international furniture market

Despite the steady export performance of the timber industry in the state and generation of around RM7 bil. (approx. US\$2.2 bil.) in export earnings a year, Sarawak’s Chief Minister has called on industry to take advantage of the international demand for furniture.

He said “Sarawak is not a big furniture producer and finds it hard to compete in the world market against established players based in Peninsular Malaysia”.

Peninsular Malaysia furniture exports close to value of all timber exports from Sabah and Sarawak

In 2012, the total value of wood products exported from Malaysia was RM20.4 bil. (approx. US\$6.4 bil.). The breakdown of exports from Peninsular Malaysia, Sabah and Sarawak was; Peninsular Malaysia RM11.2 bil. (approx. US\$3.5 bil. with about half of that from furniture alone, Sabah RM1.8 bil. (approx. US\$564 mil.), and Sarawak RM 7.4 bil. (approx. US\$2.32 bil.).

Asian destinations dominate Sarawak timber export trade

The major 2012 export markets for wood products from Sarawak were:

Logs, 3,301,707 cu.m)

India	63%
Taiwan P.o.C	12%
China	10%
ASEAN	7%
Japan	6%
South Korea	2%

Sawntimber 821,612 cu.m

ASEAN	54%
Middle East	22%
Taiwan P.o.C	9%
Others	15%

Plywood 2,641,308 cu.m

Japan	55%
Middle East	13%
South Korea	12%
Taiwan P.o.C	9%
Others	11%

Wood products are the fourth largest source of export earnings in Sarawak after liquefied natural gas, petroleum and palm oil.

January to April export statistics for Sabah

The Department of Statistics in Sabah has released timber export statistics for January to April 2013. In that period, Sabah exported 82,471 cu.m of sawntimber worth RM123, 615,472 (approx. US\$38.8 mil.).

In term of volume, 26.4% went to Thailand, 13% to each of Taiwan P.o.C and China and 10.5% to South Africa. Sabah exported 221,811 cu.m of plywood worth RM338,765,223 (approx. US\$106.2 mil.).

In terms of volume 19% was shipped to Japan, 16% to Peninsular Malaysia, 12.5% to Egypt and almost 12% to the Democratic People’s Republic of Korea.

Companies in Sabah also exported 11,735 cu.m of veneer worth RM17.1 mil. (approx. US\$5.4 mil.), 5,906 cu.m of mouldings, worth RM19.74 mil. (approx. US\$6.2 mil.) and 17,407 cu.m of laminated boards, worth RM27.54 mil. (approx. US\$8.7 mil).

Report from Indonesia

Too many requirements in SVLK for small manufacturers

Indonesia introduced a mandatory timber legality assurance scheme (SVLK) at the beginning of this year and while many larger companies have secured the required certification most small enterprises have not.

At a recent conference in Jepra a Programme Director of the Multi-stakeholder Forestry Programme (MFP), Diah Raharjo, said that the number of small enterprises that have the capacity to meet the requirements of the SVLK is small.

The main problems for small industries is that first the process is expensive and second the process is complicated and beyond the management capacity of most small enterprises.

However, the major exporters are doing well and up to 3 June the value of SVLK certified timber and wood product exports amounted to US\$ 2.45 bil., up from the US\$ 2.06 billion as of 10 May.

The Indonesian License Information Unit of the Ministry of Forestry has processed 31,724 export documents related to the US\$ 2.45 bil.exports.

No decision yet on plantation log exports

The Secretary General of the Ministry of Forestry (MoF) has said that the government has not decided on the issue of plantation log exports.

The Executive Director of APhi (Asosiasi Pengusaha Hutan Indonesia), the association of Indonesian timber concession holders, Purwadi Soeprihanto is urging the ministry to act decisively as the price of plantation logs on

the domestic market is very low and opening a export trade in plantation logs will bring multiple benefits to the forestry and wood processing sectors.

The potential for exports of Indonesian plantation timbers to Asian countries such as China, Japan and South Korea is huge said Purwadi Soeprihanto.

The MoF is moving cautiously on this issue and needs time to assess the risk that a change in regulations could lead to illegal logging.

Government decision to revoke concessions only in legally recognised customary forests raises concern

The government has said it would revoke the allocations to companies for operations in customary forests. This comes after the Constitutional Court annulled government ownership of customary forests.

The secretary general of the MoF said the government would withdraw all plantation and mining concession allocations that have been granted in customary forests that have been legally recognized by local administrations.

This stance by the MoF has caused some concern as, currently, there is no official data on the number of existing indigenous communities and the size and territory of their customary land and forests.

However, a civil society group The Participatory Mapping Working Network (JKPP) has documented 3.9 million hectares of indigenous land most of which is forest.

Domestic Log Prices

Indonesia logs, domestic prices	US\$ per m ³
Plywood logs	
core logs	188-234
Sawlogs (Meranti)	200-250
Falcata logs	130-222
Rubberwood	80-120
Pine	120-170
Mahoni (plantation mahogany)	148-224

Domestic Ex-mill Sawwood Prices

Indonesia, construction material, domestic	US\$ per m ³
Kampar (Ex-mill)	
AD 3x12-15x400cm	460-580
KD	-
AD 3x20x400cm	540-690
KD	-
Keruung (Ex-mill)	
AD 3x12-15x400cm	420-510
AD 2x20x400cm	510-610
AD 3x30x400cm	440-490

Export Plywood Prices

Indonesia ply MR BB/CC, export FOB	US\$ per m ³
2.7mm	570-660
3mm	520-640
6mm	380-530

Domestic Plywood Prices

MR Plywood (Jakarta), domestic	US\$ per m ³
9mm	390-440
12mm	390-430
15mm	300-330

Export and Domestic Other Panel Prices

Indonesia, Other Panels, FOB		US\$ per m ³		
Particleboard	Export	9-18mm	320-580	
		Domestic	9mm	350-680
	MDF	Export	12-15mm	370-680
			18mm	300-450
MDF	Domestic	12-18mm	430-700	
		12-18mm	380-650	

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		520-550	
Grade B		478-500	

Report from Myanmar

Teak prices climb in advance of log export ban

The following table illustrates the trend in teak log prices after the log export ban was proposed in October 2012.

Prices of teak logs in US\$ per ton of 50 cubic feet (between June 2012 and May 2013)

Grade	Gr-1	Gr-2	Gr-4	Gr-5	Gr-6	Gr-7
12-Jun	4450	3767	3059	2138	1691	1317
12-Jul	3753	3244	2643	2105	1776	1476
12-Aug	3946	3598	2902	2185	1845	1564
12-Sep	4071	3208	2949	2069	1805	1564
12-Oct	4304	3614	2785	2129	1772	1565
12-Nov	4626	3914	2988	2313	1904	1577
12-Dec	4835	3629	2797	2321	2141	1715
13-Jan	4564	3737	3365	2428	2235	1820
13-Feb	4400	4049	3324	2487	2145	1930
13-Mar	4275	4229	3419	2510	2190	1905
13-Apr	5808	5555	3439	2375	2102	1780
13-May	4876	4415	3455	2445	2087	1927

Overseas buyers holding high levels of teak stocks

Analysts report that demand for teak logs is currently slow with India, the main buyer, apparently unable to absorb any further shipments at present. The market for pyinkado and gurjan is even quieter than that for teak.

With the log export ban due to come into force in April 2014, buyers in India and Thailand are reportedly already heavily overstocked. Teak shipments are moving slowly despite pressure from MTE on buyers to speed up shipments of logs that have been purchased.

Some analysts suggest that, at the rate the logs are currently being shipped, the log-stock in Yangon will not be moved before the log export ban commences.

Under these circumstances there could be unshipped logs when the log export ban comes into force but the MTE has not made public how it will deal with unshipped logs.

Reforms in Myanmar can lead to vibrant market economy

The World Economic Forum for East Asia was recently concluded in Nay Pyi Taw, the capital of Myanmar. The forum was attended by executives and policy makers from industry, government, academia and civil society from the around the world.

The *New Light of Myanmar* newspaper reported on the opening speech by President Thein Sein, in which he emphasised that the country is moving from military rule towards democracy; to end armed conflicts and to reform the economy to one based on free markets.

The *Mizzima* newspaper reported that in summing up the conclusions from the World Economic Forum the meeting co-chairs agreed that Myanmar and the Philippines are demonstrating the importance of driving reforms in response to peoples' aspirations.

End May teak auction prices

The following prices were reported from competitive bidding for teak logs on 23rd and 27th May, the most recent Myanma Timber Enterprise tender.

Grade	Quantity (Tons)	US\$ per hoppus ton
4th Quality	10	6603
SG-1	20	4876
SG-2	21	4415
SG-4	450	3455
SG-5	222	2445
SG-6	100	2087
SG-7	182	1927

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

Domestic teak log prices ease during recent auction

In recently concluded auction sales at the government forest depots in Jabalpur, Narmada Nagar and Raipur divisions of Central India, approximately 8,000 cubic metres of mainly teak and small quantities of haldu and laurel were sold. Average prices for domestic teak logs per cubic foot, ex-depot, are shown below.

Log length	Girth cm	Cu.ft
2 - 3 metres	46 - 60	Rs.800~850
"	61 - 75	Rs.850~950
"	76 - 90	Rs.1000~1100
"	91and up	Rs.1200 plus
3 - 4 metres	46 - 60	Rs.850~950
"	61 - 75	Rs.950~1000
"	76 - 90	Rs.1100~1200
"	91and up	Rs.1300 plus
4 - 5 metres	45 - 60	Rs.900~950
"	61 - 75	Rs.1000~1100
"	76 - 90	Rs.1300~1400
"	91and up	Rs.1500 plus

As the quality of the logs at these auctions was below average and because buyers from Gujarat and Maharashtra were not present, prices were lower than in the previous sale.

Prices for Haldu (*Adina cordifolia*) and Laurel (*Terminalia tomentosa*) logs

3m to 4m Length	Per cubic foot
46 to 60 cm. girth	No sale
61 to 75 cm. Girth	Rs 250-350
76 to 90 cm. Girth	Rs 400-450
above 91cm. girth	Rs 500 plus

Plantation teak imports up five percent

Supplies and shipments of imported plantation teak have been maintained and the volume of imports increased by 5% over the past month. Some minor price changes have been reported.

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

	US\$ per cu.m
Tanzania teak, sawn	350-700
Côte d'Ivoire logs	450-850
PNG logs	400-550
El-Salvador logs	300-450
Guatemala logs	400-500
Nigeria squares	300-500
Ghana logs	300-650
Guyana logs	300-450
Benin logs	350-700
Benin sawn	700-800
Brazil squares	350-600
Colombia logs	350-600
Togo logs	350-500
Ecuador squares	280-450
Costa Rica logs	380-650
Panama logs	350-550
Sudan logs	400-800

Variations in price are due to quality, log length and the average girth of the logs

Imports of teak and other hardwoods

The volumes of teak and other sawn hardwood imports from April 2012 to March 2013 are shown below.

Non-teak timber imports, cu.m

Arau	67,719
Beech	28,686
Gurjan	164,793
Keruing	150,001
Kapur	209,337
Kempas	163,087
Mengerris	13,448
Meranti	1,093,308
Mersawa	13,626
Resak	68,608
Selangan Batu	110,378

Sources of natural and plantation teak imports, cu.m

Benin	42,986
Brazil	18,535
Colombia	1,103
Costa Rica	35,844
Ecuador	96,658
El—Salvador	5,488
Ghana	53,422
Guatemala	1,975
Guinea	3,934
Ivory Coast	34,297
Mexico	1,429
Myanmar	75,797
Nigeria	8,814
Panama	42,488
Sudan	13,104
Tanzania	16,345
Togo	11,553
Uruguay	2,677
Other sources (13)	4,086

Domestic prices for sawnwood

The domestic prices for air dried sawnwood remained unchanged over the past two weeks.

Sawnwood, (Ex-mill) (AD)	Rs. per ft ³
Merbau	1600-1650
Balau	1800-1900
Kapur	1100-1250
Red Meranti	850-900
Radiata Pine (AD)	
Whitewood	550-600
	550-575

Prices for domestically milled Myanmar teak sawnwood

Sawnwood (Ex-mill)	Rs. per ft ³
Myanmar Teak (AD)	
Export Grade F.E.Q.	4500-10500
Plantation Teak A grade	3850-4250
Plantation Teak B grade	2800-3200
Plantation Teak FAS grade	2200-2800

Price variations depend mainly on length and cross section of sawn pieces

Prices for imported KD 12% sawnwood, per cu.ft ex-warehouse

Sawnwood, (Ex-warehouse) (KD)	Rs per ft ³
Beech	1200-1250
Sycamore	1200-1300
Red oak	1500-1650
White Oak	1600-1800
American Walnut	2300-2400
Hemlock clear grade	1100-1300
Hemlock AB grade	950-1000
Western Red Cedar	1550-1600
Douglas Fir	1200-1300

Prices for domestically manufactured plywood

WBP Marine grade from domestic mills

Plywood, Ex-warehouse, (MR Quality)	Rs. per sq.ft
4 mm	30.00
6 mm	44.00
12 mm	67.00
15 mm	79.00
18 mm	95.00

MR grade from domestic mills

Locally Manufactured Plywood “Commercial Grade”	Rs. per sq.ft		
	Rubberwood	Hardwood	
4mm	Rs.14.50	Rs.23.00	
6mm	Rs.21.75	Rs.31.50	
8mm	Rs.27.25	Rs.35.50	
12mm	Rs.32.75	Rs.41.50	
19mm	RS.46.00	Rs.56.50	
5mm Flexible ply	Rs.31.50		

Study assesses effects of EU Timber Regulation on industry in India

The EU FLEGT Facility has published a report that explores the potential effects of the EU Timber Regulation and the growing demand for forest certification on India’s timber industry.

The study examines European companies’ procurement policies and practices; explores the implications of the EU Timber Regulation for the competitiveness of India’s timber products industry; and assesses the measures that selected Indian companies and multinational corporations operating in India are likely to take in response to changes in market requirements.

The report suggests possible strategies for adoption by the Indian government to mitigate the negative impacts of the changes.

The full report “Effects of the EU Timber Regulation and the demand for certified legal timber on business and industry in India” by T R Manoharan can be downloaded at:

http://www.euflegt.efi.int/files/attachments/euflegt/india_eu_tr_study.pdf

The EFI summary of the report says:

“As of early 2013, India was not considering entering into a Voluntary Partnership Agreement (VPA) under the EU Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan, largely because India has prohibited the export of timber in the form of unprocessed logs.

The export of timber products from India, however, is not only permitted but is actively encouraged by the government and is growing.

The EU, India’s largest overall international trade partner, is a major market for India’s semi-processed and value-added timber products, including wooden handicrafts, pulp and paper, plywood and veneer, and wooden furniture.

India's timber products industry is therefore likely to be affected by the introduction of the EU Timber Regulation (EUTR), which came into force on 3 March 2013.

For India, products listed under the EUTR have an annual export value of around US\$1.3 billion, and in 2012, six EU Member States accounted for more than 12% of this total value.

Furthermore, India's exports of value-added timber and timber products to the EU and other markets are increasing, with these products manufactured from both domestically sourced and imported timber."

JICA support for livelihood development project

The forest department of Jharkhand has prepared a Project on the Advancement of Livelihood and Forestry for Ecological Security (Palash) which has been submitted to the Japan International Cooperation Agency (JICA).

A national level deliberation took place in Ahmedabad in early May and officials of the central government's Ministry of Environments and Forestry, as well as officials from 13 states, including Jharkhand participated.

The focus of the project is development of the livelihood of people living within or on the fringe of forest areas.

It has been proposed that the project be funded through a soft loan over a period of 40 years. JICA has funded such projects in India since 1991. The first phase of JICA funded work in India was from 1991-2001, the second from 2002-2012 and the third, beginning from 2013 will stress livelihood and sustainability of forestry projects.

Report from Brazil

Changes in licensing system aids joinery sector in Acre

In 2011, the government of Acre introduced measures to create more opportunities for the joinery sector in the state with the aim of improving the contribution of the sector to the local economy.

This initiative, through the 'Program for Strengthening the Timber Sector', focused on licensing all joinery makers in the state.

There are around 350 joiners in Acre but before the new support programme only 10% were licensed. The major hurdle to licensing was the difficulty in securing the required 'environmental' license a process which was hampered by bureaucracy and was also costly.

In the past, joiners had to travel to one of governmental offices of the Institute of Environment of Acre (IMAC) in Cruzeiro do Sul or Rio Branco, the state capital, to get the license.

In order to address this issue the state government took the initiative and went directly to the joiners and assisted them

in securing the required environmental license. Today, out of 350 joiners in Acre, 90% are licensed.

The legalisation of the joiners has brought some benefits. Now the state government can purchase its joinery requirements from local industry rather than having to buy from licensed producers in other states.

After the licensing of joiners the state government began a programme to advise manufacturers to only purchase raw material coming from managed forests. This programme was conducted in cooperation with the Timber Workers Union.

Bidding opens for forest concession in Para

At the end of May the Brazilian Forest Service (SFB) launched bidding for forest concession in the Crepori National Forest (FLONA) in Pará state.

The concession area is divided in four management units of 29,000 ha., 59,800ha, 134,000 ha and 219,000ha, in order to satisfy the needs of different sized companies.

Companies interested in bidding had to submit documentation proving its capacity as well as technical and pricing proposals. The minimum price for bidding is R\$16,38 per cubic metre which was established on the basis of market values and to ensure an internal rate of return compatible with other investment options.

The structure of the technical proposal had to focus on those environmental, social and economic indicators that would contribute to expansion of the benefits to be generated through management of the concession.

Companies that win concession contracts will receive the right to manage the areas for logging and extraction of non-timber forest products for up to 40 years. The concessionaires will enjoy a number of mechanisms that reduce transaction costs and encourage improvement of the social and environmental performance of the undertaking.

Among these new mechanisms is the expansion of the "bonus" mechanism through which discounts are given based on the achievement of quality indicators established in the agreement.

Phytosanitary regulations reviewed to facilitate log exports to China

The strong demand for raw materials in China is seen as an opportunity for Brazilian exporters especially those marketing sawnwood as well as producers of pine and eucalyptus logs.

The tropical main species of interest to China at the moment are jatobá (*Hymenaea courbaril*), cedro (*Cedrela* sp.), cabreuva (*Myrcarpus frondosus*), angelim (*Hymenolobium* sp), itaubá (*Mezilaurus itauba*), tauari (*Couratari*), ipê (*Tabebuia* spp), cumaru (*Dipteryx odorata*) and sucupira (*Bowdichia nítida*).

Pine from Brazil is well accepted in the Chinese market but eucalypt is of less interest, partly because China imports large quantities from South Africa.

The Ministry of Agriculture, Livestock and Food Supply (MAPA) and the Integrated Agricultural Development Company (CIDASC) are looking for ways to facilitate the export of pine logs with bark to China where strict phytosanitary rules are in force.

Representatives of International Agricultural Inspection System of MAPA and the Plant Health Protection Service and CIDASC Regional Administration of Itajai municipality met recently to discuss adjustments to the regulations for issuance of phytosanitary certificates to allow for the export of pine logs with bark.

Domestic Log Prices

	US\$ per m ³
Brazilian logs, mill yard, domestic	
Ipê	169
Jatoba	117
Guariuba	91
Mescla (white virola)	96

Export Sawnwood Prices

	US\$ per m ³
Sawnwood, Belem/Paranagua Ports, FOB	
Jatoba Green (dressed)	1324
Cambara KD	729
Asian Market (green)	
Guariuba	363
Angelim pedra	850
Mandioqueira	302
Pine (AD)	220

Domestic Sawnwood Prices

	US\$ per m ³
Brazil sawnwood, domestic (Green)	
Northern Mills (ex-mill)	
Ipê	927
Jatoba	643
Southern Mills (ex-mill)	
Eucalyptus (AD)	254
Pine (KD) 1st grade	237

Export Veneer Prices

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

Domestic Veneer Prices

	US\$ per m ³	
Rotary cut Veneer, domestic		
(ex-mill Northern Mill)	Face	Core
White Virola	278	228

Export Plywood Prices

	US\$ per m ³
Plywood, FOB	
White Virola (US Market)	
5.2mm OV2 (MR)	498
15mm BB/CC (MR)	448
White Virola (Caribbean market)	
4mm BB/CC (MR)	635
12mm BB/CC (MR)	463

	US\$ per m ³
Pine Plywood EU market, FOB	
9mm C/CC (WBP)	367
15mm C/CC (WBP)	339
18mm C/CC (WBP)	337

Domestic Plywood Prices

	US\$ per m ³
Plywood, domestic (ex-mill Southern mill)	
Grade MR (B/BB)	
White Virola 4mm	806
White Virola 15mm	593

Domestic prices include taxes and may be subject to discounts.

Prices For Other Panel Products

	US\$ per m ³
Belem/Paranagua Ports, FOB	
Blockboard Pine 18mm 5 ply (B/C)	417
Domestic Prices, Ex-mill Southern Region	
Blockboard White Virola faced 15mm	581
Particleboard 15mm	369

Export Prices For Added Value Products

	US\$ per m ³
FOB Belem/Paranagua Ports	
Decking Boards	
Cambara	984
Ipê	2,664

Report from Peru

Expo Amazonica 2013 scheduled for August

Expo Amazonica 2013 will be held from 10th to 31st August this year in the city of Iquitos and is expected to generate business worth around US\$15 million for businesses in the Amazon region of the country. The purpose of the event is to promote private investment and business development in the Amazon region and wood products feature prominently in the expo.

It has been reported that, as of May, fourteen international delegations will attend including from Brazil, Bolivia, Colombia, Spain, Mexico, Venezuela, China and the United States. The expo is expected to attract around 400 exhibitors and 30,000 visitors

Amazonian people present their own vision on REDD +

Edwin Vásquez Campos, from Coordinadora de las Organizaciones Indígenas de la Cuenca Amazónica (COICA) an organisation that coordinates action by nine national Amazonian indigenous organizations has presented the views of Amazonian indigenous people on mechanisms related to Reducing Emissions from Deforestation and Degradation (REDD +).

At a side event at the headquarters of the United Nations in New York he said that "REDD + Indigenous Amazonian (RIA)" has the same goal of reducing emissions but with a different strategy that placed priority on a long-term 'life plan' for Amazonian peoples.

The vision of COICA, said Vásquez Campos, is the holistic management of forests to integrate mitigation and adaptation, climate change and biodiversity.

He described the proposed Indigenous REDD + as having three main components: strengthening ecosystem functions through a management or holistic management of indigenous territories, reducing the overall footprint and eliminating the drivers of deforestation in the Amazon.

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 545-598

Peru Sawnwood, FOB Callao Port (cont.)	US\$ per m ³
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	428-487
Grade 2, Mexican market	358-404
Cumaru 4" thick, 6'-11' length KD	
Central American market	834-849
Asian market	811-893+
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	509-549
Dominican Republic	572-589
Marupa (simarouba) 1", 6-11 length Asian market	392-451

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	429-467
Grade 2, Mexican market	332-377
Grade 3, Mexican market	161-176
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	314-341

Domestic Sawnwood Prices

Peru sawnwood, domestic	US\$ per m ³
Mahogany	867-911
Virola	92-134
Spanish Cedar	264-305
Marupa (simarouba)	83-99

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	389-425
Lupuna plywood B/C 8x4x4mm Central Am.	370-393

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	1332-1552
Cumaru decking, AD, S4S E4S, US market	1210-1298
Pumaquiro KD # 1, C&B, Mexican market	423-511
Quinilla KD, S4S 2x10x62cm, Asian market	493-519
2x13x75cm, Asian market	732-815

Log exports resume and prices climb

During the later part of May log exports resumed. Greenheart log export prices were fair for both standard and fair sawmill quality logs.

Prices for all categories of purpleheart logs were exceptional last month with Standard Sawmill Quality top end prices rising to as much as US\$380 per cubic metre FOB.

This was closely followed by prices for purpleheart Fair Sawmill Quality logs which attracted a price of US\$295 per cubic metre FOB. Small Sawmill Quality purpleheart logs earned a price of US\$245 per cubic metre FOB.

Mora log exports also made a noteworthy contribution to export earning with good prices posted for the Fair and Small Sawmill Qualities. Asian markets were the major destination for these top class durable timbers from Guyana.

Japanese buyers seek dressed greenheart

During the period reviewed sawnwood exports were encouraging earning favourable market prices for both rough sawn and dressed categories.

Undressed greenheart sawnwood earned a significantly high top end FOB price of US\$1,357 per cubic metre towards the end of May while merchantable Sawmill Quality logs only managed to sustain a price of US\$551 per cubic FOB. The main market for sawn greenheart was Europe and the Caribbean and this timber is popular in both markets.

In sharp contrast, Undressed purpleheart sawnwood FOB prices fell slightly from US\$1,251 to US\$1,100 per cubic metre. Sound Quality purpleheart sawnwood was priced at US\$594 per cubic metre FOB.

Undressed mora sawnwood exports also performed well with both Select and Merchantable Quality timbers fetching US\$575 and US\$595 per cubic metre FOB respectively.

Prices for Dressed greenheart sawnwood recorded a significant increase in top end price from US\$1,187 to US\$ 1,500 per cubic metre FOB for the Japanese market. Dressed purpleheart FOB prices improved from US\$806 to US\$1,102 per cubic metre.

Caribbean plywood market picks up after a lull

The plywood market was active and prices for Utility grade plywood improved. On the other hand, export prices for BB/CC quality remained unchanged.

Utility grade plywood has not been traded for some time but recently has attracted interest from buyers. Prices for Utility grade boards are in the region of US\$769 per cubic FOB in the Caribbean and South American markets.

Exports include products from high value species

Splitwood (shingles) continues to attract favourable prices on the export market in the region of US\$955 per cubic metre FOB with the Caribbean the primary market.

Roundwood (greenheart piles) also attracted favourable prices on the export market earning US\$569 per cubic metre, with North America and Europe the main destination.

Also, exports of wallaba posts made a noteworthy contribution to earnings attracting prices as high as US\$600 per cubic metre FOB in the Caribbean markets.

A variety of added value products were traded including doors, indoor and outdoor furniture, mouldings, spindles and window frames. Some of Guyana’s primary species such as crabwood (andiroba) locust (jatoba) and purpleheart are utilised in producing some of these high value products.

Export Log Prices

Logs, FOB Georgetown	SQ - \$ Avg unit value per m ³		
	Std	Fair	Small
Greenheart*	140	130	-
Purpleheart	200-380	295	245
Mora	-	115	110

*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 Sawnwood Prices

Sawnwood, FOB Georgetown		\$ Avg unit val. per m ³	
EU and US markets		Undressed	Dressed
Greenheart	Prime	-	-
	Standard	-	679-1,500
	Select	720-1,357	-
	Sound	-	-
	Merchantable	551	-
Purpleheart	Prime	-	-
	Standard	-	763-1,102
	Select	1,080-1,100	-
	Sound	594	-
	Merchantable	-	-
Mora	Prime	-	-
	Select	500-575	-
	Sound	-	-
	Merchantable	595	-

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	-
		12mm	450-584
	Utility	5.5mm	no export
		12mm	256-769

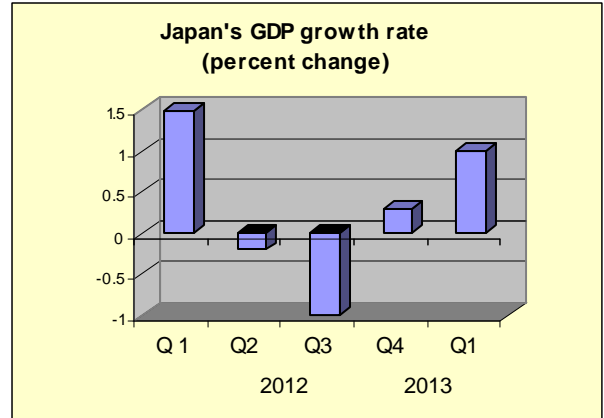
Report from Japan

First quarter GDP revised upwards

Revision of first quarter gross domestic product (GDP) from the Cabinet Office in Japan shows that GDP rose at an annualised rate of 4.1% in the January-March quarter and was higher than the originally reported rise of 3.5%.

On a quarterly basis, GDP rose 1% in the first three months of this year, better than the preliminary result of 0.9%.

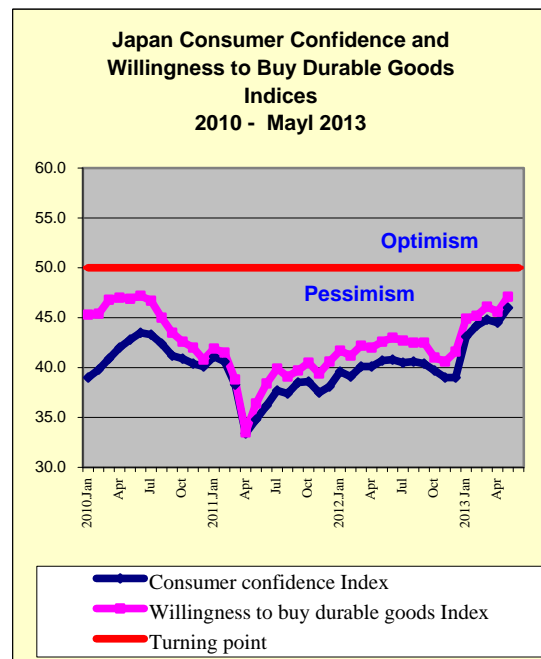
The positive growth figure is interpreted as confirming the beginnings of an economic recovery, driven by the bold policies of the government and Central Bank.



Revised figures on private capital spending have been released showing a decline of 0.3 percent in January-March 2013 compared to the previous quarter. The 0.3 fall is less than the preliminary reading of 0.7 percent which raised some concerns amongst analysts.

Improved private consumption lifts consumer confidence index

The seasonally adjusted consumer confidence index rose to 45.7 in May from 44.5 in April according to the latest statistics from the Cabinet Office. Analysts suggest the improvement reflects firm private consumption growth.



Source: Cabinet Office, Japan

These figures seem to confirm the view that consumers are becoming more willing to spend because they see the government seriously tackling deflation and trying to revive the economy.

Over 80% of surveyed households expect prices to rise and this is the first major change in sentiment since October 2008.

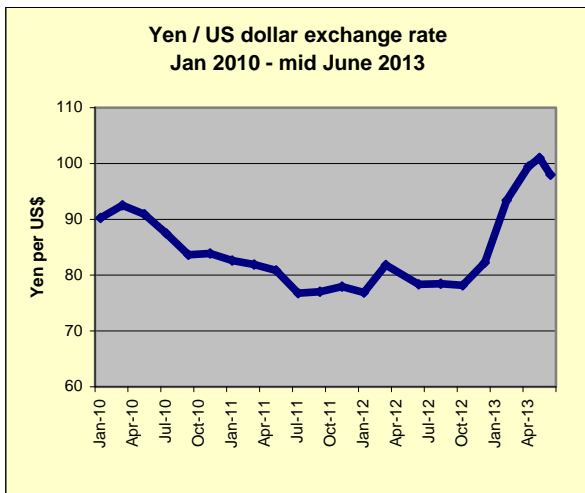
The consumer confidence index reflects consumers' evaluation of their prospects in terms of income growth, employment and an assessment of readiness to purchase durable goods.

An index level above 50 indicates consumers are expecting better conditions but the index has not gone above 50 since 2006.

Yen appreciates sharply against dollar

Over the past two weeks the yen has strengthened against the US dollar. The initial catalyst for this was speculation that the US Federal Reserve could be ready to reduce the stimulus measures for the US economy.

At one point in early June the yen appreciated over 2 percent to 96.97 to the US dollar.



The yen's appreciation had an immediate effect on Japanese equities which gave up some of the huge gains of the past 2-3 months. However the surge in the yen was not sustained and on the 12th of June was trading at close to 99 to the US dollar.

Bank of Japan delivers an upbeat take on the economy

After the latest Monetary Policy Meeting the Bank of Japan upgraded its assessment of the Japanese economy for the sixth consecutive month as it saw an improvement in exports and industrial output.

The relevant press release can be found at: http://www.boj.or.jp/en/announcements/release_2013/k130611a.pdf

The Bank press release notes that Japanese business fixed investment continues to show resilience in the non-

manufacturing sector and appears to have stopped weakening overall.

Public investment has continued to increase and housing investment has generally been growing. Encouragingly, private consumption has remained resilient, assisted by the improvement in consumer sentiment.

Because of the positive developments in demand both at home and abroad industrial production has been picking up.

In terms of prices, the year-on-year rate of change in the consumer price index (CPI, all items except fresh food) has been negative due to a reversal of the previous year's movements in energy-related and durable consumer goods. However, some indicators suggest a rise in inflation expectations.

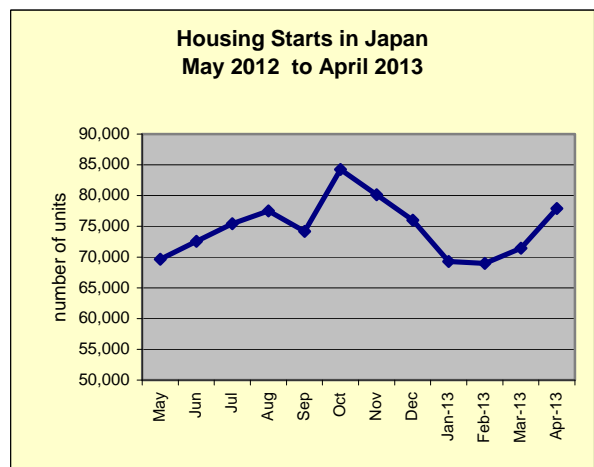
With regard to the outlook, Japan's economy is expected to return to a moderate recovery path, mainly against the background that domestic demand increases its resilience due to the effects of monetary easing as well as various economic measures and that growth in overseas economies gradually pick up.

Regarding risks, there remains a high degree of uncertainty concerning Japan's economy. These include uncertain prospects for the European debt problem and the growth momentum of the U.S. economy.

The Bank said it will continue with its aggressive monetary-easing measures to pull the economy out of its deflationary cycle.

Housing starts growth exceeds forecast

Japan's Ministry of Land, Infrastructure, Transport and Tourism publishes housing starts and the latest figures show starts grew 5.8% in April compared to levels in April last year and faster than the forecast 4%.



At an annualised rate housing starts as of April would be 939,000, higher than the forecast 924,000 total for 2013.

Other published data shows that orders received by big 50 construction contractors climbed 2% in April after the more than 3% fall in March.

New buyers turning to fixed rate mortgages as interest rates rise

Japanese mortgage rates have continued to move up steadily which is a disappointment for the Bank of Japan which has been pumping money into the economy to try a spur lending by commercial banks.

The domestic press has reported that the movement in interest rates has created a demand for fixed-rate home loans – a sign that the efforts of the government and Bank of Japan to change expectations of Japanese consumers on inflation and interest rates is working.

In the past home buyers tended to opt for variable rate mortgages believing there was almost no risk of interest rates increasing over the course of a 30-year home loan, borrowers now assess that risk is rising.

According to Japan Housing Finance Agency, variable rate mortgages were just 46% of all home loans in April, the lowest level in more than two years,

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>

April housing starts

Total starts in April were 77,894 units, 5.8% more than April last year and this is eighth straight months gain over the same month a year earlier. Seasonally adjusted annual starts were 939,000 units, third consecutive month with over 900,000 units.

Rising mortgage interest rate, booming stock market and coming increase of consumption tax in April next year are encouraging house purchase.

Specifically, owner’s units increase all over Japan. Owner’s units in April were up by 17.5% compared to the same month last year. The units increased in all the regions by two percent. Particularly in Tokyo region showed 22% increase.

Also detached units built for sale increased by 15.4%. Rental units were up by 7.8% and growth in populated regions like Tokyo is large.

Meantime condominium starts were down because the starts in April last year were so high but total number maintained over 10,000 units, which is steady number.

2x4 units increased largely by 25.9%. By type, owner’s units were up by 30.3%, rental units by 26.1% and units built for sale by 14.9%. Wood based units were 43,761, 17.9% up with share of 56.2%.

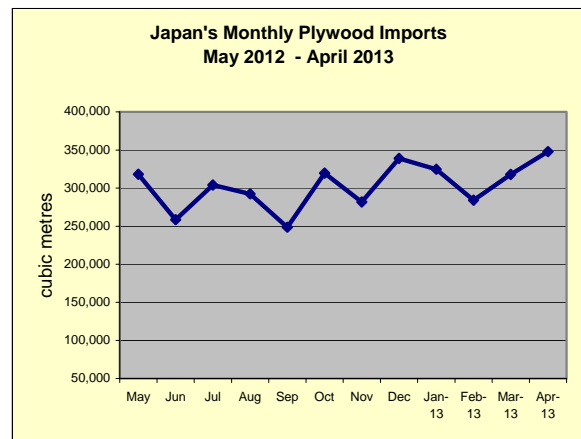
April plywood supply

Total plywood supply in April was 583,000 cbms, 18.0% more than April last year and 6.1% more than March, which is the largest in two years since May 2011.

In particular, arrivals of imported plywood increased by about 30,000 cbms. from March and domestic softwood plywood production exceeded 220,000 cbms.

Imported plywood in April was 347,900 cbms, 23.3% more than April last year and 9.4% more than March, the highest since July 2011.

Volume by source is 164,900 cbms from Malaysia, 39.2% more and 7.8% more. 75,500 cbms from China, 24.5% more and 31.6% more.



Source: JLR data

Average monthly arrivals in last twelve months were 303,000 cbms, about a 5,000 cbms increase from the average until March.

Reason of the increase of Malaysian plywood is that the largest supplier shipped cargoes waiting shipment all at once in March with larger fleet with a newly built ship.

May arrivals are estimated over 300,000 cbms but with declining future purchase, the arrivals after June are expected to decrease.

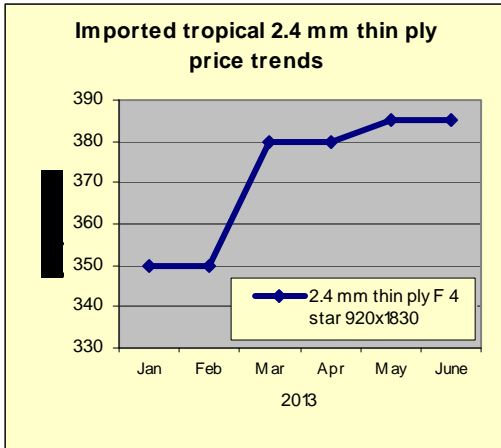
Domestic plywood production in April was 235,100 cbms, 11% more than the same month a year ago and 1.6% more than March, out of which softwood plywood was 220,100 cbms, 14.0% more and 1.7% more.

This is the largest production in about six years. The shipment of softwood plywood in April was 221,100

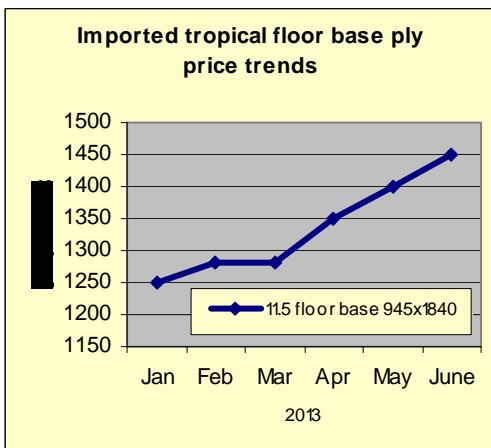
cbms, 14.4% more and 1.0% more. This is seventh straight months with over 200,000 cbms.

The inventories were 124,000 cbms, about 1,000 cbms less than a month ago.

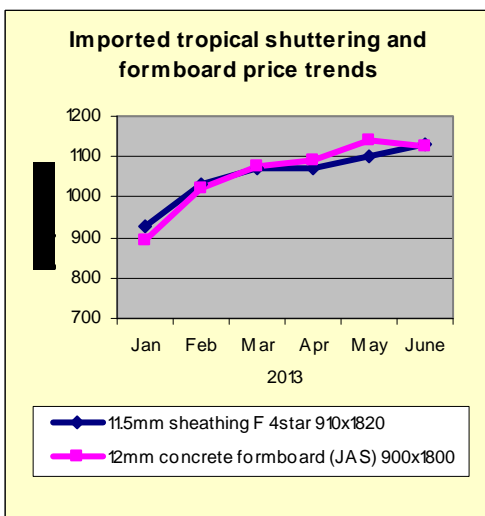
Price trends for imported Indonesian and Malaysian plywood



Data source: Nikkai Mokuzai Shimbun



Data source: Nikkai Mokuzai Shimbun



Data source: Nikkai Mokuzai Shimbun

Composite floor market

Composite floor manufacturers need to pass higher manufacturing cost onto sales prices. They announced price hike in June but each manufacturer has different attitude of price increase, depending on volume and price.

Base material of composite floor is imported plywood. From ordering, shipment, unpacking to storing at the plant, it takes more than a month so that it takes time that exchange rate influence the cost.

Low cost inventories with exchange rate of around 80 yen have been consumed and recent materials' cost is getting higher as the yen is weakened over 100 yen.

FOB prices of tropical hardwood plywood have been unchanged at around \$690 per cbm C&F so that the factor to influence is exchange rate.

Plywood

Domestic softwood plywood market has been active with busy demand and the mills enjoy brisk shipment and the inventories remain in low level.

In the first quarter, there were some speculative purchases among wholesalers, which simmered down then in the second quarter was much busier than expected and the shipment increased.

April production and shipment surpassed 220,000 cbms, which was the highest production in about six years since June of 2007 then the shipment was also the largest since November 2011, fifth largest monthly shipment in all time.

The main driver of the demand is house builders and pre-cutting plants. April shipment exceeded the production and the inventories were 124,000 cbms, about a half month demand so with busy demand continuing, securing the volume becomes priority issue for users.

The prices in Tokyo market are 930 yen per sheet delivered on 12 mm 3x6 (special type/F4 star), 20 yen up from May, 1,870 yen on 24 mm 3x6 thick panel, 40 yen up, 1,370 yen on 9 mm 3x10 long panel, 20 yen up.

Imported plywood market in Japan remains unchanged while the plywood manufacturers in South East Asian countries continue pushing the export prices by log shortage and higher log cost.

The market prices in Japan stay flat so that there are large gap between export prices by the suppliers and market prices in Japan.

Actually the arrivals in April and May increased and the supply eased. The importers are asking higher prices but the market refuses price hike.

The market prices are about 1,130 yen per sheet delivered on JAS concrete forming 3x6, about 1,230 yen on 3x6 concrete forming for coating.

Both are unchanged from May. Only item with higher prices are 12 mm structural panel at 1,150 yen, 20 yen up.

Report from China

Slide in industrial output continued in May

In May China's Producer Price Index (PPI) for manufactured goods fell 2.9 percent year-on-year and declined 0.6 percent month-on-month.

The purchasing price index for manufactured goods went down by 3.0 percent year-on-year, and 0.6 percent month-on-month.

On average, in the first five months of 2013, the PPI dropped 2.1 percent, year-on-year while the index for manufactured goods went down by 2.3 percent year-on-year

Weakness in the Chinese economy can be still detected as industrial output continues to slow. According to the National Bureau of Statistics industrial production in May came in at 9.2%, almost at the same level as in May twelve months ago

Yangtze River Delta where the market economy and small enterprises prosper.

Overcapacity in some sectors such as solar panel manufacturing, iron and steel making and cement very vulnerable says the Bank.

Growth forecast cut by IMF and OECD

Economic growth in China slipped to 7.7 percent in the first quarter, down from 7.9 percent in the previous quarter. Both the International Monetary Fund and the Organization for Economic Co-operation and Development cut their forecasts for China's economic 2013 economic growth in May, to 7.75 percent and 7.8 percent, respectively

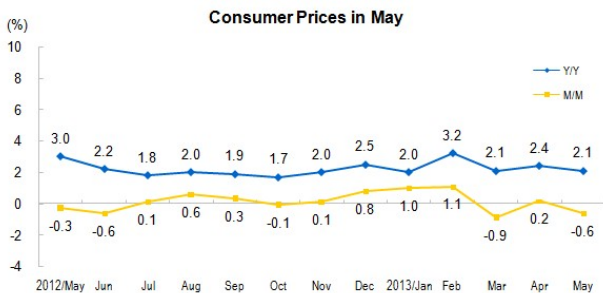
Both agencies say that China's economic growth will likely decline further in the second quarter. These forecasts come after May export growth fell to the lowest in twelve months. May exports to China's main markets, the US and EU, fell for the third consecutive month.

Direct convertibility of yuan brings benefits and risks

Currently, the Chinese yuan is directly convertible with the Japanese yen and the Australian dollar and there are reports that China and New Zealand are in negotiations for direct convertibility.

Direct convertibility cuts the costs of transactions and lowers the risks from too tight a tie to the US dollar, but direct convertibility can also bring some risks to exporters.

It is now twelve months since the yen and yuan became directly convertible and in this time the yuan has gained some 20 percent against the yen greatly affecting trade between China and Japan.



Source: National Bureau of Statistics, China

The National Bureau of Statistics also revealed that in May, the consumer price index (CPI) went up by 2.1 percent year-on-year.

Prices grew by 2.1 percent in cities and 2.2 percent in rural areas; food prices went up by 3.2 percent, while the non-food prices increased by 1.6 percent.

The prices of consumer goods went up by 1.8 percent and the prices of services grew by 2.8 percent.

On average, from January to May, overall consumer prices were up by 2.4 percent over the same period last year.

Loan default risks rise in Yangtze River Delta companies

China's central bank, the People's Bank of China (PBOC), has said in a press release that the bad loan balance had increased for the first time in over 5 years and has warned of rising financial risks in a range of sectors.

The balance of defaulted loans for commercial banks was 528.1 billion yuan, surging 46 percent from the beginning of the year. Defaulting risks are mainly found in the

Exporting furniture costs more because of EUTR

The value of furniture exports from Chongqing City rose sharply in 2012 to US\$2.18 billion and the main markets were the member states of the EU, the US and Southeast Asian countries.

Buyers in the EU now require evidence on the source and legality of raw materials used in the manufacture of furniture so exporters have to provide a range of documents.

Meeting the requirements of the EUTR has increased the cost of exports to the EU and furniture companies in Chongqing City say costs have increased by as much as 5 percent which is undermining their competitiveness.

30 percent of domestic timber product sales from manufacturers in Wenzhou City

The 2013 Conference of China's Chamber of Commerce for import and export of timber was held in Wenzhou City recently.

According to information from the recently concluded conference in Wenzhou City, around 30% of the domestic market for wood products is met from manufacturers in Wenzhou.

The Wenzhou Timber Group Co., Ltd, one of China's leading timber importers, has been engaged in the timber trade for 25 years and imports timber from Africa, Papua New Guinea and Solomon Islands.

The distribution centre for the Wenzhou Timber Group is in Zhangjiagang Port and imported timber goes directly to domestic manufacturers. The Group still uses traditional sales outlets but intends to soon establish an electronic trading platform.

Furniture makers in Dalian City say export orders down 30 percent

There are more than 100 large size furniture enterprises with an output value of more than RMB5 million in Dalian City but, as is the case for other manufacturers, the furniture industry is facing severe challenges and the level of export orders is down around 30 percent.

According to Mr. Ma Xiaoling, Deputy Secretary General of Dalian Furniture Association, the pace of growth in orders from overseas has slowed and this, along with the appreciation of the renminbi, is undermining the profitability of Dalian furniture enterprises.

Because of weak domestic demand and price factors foreign customers are gradually shifting purchases from China to low cost producers in Vietnam, Indonesia and Southeast Asian countries which adds to the problems of Dalian furniture exporters.

Timber trade between China and Canada strengthened

A timber trade delegation from China recently visited Canada. The delegation included representatives from China Timber and Wood Products Distribution Association and the Ministry of Commerce.

The government of British Columbia (BC) imposed rules on the trade in logs and these have been seen as a form of export restriction.

The BC regulation requires that all logs from the province must be first offered to BC consumers at domestic prices and that only if not purchased locally can they be exported.

In addition, the Canadian government has imposed a levy on exported logs which has affected trade with China. As a result of the Canadian regulations many Chinese timber importers have switched to buying from New Zealand, Sweden, Australia and Chile.

The Chinese timber delegation put forward several suggestions which could lead to a resumption of unrestricted trade between the two countries.

China-ASEAN Forest Wood Products Expo will be held in Guangxi

The 2013 China - ASEAN Forest Products and Wood Products Expo will be held at the international convention and exhibition centre in Nanning City, Guangxi Zhuang Autonomous Region from November 15-18. Exhibition pavilions will be set up for wood products, wooden

furniture, mahogany furniture, woodworking machinery as well as flowers and seedlings.

The China - ASEAN Expo has been held ten times and attracted over 1,300 participating enterprises and a total of about 60,000 visitors. Reports indicate that business concluded in 2011 reached RMB650 million.

Much of China's output of wood products and wood working machinery is exported to ASEAN countries. Some Chinese products are also re-exported through ASEAN countries.

In recent years investment by Chinese enterprises in ASEAN has grown and Chinese companies such as Power Dekor and Nature and Elegant Living have opened stores in ASEAN countries.

Analysts report that much of the wood processing machinery for sawmills and wood-based panel industries in Vietnam have been supplied by Chinese enterprises.

In addition to supplying processing equipment, more than 30 Chinese enterprises have established wood processing plants in ASEAN countries.

The China-ASEAN Forest Wood Products Expo is a regional and international timber industry event which has now built an effective interactive platform for trade and investment cooperation between China and ASEAN countries.

Guangzhou Yuzhu International Timber Market

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

Shanghai Furen Forest Products Wholesale Market

Logs		Yuan/tonne
Red sandalwood (India)	All grade	1-2 mil.
Rengas (Vietnam and Nepal)	All grade	7000-8800
Granadillo (Mexico)	All grade	7500-8000
Sawnwood		Yuan/cu.m
Okoume (Africa)	grade A	4300-4700
Sapelli (Africa)	grade A	5800-6300
Beech (Europe)	grade A	4500-4800
Red Oak (North America)	2 inches FAS	7000-7300
Cherry (North America)	2 inches	9800-10500
Maple (North America)	2 inches	8700-8900
Merbau (Indonesia)	All grade	8500-13500

Hangzhou Timber Trading Market

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

Shandong De Zhou Timber Market

Logs	Length	Diameter	Yuan/ cu.m
Larch	4m	18-22 cm	1230
	4m	24-28 cm	1250
	4m	30 cm	1450
	6m	18-22 cm	1280
	6m	24-28 cm	1300
	6m	30 cm	1500
White Pine	4m	24-28 cm	1320
	4m	30 cm	1400
	6m	24-28 cm	1350
Korean Pime	4m+		1700
	6m+		1750
Mongolian	4m	30 cm	1380
	6m	30 cm	1420
Scots Pine	4m	36 cm	1500
	6m	36 cm	1600

Wenzhou Timber Trading Market

Logs		Yuan/cu.m
Ash	2 m 20-30 (cm)	1300
Chinese fir	4 m 6-18 (cm)	1500
Wenge	all grades	4500-5100
Teak (Plantation)	all grades	2100-2500
Merbau	all grades	3500-5000
Spelle	all grades	3200-3700
Plywood		Price yuan/sheet
Red beech	4' x8' x3 mm	40-80
Black walnut	4' x8' x3 mm	40-85
Teak	4' x8' x3 mm	45-110

Report from Europe *

EU construction activity continues to fall

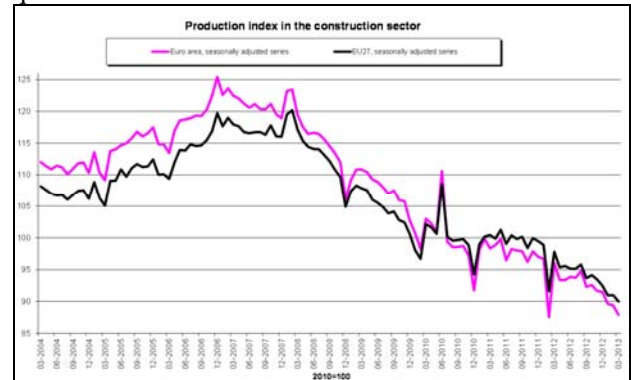
For the last 5 years, the Eurostat construction production index for both the EU27 and euro-area group of countries has fallen consistently, with only an occasional short-lived reversal (see figure 1 below).

In the first quarter of this year, EU-27 construction activity reached new lows.

The index during the January-March 2013 period was down 5.2% compared to the same quarter in 2012, and down 2.8% compared to the previous quarter.

The downward trend affected building and civil engineering equally. Building activity was down 5% compared to the same quarter in 2012 and down 2.5% compared to the previous quarter.

Civil engineering was down 5.3% compared to the same quarter in 2012 and down 3.9% compared to the previous quarter.



Particularly worrying is that the downturn in construction is now almost universal across the continent. Comparing the first quarter of 2013 with the same period in 2012, construction production was down in:

Czech Republic (-11%),
 Germany (-3.7%)
 France (-3.3%)
 Netherlands (-8.2%)
 Poland (-15.9%)
 Portugal (-20.8%)
 Romania (-3.9%)
 Slovenia (-24%)
 Slovakia (-10.9%)
 Sweden (-0.4%)
 and UK (-7.4%)

These declines are only partly offset by gains in Spain (+2.8%), Latvia (+9.8%), and Hungary (+4.8%).

It's difficult to find any good news in the European construction data. However, the fact that Spanish construction picked up a little during the quarter is a reminder that even the biggest downturns must at some point reach bottom.

After five years of almost uninterrupted decline, construction production activity across the EU is still running at 75% of the all-time peak in 2007.

EU construction sector annual turnover still totals around €1.5 billion and the sector continues to purchase goods and services to a value of around €1 billion every year.

Slowing EU joinery sector activity

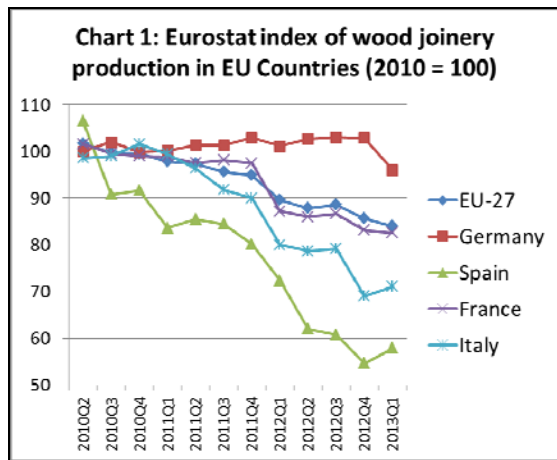
The downward trend in overall construction sector activity is mirrored by a slowdown in EU joinery activity. Except for a very small increase in the third quarter of 2012, the Eurostat seasonally adjusted index of wood joinery activity for the EU27 group countries has declined in

every quarter for the last 3 years (Chart 1). Activity in the first quarter of 2012 was only 84% of the level in 2010.

After a long period of steep decline, there was a slight improvement in joinery manufacturing activity in both Italy and Spain in the first quarter of 2013.

The improvement in Italy is particularly welcome since this country is the EU's largest manufacturer of windows, alone accounting for nearly one quarter of all wood windows supplied into the EU.

However the gains made in Italy were offset by a large decrease in joinery manufacturing activity in Germany, the EU's largest manufacturer of doors and second largest manufacturer of windows.



Disappointing joinery sales in the UK

In the UK, the British Woodworking Federation (BWF) quarterly survey of members indicates that the joinery sector slowed during the January to March 2013 period.

With poor weather conditions thought to be a factor, there is some optimism that sales will improve in the second and third quarters as the summer construction season gains momentum.

However, costs associated with rising energy prices, CE Marking and sourcing EUTR compliant timber are beginning to put pressure on manufacturers.

The survey showed that UK joinery sales in the first quarter of 2013 did not increase as much as had been anticipated in the previous survey, with the balance of respondents indicating decreasing sales volumes.

In the survey, a balance of 7% of respondents reported a decrease in sales volumes in Q1 2013, whereas in the previous survey 19%, on balance, had predicted that sales volumes would increase in this period.

Only 13% of respondents indicated that they have been or will be operating at over 90% capacity. The survey showed that order books for future work still rarely extend beyond 3 months.

More positively, the survey indicated that manufacturers are confident that sales volumes will improve during the next 12 months, with a balance of 24% predicting an increase in this period.

There is also growing investment in customer research and e-business as companies seek to improve competitiveness. 70% of respondents said they are planning for a spending increase in product improvement.

European flooring sector faces challenges

Weak market conditions in the European construction and joinery sectors extend to wooden parquet flooring products. The state of the European flooring market was the main topic for discussion at the Board of Directors of the European Federation of the Parquet Industry (FEP) on 24 April 2013.

They concluded that, while it is too early to give a reliable forecast for the current year, European parquet producers continue to face important challenges and variations at country level in a market yet to show any sign of recovery.

All the large European FEP countries, with exception of Germany, showed a declining trend in sales of wooden flooring during the first quarter of 2013.

Wood flooring sales declined in 7 of the 12 countries considered by the FEP. Sales were flat in 4 countries, and only in Norway was any growth achieved.

With respect to wood flooring markets in individual EU markets during the first quarter of 2013, FEP conclusions were as follows:

- Austria: slight decline in production and consumption due mainly to harsh winter conditions.
- Belgium: consumption is stable and production gradually improving.
- Denmark: wood flooring sales are flattening out as construction output is growing again, though at a low rate (+2.2%) and is well below pre-crisis levels. All construction segments are forecast to increase moderately but new residential construction shall remain weak in 2013 due to subdued house price developments.
- Finland: consumption of wood flooring decreased significantly during the quarter, down 10% on the same period in 2012. Rising unemployment in the country is undermining consumer confidence.
- France: the first quarter of 2013 showed a decrease of 15% in wood flooring sales. Growing unemployment is undermining consumer confidence. However solid wood flooring is a little less affected and is performing better than multilayer and manufacturers are adapting accordingly.

- Germany: wood flooring sales in the first quarter of 2013 were flat for most products, with the exception of wide planks which continue to grow. While construction activity slowed at the end of 2012, prospects look better with an increase in building permits.
- Italy: the wood flooring market lost close to 20% in sales in the first quarter of 2013. Political uncertainties have translated into a difficult economic situation. However, market conditions are expected to improve now that a new government has been formed.
- Netherlands: wood flooring consumption contracted by 10% compared to the first quarter of 2012. The negative market trend witnessed at the end of 2012 is continuing. The renovation market is more promising than new build but this is not generating the same volume of flooring sales. Wood flooring production is rising, but over 60% goes to exports and consists predominantly of 2-layer products.
- Norway: the wood flooring market is slowing down but still growing compared to last year. The building sector is flat.
- Spain: wood flooring production is stable at a low level, but sales declined in the first quarter of 2012 by 5 to 10% compared to last year. The shift observed in other countries towards wide planks is also witnessed in Spain. Unemployment remains a major concern with 25% of the population out of job, and a worrying 50% among the younger generation.
- Sweden: wood flooring consumption is slightly down in the first quarter of 2013 compared to the same period in 2012.
- Switzerland: wood flooring sales were stable in the first quarter of 2013. Wide planks are in fashion as elsewhere in Europe. The construction market is picking up after the winter, which is also reflected in the increasing number of building permits.

China increases share of EU wood flooring imports

Wood flooring is the only joinery product for which external suppliers have a large share of the EU market.

According to preliminary estimates by FEP, production of wood flooring in member countries was around 70 million m² and consumption was 91 million m² in 2012. This compares to imports of 35.25 million m² in 2012.

Table: EU27 imports of wood flooring 2010-2012 (million m²)

	2010	2011	2012	% chg 2011-12	% share 2011	% share 2012
CHINA	24.48	24.50	21.25	-13.3%	59.5%	60.3%
UKRAINE	2.42	2.43	2.41	-1.0%	5.9%	6.8%
CROATIA	2.16	2.36	2.12	-10.3%	5.7%	6.0%
INDONESIA	3.64	2.65	1.95	-26.4%	6.4%	5.5%
MALAYSIA	1.58	1.86	1.54	-17.5%	4.5%	4.4%
SWITZERLAND	0.98	1.27	1.39	8.8%	3.1%	3.9%
BRAZIL	2.34	1.52	0.78	-48.3%	3.7%	2.2%
OTHER	4.59	4.62	3.82	-17.3%	11.2%	10.8%
TOTAL	42.19	41.21	35.25	-14.5%	100.0%	100.0%

Total EU imports of wood flooring declined 14.5% in volume terms during 2012, however imports held up well in value terms (Chart 2).

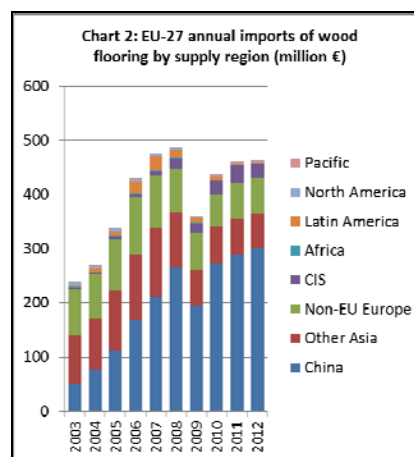
The total value of wood flooring imports in 2012 was €462 million, a slight gain on €461 million the previous year and not far short of the record level of €487 million in 2008.

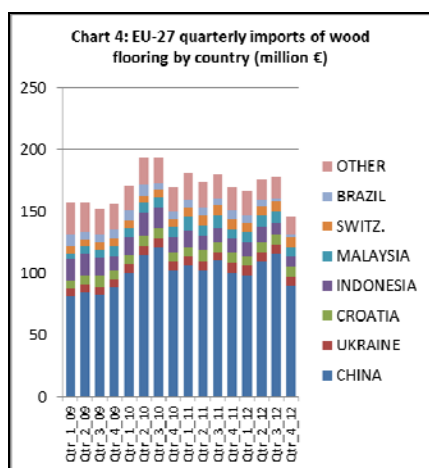
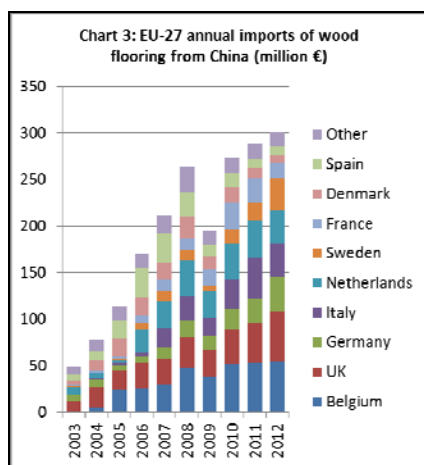
China is by far the largest external supplier of wood flooring to the EU. In 2012, the EU imported 21.25 million m² of wood flooring with a value of €301 million from China.

While the volume of wood flooring imports from China fell by 13% in 2012, the value actually increased by 4.3%.

China's share of overall EU wood flooring imports has been rising in recent years, from around 51% of volume in 2009 to over 60% in 2012.

China's share of import value increased from 54% to 65% during the same period.





Most Chinese wood flooring is imported into the EU through Belgium, UK, Germany, Italy, Netherlands, and Sweden (Chart 3). A significant proportion is likely to be re-exported from some of these countries (notably Belgium, Netherlands and Sweden).

The value of Chinese wood flooring imports increased last year into Belgium (+4% to €4.5 million), UK (+27% to €4.1 million), Germany (+39% to €6.8 million), and Sweden (+81% to €4.2 million). However, import value declined into Italy (-17% to €6.2), Netherlands (-12% to €5.7 million) and France (-42% to €15.9 million).

Quarterly data reveals that EU27 wood flooring imports fell sharply in the last quarter of 2012, with a particularly large decline in imports from China (Chart 4).

This is probably due to the mounting economic uncertainty in Europe and the sharp decline in construction activity during the winter months.

It is also possible that the imminent imposition of the EU Timber Regulation (EUTR) discouraged purchasing of Chinese wood flooring due to the complex supply chain and difficulties of securing legality documentation. However, the impact of EUTR will only really become apparent with publication of 2013 trade data.

EU wood door imports resilient despite construction downturn

Unlike wood floors, most wood doors consumed in the EU are also manufactured in the EU. In 2011 only 4.6% of the total €6.3 billion of wood doors installed in the region derived from outside the EU.

Nevertheless, the market for wood doors in the EU is large and even a small share generates a lot of income. The total value of EU wood door imports in 2012 was €283 million, a 2.3% decline compared to the previous year (Chart 5).

While imports are well below the level of 2008 when they peaked at €64 million, imports have remained reasonably resilient during the last three years despite slowing construction activity.

During this period, China has remained the largest single supplier and maintained a share of around 33% of all EU wood door imports.

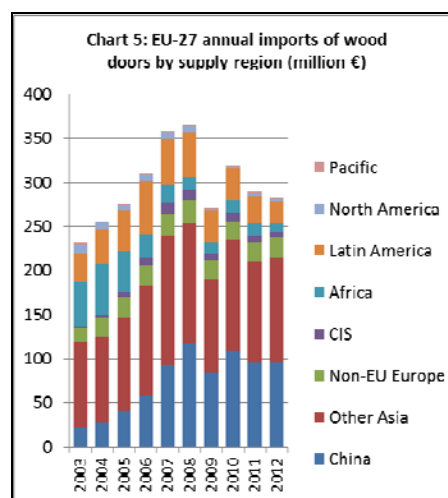
Most Chinese wood doors imported into the EU are destined for the UK, France, Romania, Belgium, Ireland, and the Netherlands (Chart 6).

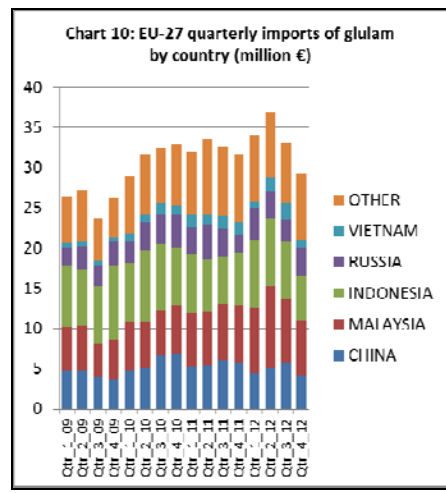
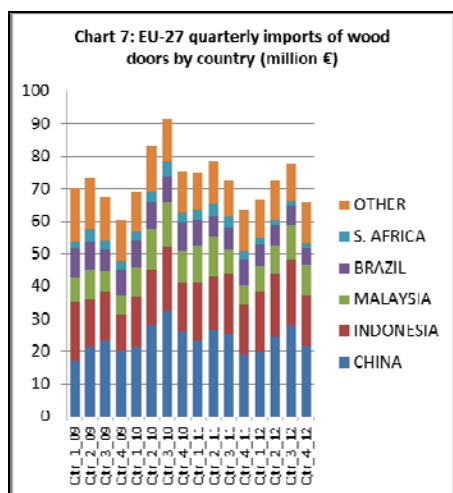
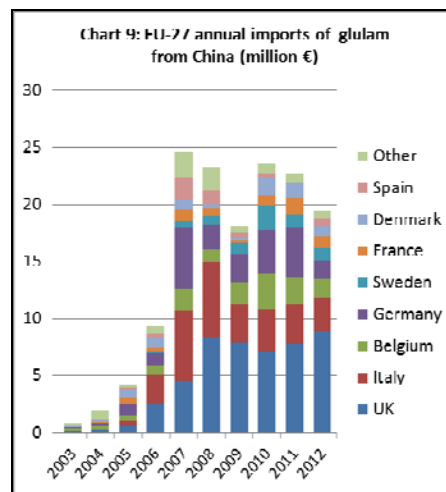
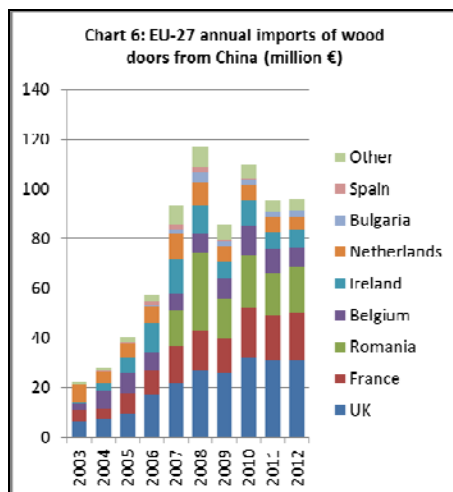
The value of Chinese wood door imports increased last year into the UK (+1% to €1.2 million), France (+4% to €19.1 million), Romania (+11% to €18.6 million), and Ireland (+2% to €7.2 million).

However, import value declined into Belgium (-20% to €7.6 million) and the Netherlands (-15% to €5.2 million).

As in the wood flooring sector, there was a sharp fall in the value of EU imports of wood doors in the last quarter of 2012 (Chart 7).

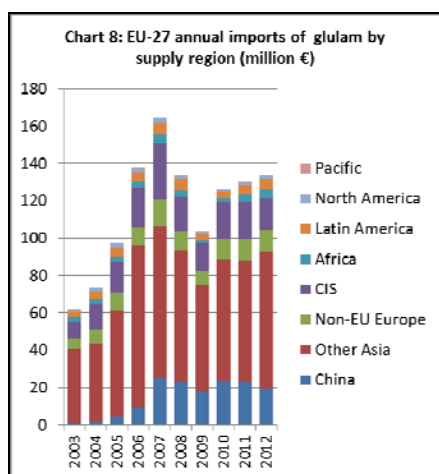
The biggest fall was in imports from China (down 23% compared to the previous quarter), although imports also declined from Indonesia (-14%) and Malaysia (-13%). It's unclear whether this is the start of a long term trend or a short-term response to slow construction sector activity in Europe last winter.





EU glulam imports from China down 14% in 2012
 Europe is the world's largest market for glulam, accounting for close to 60% of all global consumption. Europe currently consumes around 3 million m3 of glulam of which only around 125,000 m3 was imported in 2012, mainly from Malaysia, Indonesia and China.

While volumes are small, imported glulam products have high unit value, averaging around €1000 per cubic meter. EU imports of glulam in 2012 were valued at €134 million, up 3% from €130 million in 2011 (Chart 8).



In 2012, imports from the largest external supplier, Malaysia, were valued at €33 million, a 19% increase compared to the previous year.

Imports from Indonesia also increased in 2012, by 13% to €30 million. However, imports from China declined by 14% to €19 million.

Most Chinese glulam imported into the EU is destined for the UK, with smaller volumes destined for Italy, Belgium and Germany (Chart 9).

The value of Chinese glulam imports increased last year into the UK (+14% to €8.9 million). However, imports fell into Italy (-16% to €2.9 million), Belgium (-27% to €1.7 million), and Germany (-64% to €1.6 million).

Quarterly data reveals that EU imports of glulam rose strongly in the first six months of 2012 but then declined sharply in the second half of the year (Chart 10).

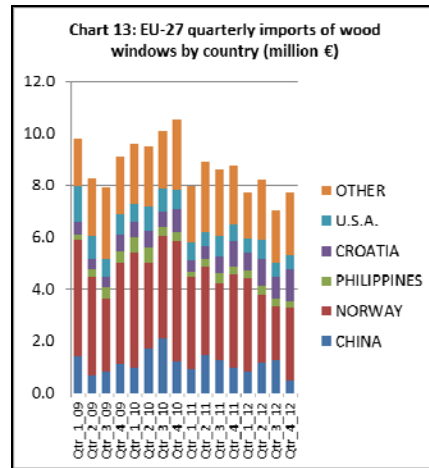
EU wood window imports fall to negligible levels

Manufacturers outside the EU play a very minor and declining role in the EU wood windows sector. Imports accounted for only 0.5% of the €6.6 billion of wood products installed in the EU in 2011, down from 0.8% in 2007.

External suppliers struggle in a sector where success depends on commitment to an increasingly complex range of EU quality and environmental standards, ability to meet tight construction schedules, and regular contact with a large and generally fragmented network of building contractors.

EU wood window import value fell again last year, from €34 million in 2011 to €31 million in 2012 (Chart 11). Most wood windows imported into the EU derive from other non-EU European countries, notably Norway and Croatia.

Wood window import value from China in 2012 was €3.8 million, down from €4.7 million the previous year. Most wood windows imported into the EU from China are now destined for Poland and France (Chart 12). The UK, the largest market before 2008, now imports hardly any windows from China.



Quarterly data indicates that EU wood window imports strengthened at the end of last year (Chart 13). However this was due to increased imports from Norway and Croatia. Imports from China fell sharply in the last quarter of 2012.

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

Report from North America

Suppressed government spending holding back economic growth

Real GDP increased at an annual rate of 2.5% in the first quarter of 2013, according to the first estimate by the US Department of Commerce.

Higher personal consumption, private investment, exports and a stronger construction market contributed to the higher GDP growth rate. Lower government spending had a negative effect on GDP growth.

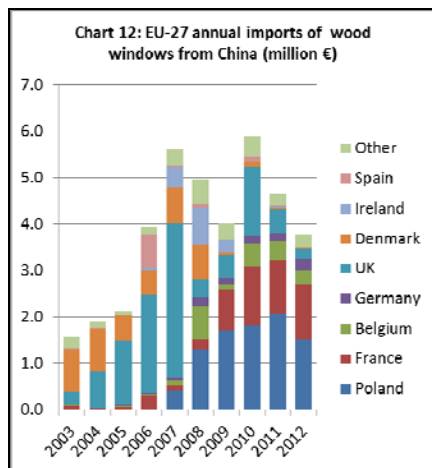
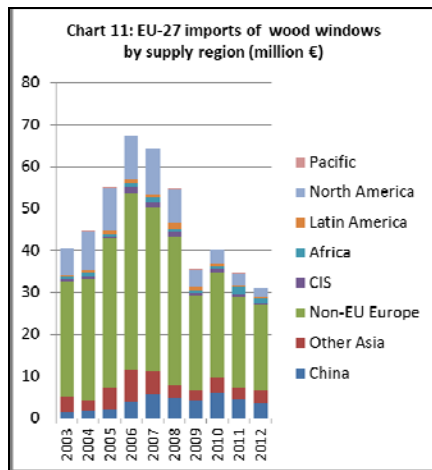
GDP growth could reach 4% in 2013 if public spending would recover, according to the International Monetary Fund.

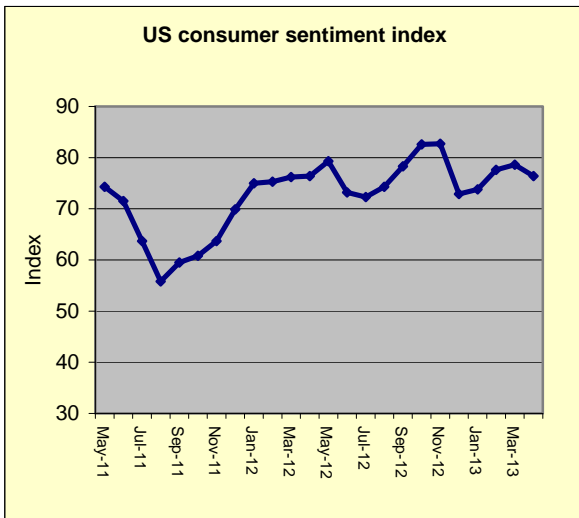
The unemployment is slowly edging down. It declined from 7.7% in February to 7.5% in March, according to the US Bureau of Labor Statistics. Home builders report that they are not able to hire enough qualified workers.

Many workers have left home construction when the housing market collapsed and they work in other industries now. Higher wages in other industries are also attracting workers away from construction.

Consumers worry that economic recovery may waver

Consumer confidence in the US economy declined from March to April, according to the Thomson Reuters/University of Michigan consumer sentiment index.





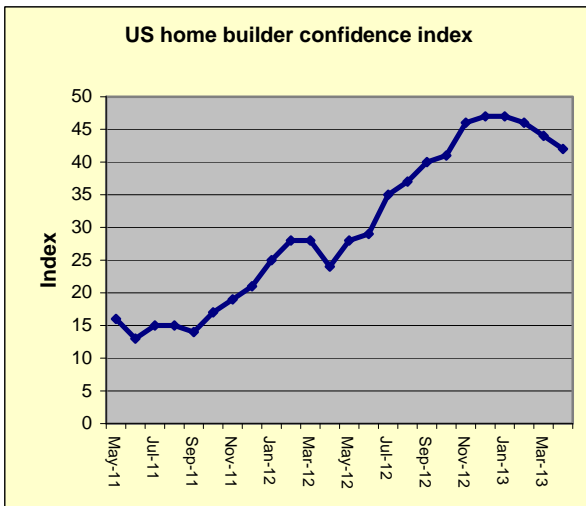
Source: Thomson Reuters/University of Michigan Surveys of Consumers

Consumer spending increased because of rising home prices and stock prices, but consumers worry that the economy will not continue to expand.

Upper income households in particular have increased spending. The majority of consumers do not expect the employment situation to improve this year.

Lack of qualified workers affects builders' confidence
 Builder confidence in newly built single-family homes declined again in April, according to the National Association of Home Builders.

Home builder confidence has been falling since January, despite improving demand for new houses.



Source: National Association of Home Builders/Wells Fargo Housing Market Index

Finding qualified workers remains a problem in the areas where demand for new homes is strongest (Arizona, California, Texas, Colorado and Florida). Many Hispanic immigrants have left the US, especially to Mexico where the economy is doing very well.

The National Association of Home Builders reported in March that half of the builders questioned had to delay construction work because of a lack of labour.

Housing starts exceeded one million in March but fall back in April

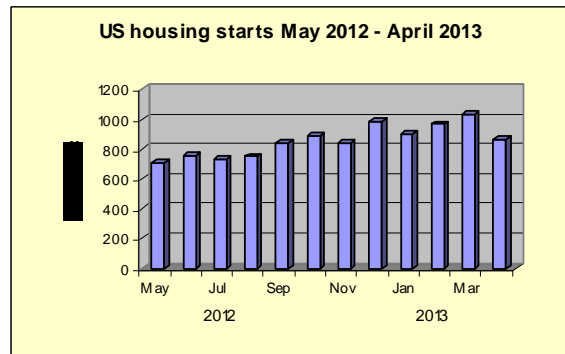
US housing starts passed the one-million mark in March for the first time since 2008. The increase was mainly due to high demand for rental apartments.

The number of total starts rose to 1.036 million homes in March (seasonally adjusted annual rate), up by 7% from February.

Multi-family starts increased by 31%, while single-family starts fell by 5%. The share of single-family homes in total starts declined to just 60%.

However, the growth in starts was not sustained in April as starts fell back to 870,000 units. Analysts did not read too much into this decline as applications for building permits rose 14.3 percent in April to a rate of 1.02 million, the highest since June 2008.

US housing starts, 000's units, seasonally adjusted



Source US Census Bureau, CMHC

The number of building permits issued was 902,000 in March (seasonally adjusted annual rate), down 4% from February. The number of permits issued is usually an indicator of future building activity.

Sales of existing homes fell again in March, mainly because of an insufficient supply of homes on the market. The supply of homes for sale was at 4.7 months in March (i.e. they would sell out in 4.7 months at the current sales pace). A 6-month supply is considered a balanced market between sellers and buyers.

Higher home prices would encourage more home owners to sell, but price increases remain modest. Home prices increased by 1.9% from February. The strongest recovery in home prices was in the West (Nevada, California, Arizona, Idaho and Oregon).

Little change in Canadian housing market

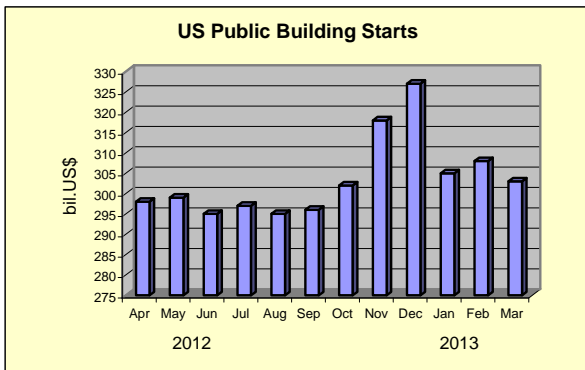
Canada's housing starts remained stable in March. The Canada Housing and Mortgage Corporation forecasts lower housing starts in 2013 compared to the previous year.

The exception is British Columbia where home construction will rise moderately. A slower housing market is expected to slightly reduce economic growth in Canada this year.

US non-residential construction market still slow

Spending on non-residential building construction in the US declined by 1.9% in March compared to the previous month (at a seasonally adjusted rate). Private construction decreased by 1.5% in March, while public construction fell by 3% due to reduced government spending.

US public building, million US\$, seasonally adjusted



Source: US Census Bureau

Architecture firms with a commercial/industrial specialization reported better business conditions in March, according to the Architecture Billings Index. However, business in the non-residential sector continues to lag residential construction.

Significantly lower plywood imports from China in March

Plywood imports from China have dropped significantly since the US Department of Commerce announced in February the preliminary countervailing duties on Chinese plywood. Imports of other wood products were largely stable in March, except for a decline in furniture imports.

Hardwood plywood imports fell in March due to significantly lower imports from China. Total hardwood plywood imports were 198,294 cu.m in March, down 28% from February. Imports remain higher than in 2012 (+28% year-to-date).

US imports of hardwood plywood cu.m

	Jan	Feb	Mar	% change
Total imports	252,379	274,194	198,294	-28%
of which				
China	148,678	179,529	61,058	-66%
Russia	9,091	11,592	19,089	65%
Indonesia	30,607	22,804	63,891	180%
Malaysia	11,518	14,154	13,577	-4%
Canada	7,820	7,273	9,245	27%
Ecuador	33,904	25,755	20,563	-20%

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

Imports from China fell from 179,529 cu.m in February to 61,058 cu.m in March (-66%). Imports from Indonesia surpassed imports from China in March. Indonesian shipments increased to 63,891 cu.m (+104% year-to-date).

Imports from Malaysia were 13,577 cu.m in March (+67% year-to-date). Shipments from Ecuador were 20,563 cu.m (+470% year-to-date). Ecuador has been the third-largest supplier of hardwood plywood so far in 2013, after China and Indonesia.

Hardwood moulding imports decline

Hardwood moulding imports declined further in March to \$12.1 million (-15% year-to-date). Imports from Brazil remained stable from February at \$2.8 million, (-19% year-to-date).

Hardwood moulding imports from China were worth \$3.8 million (-23% year-to-date). Imports from all other major suppliers also declined in March.

US imports of hardwood mouldings, 000' US\$

	Jan	Feb	Mar	% change
Total imports	18,168	12,489	12,085	-3%
Brazil	5,158	2,836	2,843	0%
China	6,018	4,805	3,811	-21%
Malaysia	1,186	926	778	-16%
Canada	965	1,148	1,488	30%
Other	4,841	2,774	3,165	14%

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

Imports of hardwood flooring from China nose dive

Hardwood flooring imports declined further to \$2.1 million in March. Indonesia's shipments more than doubled to \$1.2 million in March (+326% year-to-date).

Malaysian hardwood flooring exports were worth \$0.3 million in March (-40% year-to-date). Imports from China decreased to \$0.1 million in March (+59% year-to-date), but it remains the second-largest supplier to the US market in 2013 after Indonesia.

US imports of hardwood flooring, 000's US\$

	Jan	Feb	Mar	% change
Total Imports	3,429	2,641	2,076	-21%
of which				
Malaysia	372	536	297	-45%
Indonesia	1,316	349	1,249	258%
China	874	860	118	-86%
Italy	0	39	29	-26%
Canada	211	73	32	-56%

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

US imports of assembled flooring panels declined to \$7.3 million in March, and they are only 3% above year-to-date imports in 2012. Imports from China fell to \$3.3 million (-5% year-to-date).

Canada's shipments grew to \$2.3 million (+15% year-to-date).

US imports of assembled flooring panels, 000's US\$

	Jan	Feb	Mar	% change
Total imports	11,990	8,475	7,256	-14%
of which				
China	8,732	6,010	3,274	-46%
Canada	1,721	1,313	2,303	75%
Indonesia	410	108	376	248%
Brazil	558	402	462	15%

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

Wooden furniture imports growing despite March declines

US imports of wooden furniture fell below \$1 billion for the first time in the last 12 months. March imports were worth \$813.9 billion, down 21% from the previous month. Year-to-date imports are still 6% higher than in 2012.

China's furniture shipments to the US fell to \$316.6 million (+8% year-to-date). Imports from Vietnam declined to \$121.0 million in March (+11% year-to-date).

US imports of wooden furniture*, 000's US\$

	Jan	Feb	Mar	% change
Total imports	1,132,386	1,029,312	813,896	-21%
of which				
China	571,266	528,629	316,606	-40%
Vietnam	190,063	160,843	121,048	-25%
Canada	80,648	81,395	90,999	12%
Malaysia	57,988	49,849	47,227	-5%
Mexico	38,272	39,255	4,352	-89%
Indonesia	4,902	46,583	49,870	7%

*includes HS: 940161, 940169, 940330, 940340, 940350 and 940360. Excluding furniture parts.

Many US SMEs exit kitchen and bathroom cabinet manufacturing sector

Sales of cabinets for kitchens and bathrooms were severely affected by the economic recession in the US. The low demand from new construction and remodeling of existing homes continues to have an effect on the industry today.

In the last five years industry concentration has increased because many smaller companies had to close their business, according to a recently released report by IBISWorld (Cabinet and Vanity Manufacturing in the US).

However, the majority of US cabinet manufacturers remain small companies. The four largest US manufacturers account for less than 25% of sales.

Cabinet sales started to recover in 2011. Freedonia predicts cabinet demand to grow by an average 8.2% per

year to \$15.3 billion in 2016 (Cabinets: US Industry Study with Forecasts for 2016 & 2021).

New housing is expected to be the strongest driver of demand, but the renovation of kitchens and bathrooms remains an important market.

The trend to larger kitchens and larger cabinets will support demand, according to Freedonia. The bathroom cabinet market is forecast to grow 6.5% per year to reach US\$1.8 billion in 2016. More homes have multiple bathrooms, which has a positive effect on cabinet sales.

Cabinet demand in non-residential applications is expected to grow 6.5% per year to \$2.8 billion in 2016. Growth in the construction of offices, retail stores and hotels will support demand for cabinets.

Preliminary anti-dumping duties for plywood imports from China

The US Department of Commerce announced on April 30 the preliminary anti-dumping duties on decorative plywood imports from China.

These duties were to come into effect on July 17 but, because two of the affected companies requested the postponement of the deadline the entry into force was delayed to allow for further investigation.

Those investigations have been concluded and the duties will come into effect in July. The new duties will be added to the existing preliminary countervailing duties, which range from 0.22% to 27.16%.

Two companies will not pay any anti-dumping duties (Linyi San Fortune Wood Co. and Jiangyang Group). Over 100 companies were assigned a preliminary anti-dumping duty of 22.14%. All other producers will pay the China-wide duty of 63.96%.

Plywood from China has an estimated 30% market share in the US. All hardwood and decorative plywood is subject to the investigation and duties, including plywood with face and back veneer made from softwoods or bamboo.

Structural plywood and shaped plywood are excluded from the investigation.

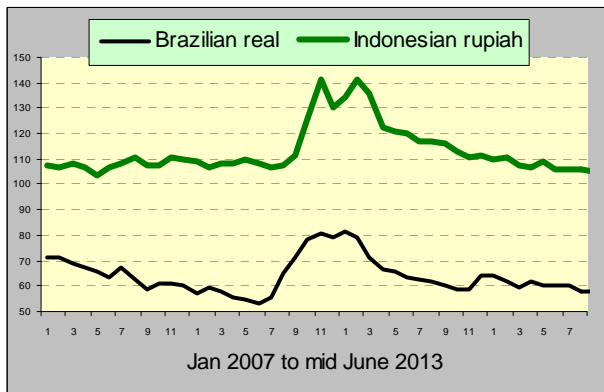
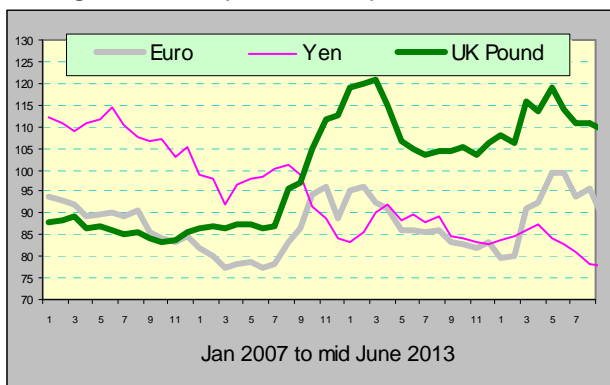
Disclaimer: *Though efforts have been made to keep prices near to accurate, these are published as a guide only. ITTO does not take responsibility for the accuracy of this information.*

Main US Dollar Exchange Rates

As of 12th June 2013

Brazil	Real	2.1324
CFA countries	CFA Franc	494.2
China	Yuan	6.1350
EU	Euro	0.7511
India	Rupee	55.3405
Indonesia	Rupiah	9827
Japan	Yen	96.2
Malaysia	Ringgit	3.1474
Peru	New Sol	2.7510
UK	Pound	0.6392
South Korea	Won	1133

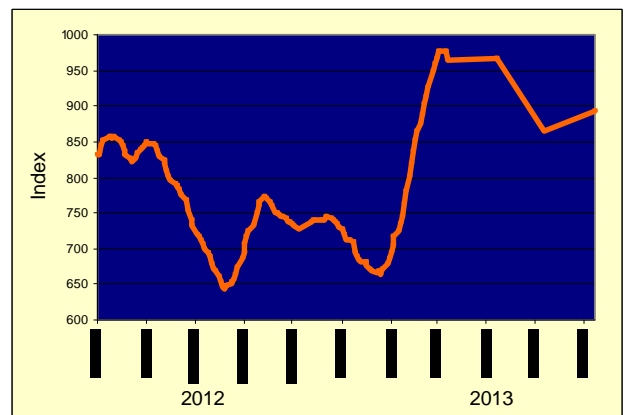
Exchange rates index (Dec 2003=100)



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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