

# Tropical Timber Market Report

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The ITTO *Tropical Timber Market (TTM) Report*, an output of the ITTO Market Information Service (MIS), is published in English every two weeks with the aim of improving transparency in the international tropical timber market. Its contents do not necessarily reflect the views or policies of ITTO. News may be reprinted provided that the ITTO *TTM Report* is credited. A copy of the publication should be sent to [ti@itto.int](mailto:ti@itto.int).

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## Top Story

### **Unlikely all accumulated logs can be shipped before Myanmar log export ban**

Log export shipments from Myanmar increased in December however, reports suggest that some 270,000 cu.m of teak logs and 810,000 cu.m of other hardwood logs remain unshipped at various log depots in Myanmar.

Analysts say that, during the first nine months of 2013 monthly log shipments averaged 165,000 cu.m so it is unlikely that all the remaining logs can be shipped in the three months until the log export ban takes effect.

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## Report from Central/West Africa

### Producers in Cameroon back in business after storms

Producers are expecting a somewhat quieter period for new sales in the first quarter so are concentrating on shipping current contracts. There were no major price movements in the period from mid December to the present and market conditions are said to be slow but stable.

Producers in Cameroon are slowly getting production back to normal after the very heavy rains. There is news of increased log exports due, say analysts, to a relaxation in the quota system.

### Chinese buyers active in advance of Lunar New Year holidays

The western New Year holidays are over but Chinese New Year falls on 31 January. Even though the holidays in China are drawing near Chinese buyers are still particularly active.

Producers expect that the current market conditions will prevail through the first quarter. European businesses are back to normal after the long holiday but it is too early to anticipate market direction.

Building activity across Europe slows during the winter months and although housing starts had begun to pick up during the last quarter of 2013 the prospects for further expansion look slim despite the optimism in the private sector.

### Log Export Prices

West African logs, FOB	€ per m <sup>3</sup>		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	220	220	155
Ayous/Obeche/Wawa	225	210	150
Azobe & Ekki	235	230	150
Belli	230	230	-
Bibolo/Dibétou	150	145	-
Iroko	250	225	210↓
Okoume (60% CI, 40% CE, 20% CS) (China only)	330↑	320↑	245↑
Moabi	300	300	-
Movingui	220	200	175↑
Niove	165↓	165-	-
Okan	250↓	250↓	-
Padouk	310	280	210↓
Sapele	280↑	270↑	180
Sipo/Utile	310↓	285	190
Tali	295	295	-

### Sawnwood Export Prices

West African sawnwood, FOB		€ per m <sup>3</sup>
Ayous	FAS GMS	335
Bilinga	FAS GMS	520
Okoumé	FAS GMS	480
	Merchantable	270
	Std/Btr GMS	350
Sipo	FAS GMS	550
	FAS fixed sizes	-
	FAS scantlings	550
Padouk	FAS GMS	800
	FAS scantlings	800
	Strips	400
Sapele	FAS Spanish sizes	535
	FAS scantlings	555
Iroko	FAS GMS	565
	Scantlings	590
	Strips	440
Khaya	FAS GMS	450
	FAS fixed	470
Moabi	FAS GMS	550
	Scantlings	550
Movingui	FAS GMS	415

### Timber companies in Gabon concerned over slow pace tax refund

Trading conditions are said to be becoming more difficult in Gabon with some timber companies reporting tough financial constraints because of the slow repayments of the value added tax (TVA) from the government agencies.

There are unconfirmed reports that around CFA 20 billion in TVA refunds are due to the exporters. The recent strike by dock workers added to the woes of exporters.

The media in Congo Brazzaville reports that investors are very active building new mills which should begin operations during January.

### VPA Updates

The EU FLEGT Newsletter Nov/Dec 2013 has just been released and the following is extracted from this newsletter.

#### *VPA between Liberia and EU comes into force*

The VPA between Liberia and the EU came into force on 1 December following its ratification by the two countries.

The EU Delegation marked this achievement with an event in Monrovia on 2 December, attended by Pierre Amilhat, EuropeAid's Director for Western and Central Africa.

During the event EU officials finalised projects for civil society organisations for environmental protection in Liberia.

#### *Support for VPAs in West and Central Africa*

Three new FLEGT facilitators took up their positions in African VPA partner countries in November and December.

The UK Department for International Development is providing support for these positions as part of its Forest Governance, Markets and Climate programme. The facilitators will assist stakeholders in their negotiations and with VPA implementation.

**VPA awareness campaign in Côte d'Ivoire**

The Ivorian NGO, SOS-Forêt, is building a civil society platform to create an inclusive and comprehensive forum to represent civil society in VPA negotiations. The NGO has been working to spread information on the VPA and build understanding of good forest governance.

**Cameroon and the EU report on VPA progress**

Cameroon and the EU have released two joint reports on progress in implementing the Cameroon-EU VPA. One report summarises activities and progress during 2010 and 2011, the second covers activities and progress in 2012.

This document reports progress made in the timber legality assurance system, legislative reform, domestic timber market policy, FLEGT licensing, institutional improvements, stakeholder engagement, communication, transparency and monitoring.

**Working paper on sustainable development of the Congo Basin timber industry**

The EU FAO FLEGT Programme and ATIBT (International Technical Tropical Timber Association) have published a working paper on Sustainable Development of the Wood Industry in the Congo Basin.

The report identifies current trends and possible future scenarios for the wood industry in the Congo Basin.

This report is in French and can be downloaded at:

<http://www.fao.org/forestry/39337-0feb14b2a4f27977e4f1bc633615f0dc4.pdf>

**EU FAO FLEGT call for proposals**

The EU FAO FLEGT Programme is about to launch a global call for project proposals from civil society, government institutions and private sector organisations in eligible timber producing countries

see:

[http://www.fao.org/forestry/eu-flegt/78025/en/?utm\\_source=Apsis%20newsletter&utm\\_medium=email](http://www.fao.org/forestry/eu-flegt/78025/en/?utm_source=Apsis%20newsletter&utm_medium=email)

According to the EU FLEGT Newsletter, proposals should address one of the programme's thematic areas of support. Grants of up to euro 100 000 will be available.

Before applying, applicants are encouraged to read the EU FAO FLEGT Programme Information Tutorial, which will be available in January on the programme website.

For more information on how to apply, visit the EU FAO FLEGT Programme website or subscribe to the EU FAO FLEGT newsletter.

**Progress on timber tracking**

The EU/FLEGT Newsletter of Nov/Dec 2013 says Ghana and the EU reviewed progress made by Ghana in developing its legality assurance system, especially its verification protocols and wood tracking system.

During a joint meeting it was agreed that effective tracking is a considerable challenge within the VPA implementation process. The two parties agreed to develop a detailed work plan to guide implementation as Ghana works towards licensing.

**New policy to tackle depletion of forest resources**

To halt the depletion of the country's forest and natural resources the Ministry of Lands and Natural Resources has introduced a Forest and Wildlife Policy. The new policy is an improvement on the 1994 policy and addresses the many challenges facing the forestry sector.

The policy will focus on the commitment to degraded landscape restoration through forest plantation development schemes, the promotion of small and medium forest and wildlife enterprises to create employment.

The policy also addresses biodiversity conservation, sustainable management of Savannah wood land and ecotourism development.

The policy aims to consolidate good governance through accountability and transparency, enhance active participation of communities and land owners in resource management and address issues on tree tenure and benefit sharing.

The Minister of Lands and Natural Resources, Alhaji Inusah Fuseini, who launched the policy, noted that the cost of degradation of the nation's forest and wildlife was about 10% of gross domestic product.

The minister also announced that, a Forestry Development Master Plan would be developed to ensure effective implementation of the new Forest and Wildlife policy.

**Inflation soars**

Inflation rate in Ghana is now 17.5%, up by 2.5% following last month's delivery of the 2014 budget statement by the Minister of Finance Mr. Seth Terker.

A significant aspect of the budget was the change in scope of the value added tax (VAT) to widen the tax net. The new VAT structure received presidential assent on December 30, 2013 and was subsequently gazetted the following day.

### Domestic Log Prices

Ghana logs	US\$ per m <sup>3</sup>	
	Up to 80cm	80cm+
Wawa	150-160	164-185
Odum Grade A	170-175	180-188
Ceiba	115-133	138-150
Chenchen	100-112	118-128
Khaya/Mahogany (Veneer Qual.)	125-150	155-180
Sapele Grade A	152-157	161-185
Makore (Veneer Qual.) Grade A	106-116	141-166
Ofram	112-118	130-135

### Export Sawnwood Prices

Ghana Sawnwood, FOB FAS 25-100mm x 150mm up x 2.4m up	€ per m <sup>3</sup>	
	Air-dried	Kiln-dried
Afromosia	855	945
Asanfina	480	544
Ceiba	240	269
Dahoma	284	342
Edinam (mixed redwood)	350	470
Emeri	353	542
African mahogany (Ivorenensis)	593	629
Makore	575	650
Niangon	570	617
Odum	530	641
Sapele	567	645
Wawa 1C & Select	275	323

### Boule Export prices

	Euro per m <sup>3</sup>
Black Ofram	235
Black Ofram Kiln dry	333
Niangon	492
Niangon Kiln dry	575

### Export Rotary Veneer Prices

Rotary Veneer 1-1.9mm , FOB	€ per m <sup>3</sup>	
	CORE (1-1.9mm )	FACE (2mm)
Ceiba	274	330
Chenchen	320	358
Ogea	298	350
Essa	322	330
Ofram	320	357

### Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afromosia	1.32	0.80
Asanfina	1.20	0.47
Avodire	1.12	0.47
Chenchen	0.85	0.53
Mahogany	1.30	0.47
Makore	1.26	0.43
Odum	1.88	1.08

### Export Plywood Prices

Plywood, FOB BB/CC	€ per m <sup>3</sup>		
	Ceiba	Ofram	Asanfina
4mm	428	600	641
6mm	422	592	622
9mm	360	415	475
12mm	357	435	439
15mm	325	363	380
18mm	305	363	367

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

### Export Added Value Product Prices

Parquet flooring 1st	FOB € per sq.m		
	10x60mm	10x65-75mm	14x70mm
Apa	12.70	15.36	18.80
Odum	10.70	11.20	12.40
Hyedua	14.08	14.00	18.45
Afromosia	14.30	18.65	18.55

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

## Report from Malaysia

### Heated discussions in Sabah on royalty rates

The year has started quietly for the timber industry. Industry watchers anticipate that this quiet mood will last till after the Chinese New Year which falls on 31 January.

Meanwhile, the most closely watched issue is in Sabah where the industry is in discussions with the state government on proposed changes to timber royalty rates. Any increase in rates will have a big impact on the industry.

### Market prospects in Japan favourable says research firm

Analysts from Affin Research, a firm affiliated with Affin Investment Bank Ltd, are optimistic that 2014 will be a good year for the timber industry. They foresee stronger demand with moderate improvements in timber prices underpinned by diminishing resources, recent stabilisation of the Indian rupee, Myanmar's log export ban and improved economic outlook in Japan, notably for plywood.

Affin Research projected that log prices would average to about US\$250 to US\$260 per cu.m in 2014 (up by around US\$20 to US\$30 per cu.m from an average of US\$230 to US\$240 per cu.m in 2013).

Affin Research noted that the Japanese housing market recovered in 2013 but whether this can be maintained after the consumption tax is raised in April is uncertain. Any improvement in housing starts is very positive for Malaysian plywood exporters.

Reconstruction in the earthquake and tsunami devastated areas in north-eastern Japan and construction of venues for the Olympic Games in 2020 will surely boost demand for more timber.

### Positive outlook for demand from India

Log exports to India accounted for 61% of Sarawak's total log exports in 2013. India's imports from Sarawak slowed in mid-2013 due to the sharp depreciation of the Indian rupee against the US dollar but prices picked up towards the end of 2013 because of firm demand prior to the rain season and because the rupee exchange rate stabilised.

Demand for logs in India could be strong this year if the housing market picks up.

Malaysian log exporters are expected to benefit from the log export ban in Myanmar. The reduced availability of

non-teak hardwoods should result in upwards pressure on prices in all markets.

#### **VPA negotiations continue**

Malaysia continues to negotiate with the EU on the Voluntary Partnership Agreement (VPA) and analysts anticipate that representatives from Peninsular Malaysia will be concluding their negotiations soon so as to sign a VPA.

The state authorities in Sabah have stepped up activities to speed negotiations with EU but in Sarawak the state authorities have made it clear they would adopt a phased approach towards the VPA.

#### **Sarawak Timber Association explains its position VPA**

Sarawak's position on the VPA negotiations has attracted much international attention. The Sarawak Timber Association (STA) recently released a statement on the FLEGT VPA to explain its position.

The main elements of the STA statement are reproduced below:

*Malaysia has been negotiating with the EU over the EU-Malaysia FLEGT VPA. The State Government of Sarawak has taken the cautious stance by adopting a phased approach to the signing of the EU-Malaysia FLEGT VPA which is on a voluntary basis.*

*Sarawak Timber Association (STA) fully supports this decision made by the State Government as STA strongly believes that the real benefits to the industry must first be forthcoming.*

*STA would like to emphasize that even though Sarawak's licensing authority will be unable to issue FLEGT Licenses having taken the phased approach if Malaysia signs VPA, but this does not mean that timber and timber products from Sarawak are illegal.*

*Sarawak has already in place a legality verification system to ensure its timber and timber products are legally sourced and exported to a final destination which is in compliance with the requirements of the existing forestry laws and regulations. This has been accepted by our international markets.*

*Since the VPA is a voluntary bilateral trade agreement, there must be reciprocal benefits for the timber-producing country.*

*STA sees the advantage of the VPA is to provide a green lane for expeditious import into the EU BUT notes that being included in the VPA does not confer any commitment to a guaranteed market share which is very important for the continuous survival of our timber industry.*

*STA wishes to highlight that there is no common agreement globally on what elements constitute the definition of legal timber.*

*It is very subjective on how one interprets what legal timber is and this has caused timber-producing countries to incur higher transaction costs without any market premium to meet the demand of the markets with its different criteria and objectives due to the different definitions of what is legal timber.*

*STA therefore supports any initiatives by timber-producing countries to explore mechanisms and arrangements, such as mutual recognition that can eventually lead to the harmonization of the categories of laws to be used to define what legal timber is for the benefit of the timber industry internationally as a whole.*

### **Report from Indonesia**

#### **Further debate on plantation log export**

The suggestion that limited log exports could be resumed has generated considerable debate. The idea was first made by the Association of Indonesian Forest Concessionaires (APHI) who said such a change in the ban on log exports would generate better prices and offer opportunities for market diversification.

It was suggested by the Ministry of Forestry that logs from either community plantation forests (HTR) or industrial forest plantation concessions could be exported provided they come from areas covered by SVLK certificates.

Hadi Daryanto, the Forestry Ministry's secretary-general said "exports would be limited to companies fulfilling the SVLK certification requirements so exports would not be on a massive scale and so quota would be imposed and the log trading would be mainly driven by market demand".

#### **Leading by example – government agencies to use only SVLK certified products**

The government has said it would require government institutions to use only timber and timber products that have been certified through the timber legality verification system (SVLK).

Forestry Minister Zulkifli Hasan said that his ministry, along with the Government Procurement Regulatory Body (LKPP), the National Development Planning Board (Bappenas), the Public Works Ministry and the Environment Ministry were drafting a regulation on the use of wood products by government agencies.

Forestry Ministry director general for forestry business development, Bambang Hendroyono, said the new regulation would help to boost the domestic use of SVLK-certified products. The number of companies that had secured SVLK certification stood at 632 at the end of December.

#### **Imported wood should comply with RI certification**

The Indonesian government intends to limit wood product imports to products which comply with domestic certification standards so that manufacturers using imported raw materials will no longer need pre-export inspection.

Bachrul Chairi, the Trade Ministry Director General said where the export country had a certification system comparable to that in Indonesia the mutual recognition agreements would be concluded.

Through such agreements Indonesia would be acknowledging the legality system in its trading partners and vice versa. Arrangements for this scheme are expected to be in place this year according to Bachrul Chairi.

#### VPA implementation advances

The EU and Indonesia recently agreed a draft action plan for the ongoing implementation of the VPA according to the EU FLEGT Facility Newsletter of Nov/Dec 2013.

The action plan is based on findings from the first phase of an independent evaluation of Indonesia's timber legality assurance system conducted in 2013.

The action plan describes planned improvements to SVLK regulations, amendments to VPA annexes, development of new legislation and capacity building. Preparations to ratify the Indonesian-EU VPA are ongoing.

The International Trade Committee of the EU Parliament is reviewing the treaty while the Indonesian President's office is preparing for its ratification by the national legislature.

#### Domestic Log Prices

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

#### Domestic Ex-mill Sawwood Prices

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

#### Export Plywood Prices

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

#### Domestic Plywood Prices

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

#### Export and Domestic Other Panel Prices

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

#### Report from Myanmar

#### Unlikely all accumulated teak and hardwood logs can be shipped before log export ban

Export shipment volume increased in December however, it is estimated that around 270,000 cu.m of teak logs and 810,000 cu.m of other hardwood logs remain unshipped at various log depots in Myanmar.

Analysts say that it is unlikely that this quantity of logs could be shipped in the three months until the log export ban takes effect.

Shipments to date during the 2013-14 financial year are shown below.

	Teak Logs cu.m	Hardwood Logs cu.m
2013		
April	29338	87134
May	49594	112729
June	22991	148712
July	28204	103898
August	30996	127683
September	25389	110090
October	54524	169895
November	37912	115720
December	47543	195365
Total	326491	1171226

#### MTE informs on transactions after the log export ban

The log export ban (LEB) is set to begin immediately the 2014-15 financial year begins which will be midnight on the 31 March 2014. It is understood that at this time all loading of logs bound for export will be halted.

On 24 December the Myanmar Timber Enterprise (MTE) issued a statement on pre and post log export ban procedures and a summary is provided below:

#### Before the log export ban

(1). Payment for log shipments must be made by 28 February 2014 and loading of vessels must be concluded before 31 March 2014.

(2). Buyers having outstanding balances on purchase contracts may conclude purchases at contracted FOB prices provided the logs are processed inside the country. In this case payments are to be made (in full) before 30 June 2014. From 1 July 2014, all remaining

unshipped/unpaid logs under existing contracts will become the property of the MTE and sold by open tender.

*After the log export ban*

After 31 March 2014 grading and sales of logs will be undertaken as follows:

(1) Industrial raw logs will be sold by open tender to sawmills and factories operating under Myanmar Investment Commission approval and to mills and factories from the private sector.

(2) Teak log Grades 6 and Grade 7 will be grouped together and re-designated as Grade 6. Logs that do not fall in the category of Grade 6 will be sold as Grade 7.

(3) Grades for Padauk logs (*Pterocarpus macrocarpus*) will remain as currently used, except that the Export Reject Grade (ER) will be called Domestic Quality.

(4) For other hardwood logs what is currently termed Export Quality will become First Quality and Export Reject Grade will become Second Quality.

(5) Logs that are to be sold by open tender will be parceled in Yangon and in other suitable locations outside Yangon.

(6) Auction deposits will be US\$3000 for companies owned by Myanmar nationals; and US\$5000 for companies owned by foreigners.

(7) If (full) payment for the successful lots are not paid within (60) days, the respective lots will revert to MTE for resale by open tender.

For more information contact MTE:

<http://www.myanmar-timber.com.mm/index.php/contact-us>

**December teak log tender results**

The following grades and volumes were sold by Myanmar Timber Enterprise (MTE) through competitive bidding on 13 and 16 December 2013.

**Teak tender prices**

Grade	Quantity (Tons)	US\$ per hoppus ton
4th Quality	-	-
SG-1	11	5238
SG-2	49	3835
SG-4	241	3419
SG-5	102	2652
SG-6	102	2114
SG-7	149	1759

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

**Housing market growth forecast for early 2014**

Developments in the economy and legislative changes impact prospects for growth in the housing sector and this directly affects demand for wood products.

Since the beginning 2003 India's GDP growth was around 8% per annum and inflation was a modest 5% but during 2013 there was a reversal as India's GDP growth stalled at around 5% and inflation almost reached 10%. Against this economic backdrop, growth in the housing market has weakened.

During the last quarter of 2013 the Indian media talked of an over-supply of housing and a slowing of demand for urban housing. This led some struggling developers to offer discounts and free extras not part of the normal deals.

Despite the current weakness in the housing market analysts expect that in first few months of 2014 demand will resume and prices will respond accordingly.

On the other hand, developers are raising concerns over the possible impact of the recently introduced Land Acquisition Act which came into effect on 1 January 2014. The larger real estate companies are afraid that the act will result in cost increases for infrastructure and residential developments and could add between 15 per cent and 45 per cent to development costs.

However the Minister for Rural Development has said the act will not affect private purchases of private land as it applies only to land acquired by Central and State authorities for any public purpose. The fear on the part of developers is that the rehabilitation and resettlement clauses of the act could drive up land prices as land owners will see higher prices being paid by the state.

**Paper industry concerned on import duty change**

The domestic paper industry, which is struggling with a chronic shortage of pulpwood is facing a new challenge in the form of cheaper duty free imports from ASEAN member countries.

Up until the 1 January 2013 the import duty on paper was 2.5% but this has now been eliminated and became zero with effect from the beginning of this year under the terms of the trade agreement between ASEAN countries.

The domestic supply of pulpwood is limited and prices have increased by as much as 70-80 per cent over the past two years to about Rs.10,000 per tonne but even at this price there is no adequate supply and domestic mills have to import the shortfall.

The paper industries raised paper prices by 10-15 per cent during 2013 which brought domestic paper price to Rs.52,000 per tonne. The landed cost of similar paper from South Korea is around Rs.48,000 so imports have been growing.

With the change in duties as a result of the ASEAN deal imports of coated paper, copier paper and specialized products are expected to increase. Currently India imports around 8-900,000 tonnes of these types of products annually with China being the major supplier.

With the change in duties producers, such as Indonesia, will have an opportunity to expand exports to India.

**Auction prices of domestic teak at Western India Forest Depots**

During the last auctions of 2013 at various log depots in the Dangs division approximately 12,000 cubic metres of logs were sold. The majority of these were freshly felled good quality logs.

Average prices recorded at the most recent auction are as follows:

Teak logs	Per cubic foot
A quality for ship building	Rs.3100 -3000
B quality for ship building	Rs.2900 - 3000
A for sawing	Rs.2500-2700
B or sawing	Rs. 2300-2400
A Long length logs	Rs. 2100-2200
B Long length logs	Rs 2000-2100
Long length, Medium Quality	Rs 1800-1900
Short Length, Medium Quality	Rs 1500-1600
Short Length, Average Quality	Rs 1200 plus

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

The lack of demand from building companies depressed overall prices but the available logs were sold as sawmills needed to restock the logs used up during the monsoon period when auctions do not take place.

Good quality non-teak hardwood logs of Haldu (Adina cordifolia), Laurel (Terminalia tomentosa), kalam (Mitragyna parviflora) and Pterocarpus marsupium, 3 to 4 m in length having girths 91cms and up were sold at prices in the range of Rs.600~850 per cu.ft while medium quality logs were priced at 400 ~550 per cu.ft.

Now that the holiday season is over demand is expected to rise and substantial quantities of logs are expected to be put up for sales in coming months.

**Availability of alternatives creates competition for teak exporters**

The stabilised rupee exchange rate has provided some relief for importers. As it is the dry season in many plantation teak supply countries the volumes offered have increased.

Some suppliers of plantation teak are asking for higher prices but, with the present economic situation and the weak housing market in India, is not surprising that importers do to accept price increases, on the contrary, Indian buyers are pressing for reduced prices.

Also, the availability of other tropical hardwoods at competitive prices is creating tougher competition for teak suppliers and holding down prices.

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

	US\$ per cu.m
Tanzania teak, logs	350-885
Côte d'Ivoire logs	280-750
PNG logs	400-575
El-Salvador logs	350-650
Guatemala logs	350-550
Nigeria squares	300-450
Ghana logs	275-650
Guyana logs	300-450
Benin logs	250-650
Benin sawn	430-800
Brazil squares	360-680
Colombia logs	335-685
Togo logs	350-715
Ecuador squares	275-540
Costa Rica logs	350-700
Panama logs	260-550
Sudan logs	320-700
Congo logs	450-550
Kenya logs	390-600
Thailand logs	460-700
Trinidad and Tobago logs	400-680
Uganda logs	440-780
Uganda Teak sawn	680-800
Laos logs	320-450
Malaysian teak logs	140-450
Nicaragua logs	370-535
Liberia logs	350-460
Brazil logs	350-750

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

Recently plantation teak was imported from Cameroon at prices in the range of US\$350 to 510 per cu.m



**Domestic ex-sawmill prices for air dried sawnwood cut from imported logs**

As demand and supplies remain balanced and the rupee exchange rate is stable landed costs for imported logs have not changed so sawnwood prices remain unchanged

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

Sawnwood,(Ex-mill) (AD)	Rs. per ft <sup>3</sup>
Merbau	1500-1650
Balau	1500-1650
Kapur	1200-1250
Kempas	1100-1200
Red Meranti	850-950
Radiata Pine (AD)	550-650
Whitewood	600-650

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

**Domestic prices for Myanmar teak processed in India**

Export demand for teak products manufactured in India continues to be good but domestic demand for Myanmar teak products is only from selective high net worth clients.

Sawnwood (Ex-mill)	Rs. per ft <sup>3</sup>
Myanmar Teak (AD)	
Export Grade F.E.Q.	6000-14000
Plantation Teak A grade	5000-5500
Plantation Teak B grade	4000-4250
Plantation Teak FAS grade	3250-3500

Price variations depend mainly on length and cross section

**Prices for imported sawnwood**

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

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

Price variations depend mainly on length and cross section

**Plywood Market**

The housing sector continues to be very depressed and plywood manufacturers are suffering from rising production costs and want to increase prices immediately but the current demand is not supportive of this.

Plywood prices on the domestic market remain unchanged.

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

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

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

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

**Report from Brazil**

**Rio 2016 driving demand for certified wood**

An agreement between FSC Brazil and the Olympic organising committee for Rio 2016 provides for all wood products used for event venues to be certified.

Certified, in this case is defined as complying with the FSC principles and criteria that go beyond the compliance with existing law and is said to include workers rights, indigenous people issues and local community's rights.

This initiative has precedent in the 2012 London Games in which more than two-thirds of the wood products in the Olympic Park and over 90% of the wood products used in the Olympic Village were FSC certified.

The aim of the Brazilian Olympic Committee is to demonstrate leadership with new standards of sustainability management.

**Improvements in the timber sector in Mato Grosso State**

Mato Grosso is one of the major tropical timber producing states in northern Brazil. Over the past few years the forestry sector in the State has encountered difficulties in raising industry awareness on issues of sustainable development so as to demonstrate to international markets that the industry is acting responsibly, is vibrant and in its economic activities is respecting the environment.

To create greater sector transparency the Center for Timber Producers and Exporters Industries of Mato Grosso (Cipem), with support from the Fund for Wood Sector Support (Fundo de Apoio à Madeira - Famad), launched a publication that features timber industry developments between 2009 and 2013.

The report is entitled “On the right track in defense of forest-based industry (No caminho certo em defesa da Base Florestal)” and describes how forestry is promoted in the state.

The report also presents details on issues such as the participation of forest industries in international events, sustainability issues, timber industry worker skills and qualifications, management, fiscal and tax policies that affect the sector as well as data on timber production, exports, tax levels and employment.

One of the highlights of the publication is reference to the ‘Program for Sustainable Forestry Development of Mato Grosso’ (PDFS/MT) due to be released in February 2014. This programme will further support achieving a sustainable forest-based industry in the state.

### Mato Grosso timber sector performance in 2013

The forest industries of Mato Grosso State exported 97,900 tons of wood products, from January to November 2013, earning some US\$93.7 million.

According to the Ministry of Agriculture, Livestock and Supply (MAPA) and the Bureau of Foreign Trade, Ministry of Development, Industry and Foreign Trade (Secex / MDIC), export volumes in 2013 (Jan-Nov) were up 4.1% year on year and export earnings were up 1.5%.

Sawnwood accounted for the bulk of 2013 exports at 51,960 tons. Exports of sawnwood earned US\$42.2 million, 5.9% more than in the same period in 2012.

The second ranked export product was solid wood profiles at 23,722 tons (Jan - Nov 2013) up 4.5% compared to the 22,694 tons recorded in 2012. 2013 revenue from exports of solid wood profiles totaled US\$42.4 million, compared to US\$ 42.8 million of the previous year.

In the first half of 2013 export revenues declined despite an almost 7% increase in export volumes however, during the second half of the year prices recovered.

### Furniture exports slipped in 2013

The indications are that Brazil’s furniture exports in 2013 will be some 15% down on levels in 2012. Despite the weaker than expected 2013 export performance the furniture sector expanded output by over 6%.

It is expected that 2014 wooden furniture exports will be higher than in 2013 which will support further expansion of domestic production.

According to a study by the Institute for Industrial and Market Studies (IEMI), while exports slipped in 2013, furniture imports increased by over 6% to 13.5 million pieces.

The IEMI study shows that exports accounted for 3% of furniture production in 2013. An expansion of furniture imports has been observed since 2010 and in all subsequent years.

Furniture manufacturers are concerned that the withdrawal of the tax relief provided through a reduction in the IPI tax (tax on industrialized products) will undermine competitiveness especially as they also face rising interest rates.

## Price trends

### Domestic Log Prices

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

### Export Sawnwood Prices

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

### Domestic Sawnwood Prices

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

### Export Veneer Prices

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

### Domestic Veneer Prices

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

### Export Plywood Prices

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

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

### Domestic Plywood Prices

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

Domestic prices include taxes and may be subject to discounts.

### Prices For Other Panel Products

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

### Export Prices For Added Value Products

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

## Report from Peru

### Ambitious forest concession plan launched

The Agriculture Minister Milton Von Hesse, said his ministry has an ambitious forest concession plan for this year and is aiming to attract large scale investments and entrepreneurship to support sustainable forest management.

In support of this the Director General of Forestry and Wildlife explained that the agency was working with regional governments to determine production forest stocks.

In this regard the minister said that by the middle of this year inventories will be concluded in Ucayali and San Martin. The forest inventory in the Loreto region has been completed and work is now underway to delimit concession areas. By late 2014 the first series of forest concessions will be offered and it is hoped these will attract international companies.

### Financing for production forestry

Agrobanco will continue its financial support for responsible forestry enterprises. The business manager of Agrobanco, Hector Liendo, said that Agrobanco is the only Peruvian financial entity offering credit to promote the production forest sector.

Agrobanco supports investment in commercial logging, reforestation with native species, conservation of forests and wildlife and as such helps create employment opportunities in the sector.

Liendo also said Agrobanco is in a position to provide the same level of finance as in 2013 and can support requirements for working capital and fixed asset purchases allowing entrepreneurs and small timber producers to purchase machinery enabling them to work efficiently within the requirements of the Forestry and Wildlife Act.

### Export Sawnwood Prices

	US\$ per m <sup>3</sup>
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

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

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

### Domestic Sawnwood Prices

Peru sawnwood, domestic	US\$ per m <sup>3</sup>
Mahogany	867-911
Virola	133-159
Spanish Cedar	296-355
Marupa (simarouba)	110-121▲

### Export Veneer Prices

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

### Export Plywood Prices

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

### Domestic Plywood Prices

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

### Domestic Prices for Other Panel Products

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

### Export Prices for Added Value Products

Peru, FOB strips for parquet	US\$ per m <sup>3</sup>
Cabreuva/estoraque KD12% S4S, Asian market	1287-1388
Cumaru KD, S4S Swedish market	897-1025▲
Asian market	1289-1350
Cumaru decking, AD, S4S E4S, US market	1210-1298
Pumaquiro KD # 1, C&B, Mexican market	423-511
Quinilla KD, S4S 2x10x62cm, Asian market	493-519
2x13x75cm, Asian market	732-815

## Report from Guyana

### Log market quiet over holiday period

Over the holiday period the market was understandably slow. There was no export of greenheart and mora logs and it was only for purpleheart that there was some trade with Standard sawmill quality logs securing a fairly good FOB price of US\$235 per cubic metre. The primary market for the export of purpleheart logs was Asia.

**But, shipments of sawnwood continue unabated**

Despite the holiday season, sawnwood maintained a healthy presence in the export market. Undressed greenheart managed to secure favourable prices on the export market.

For Undressed Select quality greenheart the top end FOB prices fell from US\$1,145 to US\$954 per cubic metre, while for Undressed Sound category greenheart sawnwood the market price was only fair at US\$848 per cubic metre.

For Undressed Merchantable quality greenheart, top end price were more positive, increasing from US\$721 to US\$997 per cubic metre, FOB. The major market for Undressed greenheart was the Caribbean, Europe and North America.

FOB prices for Undressed purpleheart changed with Select category earning as much as US\$1,100 per cubic metre. The main market for this Undressed purpleheart was New Zealand.

Undressed mora prices held firm in contrast to the previous period and for Select category sawnwood price were around US\$976 per cubic metre FOB. For Merchantable qualities the FOB price was US\$500 per cubic metre with Europe and North America being the main market.

Dressed sawn greenheart export prices were favourable and top end prices were as high as US\$1,885 per cubic metre FOB in markets ranging from the Middle East and the Caribbean.

Dressed purpleheart sawnwood prices remained relatively stable during this period compared to the previous period and top end FOB prices slipped from US\$1,187 to US\$1,103 per cubic metre with the Caribbean being the major market.

**Plywood prices unchanged**

Prices for Baromalli (Castostemma commune) plywood remained steady at US\$584 per cubic metre FOB, a level that has been unchanged for months. Guyana plywood attracts buyers in Central America and the Caribbean.

Roundwood products such as piling, poles and posts made a positive contribution to export earning. Greenheart piling top end prices reached US\$712 per cubic metre FOB in the US market.

Wallaba transmission poles were in demand in the Caribbean earning as much as US\$834 per cubic metre FOB, while wallaba posts secured a fairly good price of US\$649 per cubic metre also in Caribbean markets. Wallaba shingles (Splitwood) exports were fair securing prices in the region of US\$977 per cubic metre FOB.

Guyana's added value products were in demand over the holiday season. Guyana's beautiful crafted and exotic timber species were utilised to create items which found their way to the Caribbean markets.

**Export Log Prices**

Logs, FOB Georgetown	SQ - US \$ Avg unit value per m <sup>3</sup>		
	Std	Fair	Small
Greenheart*	-	-	-
Purpleheart	150-235	-	-
Mora	-	-	-

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

**Export Sawnwood Prices**

Sawnwood, FOB Georgetown		\$ Avg unit val. per m <sup>3</sup>	
EU and US markets		-Undressed	Dressed
Greenheart	Prime	-	-
	Standard	-	700-1,885
	Select	594-954	-
	Sound	848	-
	Merchantable	997	-
Purpleheart	Prime	-	-
	Standard	1,000-1,100	721-1,103
	Select	-	-
	Sound	-	-
	Merchantable	-	-
Mora	Prime	-	-
	Select	500-976	-
	Sound	-	-
	Merchantable	-	-

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

**Export Plywood Prices**

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

**Report from Japan**

**2014 GDP to slow**

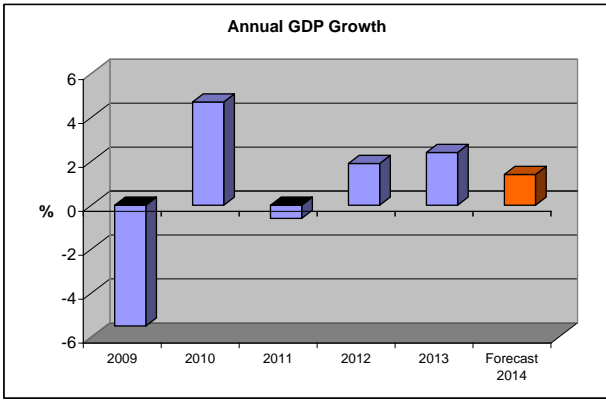
The Japanese government has forecast that GDP will grow by 1.4% in the fiscal year beginning April 2014. This level of growth is well below the 2.6% rate forecast for 2013 and reflects the anticipated impact of the consumption tax increase set for April this year.

The government has also indicated it expects consumer prices to rise in 2014, even discounting the impact of the consumption tax increase.

In 2013 the Bank of Japan launched a massive monetary stimulus programme to break the deflationary cycle in the country. The aim is to achieve a 2% rate of inflation in two years.

A recent press release after a meeting of the Bank of Japan (BoJ) indicated that there was some concern that the pace of economic growth was slowing.

This could mean the BoJ will maintain the monetary easing policy to support the recovery and this seems more likely as the US Federal Reserve reduces its debt purchases.



**Consumption tax increase to dampen consumer demand**

Short-term economic growth has been boosted through the policies adopted by the Japanese government however; sustaining growth remains a challenge given the very high level of government debt to GDP and the declining workforce, the result of the aging population in Japan.

The government has found itself very short of funds to finance many of the reforms promised during the election but is committed to raising the consumption tax from 5% to 8% as of April this year.

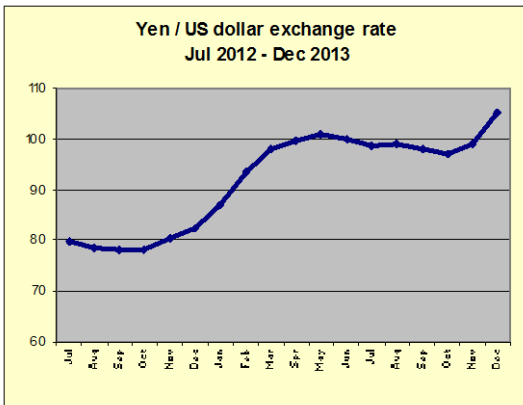
The impact of the tax increase on the cost of living is sure to dampen consumer demand.

The government is determined to break the deflationary cycle which has plagued Japan for a decade and monetary easing and well directed fiscal stimulus will be key to maintaining economic expansion in 2014.

If Japan is successful with these measures then trade and investment flows in the Asia-Pacific should improve giving a boost to regional growth.

**Yen weakens to 105 to the US dollar**

The yen weakened to 105 to the US during December 2013, the lowest it has been for several years. On a trade-weighted basis, the yen dropped 15% in 2013 and is down around 35% from its high in mid 2012.



The devaluation of the yen has strongly influenced the Japanese stock market and has buoyed the prospects of export companies whose stock performance was remarkable in 2013.

In local currency terms, Japanese shares rose almost 50% in 2013 far better than all other major developed markets.

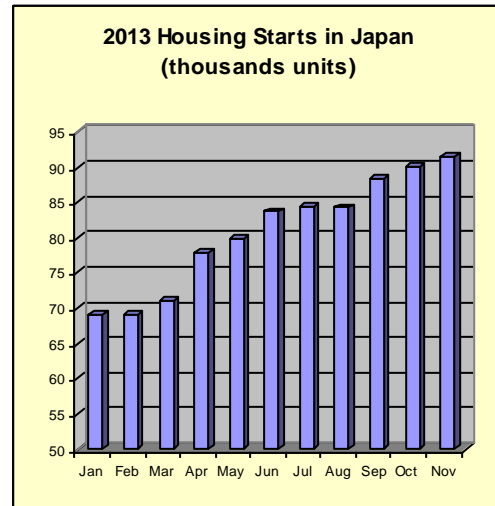
However, in dollar terms Japanese stocks are up a little over 24%, slightly below the improvement in the US equity market

**November housing starts beat expectations**

Housing starts in November 2013 beat analysts expectations and were higher than forecast according to data from the Ministry of Land, Infrastructure, Transport and Tourism.

See: [www.mlit.go.jp/toukeijouhou/chojou/stat-e.htm](http://www.mlit.go.jp/toukeijouhou/chojou/stat-e.htm)

The November 2013 14% year-on-year rise in housing starts comes after the 7% increase in October. Analysts had expected a gain of just under 10%. As of November 2013 annualised housing starts were set to total 1.033 million, slightly down from 1.037 million anticipated in October but still well ahead of the 990,000 figure which was forecast at the beginning of 2013.



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

Order books for major construction companies are firm but grew by only 2.2% in November 2013, a significant decline from the 6% rise in orders reported in October. The November expansion of new orders was the lowest in seven months.

### **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>

### **LDP promotes wood use for public buildings**

The Parliamentary Association of the Liberal Democratic Party for promotion of wood use adopted resolution regarding promotion of wood use for large buildings with mitigation of limit of fire proof buildings and limit of stories of school buildings, which needs revision of the Building Standards Act.

It requires the Ministry of Land, Infrastructure and Transport, Forestry Agency and the Ministry of Education, Culture, Sports, Service and Technology building of three stories wooden school buildings.

### **Establishment of Kitakami Plywood**

Through four Seihoku group companies' investment, Kitakami Plywood is established. Total capital is 100 million yen. Hokuyo Plywood is the main investor with 50% share. Akita Plywood and Seihoku put up 20% each then Shin Akimoku joins with 10%.

The new plant locates in interior of Iwate prefecture so that it will use locally produced domestic logs only.

Plan of first phase is to build a plant, which consumes 100-120 M cbms of logs a year to produce about three million sheets of plywood (12 mm thick/3x6). The items of production are structural panel, coated concrete forming panel and floor base panel.

President of Seihoku group, Mr. Inoue commented that there is huge stock of domestic timber with ample growth so that there are mushrooming number of biomass power generation facilities recently but infrastructure of log production is immature and incomplete so unless the gap is solved, there is strong uneasiness of stable supply of logs when looking at business for long term. In short, there is plenty of timber and the demand is growing but the system to harvest for stable supply is not there.

### **Oshika increases adhesive prices**

Oshika Corporation (Tokyo), adhesive manufacturer, decided to increase sales prices of phenol adhesive for plywood manufacturing as of December 21 because of higher cost of methanol and benzene.

According to the customs statistics made by the Ministry of Finance, CIF prices of imported methanol in October was 41.6 yen per kilogram, 10 yen higher than the prices in October last year.

Further, Metax of Canada, the leading methanol manufacturer and marketer revised the prices for Asian market in November to \$520 per ton, \$30 higher than October.

Major methanol plants in Indonesia and Saudi Arabia are down by periodical repair and maintenance then the supply from Iran is dropping while the demand of China increased by about 10%. Domestic manufacturers like Mitsubishi Gas Chemical and Mitsui Chemical announced price hike.

By price increase of methanol, the main material to make formalin, Oshika announced higher prices. The price increase is 12% on phenol adhesive and 10% on urea adhesive and 7% on melamine adhesive.

Price of benzene, raw material for phenol, is up due to weak yen. The price shot up to over 130 yen per kilogram in November, about 20% higher than November last year.

### **Plywood market trends**

Brisk demand of domestic softwood plywood by house builders and precutting plants continues.

October production and shipment were the all time high. The production was 237,600 cbms, 11.1% higher than the same month a year ago and the shipment was 245,700 cbms, 11.9% more than the inventories were 139,000 cbms, about 8,000 cbms less than September. November would be the same as October.

The manufacturers think that the demand may further expand through the peak in next February.

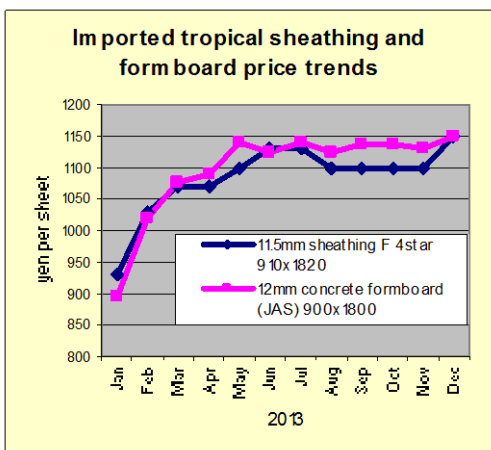
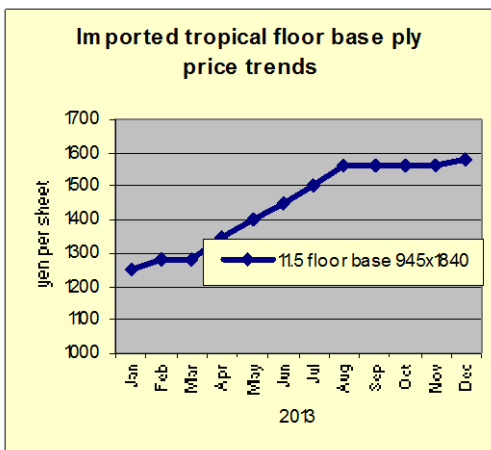
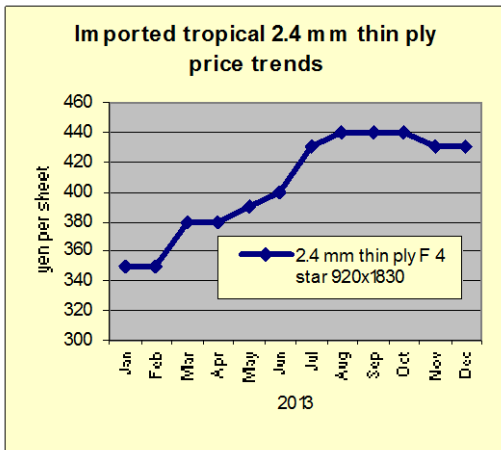
In November, the demand by wholesale channel also gets busy so that orders to the manufacturers increased. Shortage of truck is serious now and in December, deliveries to the wholesalers take two weeks to one month.

Import plywood prices in Tokyo market are soaring rapidly. Export FOB prices by the suppliers hit the bottom in late October then the prices have kept increasing. At the same time, the yen has depreciated considerably by over 20 yen per dollar, which push the imported yen cost up.

Then the arrivals stayed low since last September and the inventories in Japan have continued dropping. The importers and wholesalers suffered a gap between high imported cost and low market prices so they were not able to purchase future cargoes. In late November, after the inventories declined and the cost climbed, the importers escalated the sales prices all at once to cover the gap. Thus, the market prices inflated rather sharply.

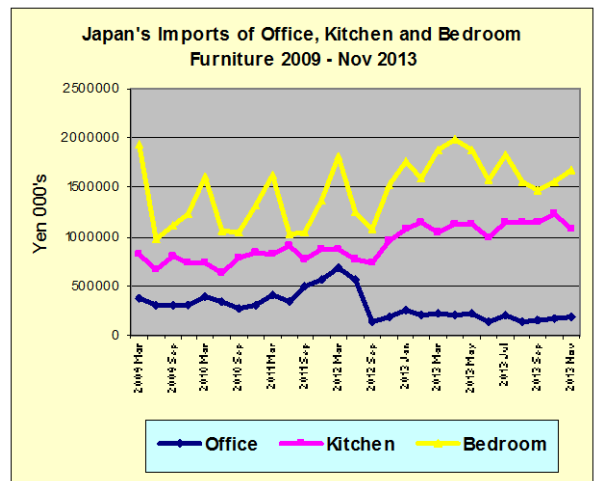
In Tokyo market, 3x6 concrete forming panel prices are 1,170 yen per sheet delivered, 70 yen up from November. 3x6 concrete forming for coating prices are about 1,280 yen, 50 yen up. 12 mm structural panel prices are 1,200 yen, 70 yen up.

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



**November 2013 furniture imports**

The source and value of Japan's office, kitchen and bedroom furniture imports for November 2013 are shown below. Also illustrated is the trend in imports of office furniture (HS 9403.30), kitchen furniture (HS 9403.40) and bedroom furniture (HS 9403.50) between 2009 and November 2013.



Source: Ministry of Finance, Japan

**Office furniture imports (HS 9403.30)**

In November 2013 Japan's imports of office furniture increased by 9.5% marking the third consecutive increase since September.

**Office furniture imports (HS 9403.30)**

	Imports Nov 2013 Unit 1,000 Yen
S. Korea	-
China	93232
Taiwan P.o.C	16782
Vietnam	-
Thailand	2480
Malaysia	2582
Philippines	-
Indonesia	3933
Sweden	-
Denmark	2403
UK	-
Belgium	-
France	-
Germany	6312
Switzerland	281
Portugal	7719
Spain	-
Italy	16644
Poland	22722
Russia	-
Austria	348
Lithuania	2862
Czech Rep.	-
Slovakia	2011
Canada	-
USA	4117
Mexico	254
Australia	-
<b>Total</b>	<b>184682</b>

Source: Ministry of Finance, Japan

The top supplier remains China which provided 50.5% of all November imports, marginally down from the 52% supplied in October. The three main suppliers in

November were China, Poland and Taiwan P.o.C which, together, accounted for 72% of all office furniture imports.

There were several winners in November including China, Poland (for which imports doubled) Taiwan P.o.C, and Italy. Suppliers in the US doubled exports in November as did shippers in Poland. The main losers in November were S. Korea, Malaysia, where exports halved, and Slovakia.

#### **Kitchen furniture imports (HS 9403.40)**

Asian suppliers notably Vietnam, Indonesia, China and Philippines continue to provide the bulk of the kitchen furniture imported by Japan according to figures from Japan's Ministry of Finance. November kitchen furniture imports, at yen 1,080,259 mil., were down by 12% on levels in October. Overall, suppliers in Asia provided 88.7% of Japan's kitchen furniture imports in November.

#### **Kitchen furniture imports (HS 9403.40)**

	Imports Nov 2013 Unit 1,000 Yen
S. Korea	-
China	176958
Taiwan P.o.C	-
Vietnam	418799
Thailand	7053
Malaysia	15514
Philippines	169620
Indonesia	192575
Iran	-
Sweden	-
Denmark	2240
UK	289
Belgium	-
France	203
Germany	47550
Switzerland	-
Spain	-
Italy	14958
Austria	803
Romania	3249
Lithuania	704
Canada	1634
USA	28110
Argentina	-
<b>Total</b>	<b>1080259</b>

Source: Ministry of Finance, Japan

Vietnam maintained its position as the number one supplier of kitchen furniture by a significant margin supplying 39% of Japan's kitchen furniture imports but the November import figures show a slight decline in imports from Vietnam.

The other main suppliers were Indonesian (17.8%), China (16.4%) and Philippines (15.7%).

Japan's imports of Kitchen furniture from Indonesia fell slightly but other SE Asian exports suffered significant declines with imports from Thailand and Malaysia down by half and imports from the Philippines down by around 25%

November imports from Italy jumped three fold but still represent just a small part of Japan's overall imports of kitchen furniture. The only significant EU supplier of kitchen furniture in November was Germany where imports doubled.

#### **Bedroom furniture (HS 9403.50)**

Japan's imports of bedroom furniture in November rose to yen 1,672 mil. up by over 7% on levels a month earlier. in October. The November increase marks the third consecutive increase since mid 2013.

#### **Bedroom furniture (HS 9403.50)**

	Imports Nov 2013 Unit 1,000 Yen
S. Korea	776
China	975402
Taiwan P.o.C	16208
Hong Kong	-
Vietnam	396821
Thailand	60371
Singapore	-
Malaysia	117430
Philippines	-
Indonesia	18465
India	-
Pakistan	-
Norway	-
Sweden	628
Denmark	2971
UK	508
Belgium	-
France	589
Germany	2100
Switzerland	-
Spain	-
Italy	14056
Finland	-
Poland	30446
Austria	1468
Romania	-
Turkey	-
Lithuania	3035
Croatia	-
Bosnia	-
Slovakia	10696
USA	20177
Mexico	-
<b>Total</b>	<b>1672147</b>

Source: Ministry of Finance, Japan



Once again China topped the table of bedroom furniture suppliers to Japan, providing some 58% of all bedroom furniture. Together China, Vietnam and Malaysia accounted for most (89%) of all bedroom furniture imports.

The rise in overall imports of this item was largely due to increased supplies from China, Malaysia, Slovakia and the US.

**Report from China**

**Export growth falls but fundamentals strong**

The pace of growth in China's exports slowed in December but not too much should be read into this as the base data for December 2012 was changed and the impact of government action to curb currency transactions disguised as exports which, in the past, inflated export figures. In December exports rose 4% year on year according to China's Customs Administration markedly slower than the almost 13% rise a month earlier.

In contrast, China's imports rose 8%, up 3% from November levels and much higher than analysts had expected. This rise in imports is fuelling optimism that the domestic economy is strong despite the impact of the recent global downturn.

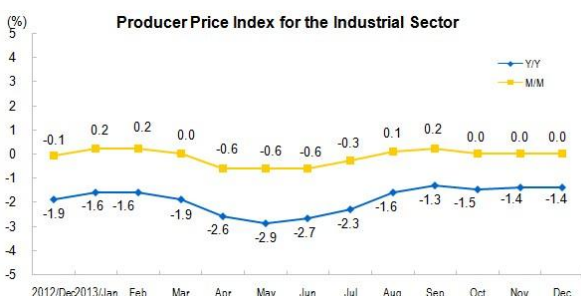
Weak global demand and a strengthening domestic currency along with rising labour costs are eating into the competitiveness of Chinese manufacturers but if demand in the US and EU improves this year output from China will rise.

**Producer price and purchasing price indices drop**

In early January the December 2013 data on producer prices in the industrial sector were released by the National Bureau of Statistics of China. See: [http://www.stats.gov.cn/english/PressRelease/201401/t20140109\\_497491.html](http://www.stats.gov.cn/english/PressRelease/201401/t20140109_497491.html)

The December Producer Price Index (PPI) for manufactured goods dropped 1.4 percent year-on-year. The purchasing price index for manufactured goods also dropped almost 1.5%.

For the whole of 2013, the PPI fell 1.9% year-on-year while the purchasing price index for manufactured goods went down by 2.0% year-on-year.



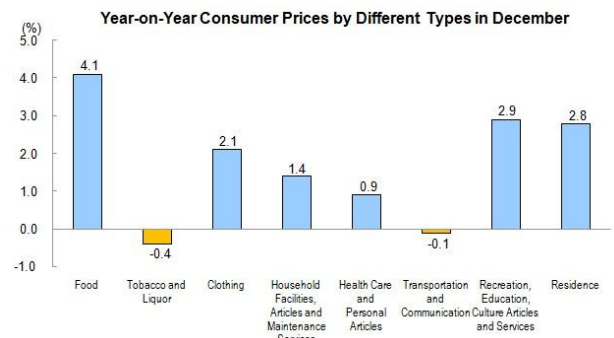
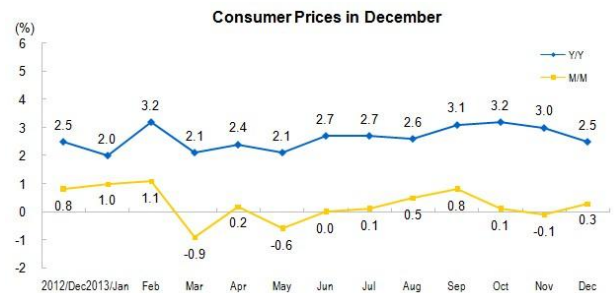
**Slowing pace of consumer price increases**

The National Bureau of Statistics of China has recently released data on consumer price movements for December 2013. see:

[http://www.stats.gov.cn/english/PressRelease/201401/t20140109\\_497457.html](http://www.stats.gov.cn/english/PressRelease/201401/t20140109_497457.html)

In December, the consumer price index (CPI) rose 2.5% year-on-year.

The survey shows that food prices went up by 4.1%, while the non-food prices increased 1.7%. Prices of consumer goods were up by 2.2% and service prices grew by 3.3%. In 2013, the overall consumer prices were up by 2.6% compared to 2012.



**Tariff rate changes on some wood products**

China's revised customs tariff plan for 2014 entered into force as of 1 January 2014.

Some adjustments have been made to tariffs for wood products. The tariff rate for both veneer for furniture decorative panel (tariff code 44089019) and rotary veneer for plywood (tariff code 44089029) was 3% but the 2014 provisional tax rate for both items has been reduced to 1%. A new code had been added, 4403.2050 for douglas fir.

The rates in the export tariff schedule remain unchanged For more see: [www.e-to-china.com/tariff\\_changes/Policy\\_Focus/2013/1231/111874.html](http://www.e-to-china.com/tariff_changes/Policy_Focus/2013/1231/111874.html)

**'Green Home' logo for furnishing launched**

In January this year a "3G logo for Green Home Furnishing Material " was launched by the China Interior Decoration Association and the China Wood-Based Panel

Distribution Alliance. At the launch five major enterprises became the first licensed users.

This logo denotes values for formaldehyde and total volatile organic compound emissions at three levels G1, G2, G3. In addition flooring and woodbased panel items are energy rated. G1 denotes non-formaldehyde levels, the highest level of environmental protection. Analysts report that even the lower limit G3 is below national minimum standards and equates to Japan's 'F4 Star'.

Despite the improvement some local experts think that China's current environmental standards on flooring and woodbased panels require greater standardisation as some indicator limits are inconsistent which results in variable product quality, some good and some bad.

There is much more to do, say analysts, to close the gap between China's current home furnishing material standards and those in developed countries. However analysts recognise the adoption of the "green home furnishing material" logo will contribute to consumer safety and satisfaction.

#### **National plantation strategic alliance established**

In late December 2013 a national timber reserve strategic alliance was established by the State Forestry Administration and Beijing Forestry University.

This alliance will promote non-profit cooperation and voluntary participation by the private and public sector entities involved in plantation establishment, production, management, scientific research and teaching.

The alliance will build a development platform linking timber businesses and national and international institutions for resource sharing.

The first tasks will be:

- strengthening the relationship between stakeholders and to assist enterprises in marketing, standardisation and management.
- building the information exchange platform
- strengthening the communication among the private and public sector to promote technical exchange, coordination and cooperation
- strengthening links with international organizations

#### **Northeast timber harvest set to fall**

On 2 January 2014, the State Forestry Administration issued the annual timber production plan on the Northeast and the Inner Mongolia state-owned forestry enterprises. The total harvest is set at 7.789 million cubic metres, down 14% from 2013.

The states that harvesting in the natural forest in Daxing'anling, Xiaoxing'anling and Changbai Mountain forest regions will be stopped by 2015.

On the basis of the 2014 harvesting plan the Heilongjiang Forest Industry Sales Administration adjusted the level of the Northeast timber minimum protective prices for spring 2014. A total of 17 items are included in the price adjustment scheme. The average increase in the price of logs will be 6.5%.

#### **First log imports from Nagano, Japan**

The Nagano Forest Association has indicated that some 1,800 cubic metres of logs will be exported to China in February.

This is the first time logs will be shipped from the prefecture to China. Shippers report that the price obtained from Chinese buyers is higher than the price paid by domestic mills. It is understood these logs will be processed to wood-based panels and furniture.

Japan recently revised its national forestry subsidy system such that the more a Japanese enterprise harvests the greater the subsidy. It is possible that log exports from Nagano will increase this year.

#### **3 mil. tonnes of logs pass through Fujian Putian Port**

According to Fujian Putian Entry-Exit Inspection, Quarantine Bureau, log imports through Fujian Putian Port in 2013 were 3.15 million tonnes, a year on year increase of 82%, a new record volume. The logs are imported mainly from the US, Canada, Russia, Australia and Myanmar.

Enterprises in the port area have established an efficient supply chain linking transport processing and distribution.

Analysts report that efficiency in the port has improved greatly. If weather conditions allow Customs and Immigration officers board the vessels at anchor to go through the entry formalities with the aim of "zero waiting".

#### **Guidelines for due diligence on timber imports from Papua New Guinea**

The EU/FLEGT Newsletter of Nov/Dec 2013 says guidelines for mitigating risk when Chinese enterprises import tropical hardwood from Papua New Guinea were discussed at a workshop held by the Center for International Trade in Forest Products, the China State Forestry Administration and The Nature Conservancy.

The aim was to develop guidelines to help Chinese enterprises conduct due diligence when sourcing wood from Papua New Guinea.

During the workshop, participants from government agencies, research institutions and civil society assessed proposed guidelines and suggested improvement in the practicality and applicability and required clarification on how Chinese enterprises can verify documents from Papua New Guinea.

## Price trends across China

### Guangzhou Yuzhu International Timber Market

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

### Shanghai Furen Forest Products Wholesale Market

Logs		Yuan/tonne
Red sandalwood (India)	All grade	1-2 mil.
Rengas (Vietnam and Nepal)	All grade	7000-8800
Granadillo (Mexico)	All grade	7500-8000
<b>Sawnwood</b>		
Okoume (Africa)	grade A	4300-4700
Sapelli (Africa)	grade A	5800-6300
Beech (Europe)	grade A	4500-4800
Red Oak (North America)	2 inches FAS	7000-7300
Cherry (North America)	2 inches	9800-10500
Maple (North America)	2 inches	8700-8900
Merbau (Indonesia)	All grade	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
<b>Sawnwood</b>		
Beech (Europe)	All grades	2800-5000
Black walnut (N. America)	All grades	7000-13000
Teak (Myanmar)	All grades	9000-18000
Red oak (N. America)	All grades	3500-5000
Alder (Myanmar)	All grades	4500-5300
Merbau	All grades	7200-12000
<b>Plywood</b>		
Red beech	3mm	50-75
Black walnut	3mm	60-102
Teak	3mm	70-148

### Wenzhou Timber Trading Market

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

## Shandong De Zhou Timber Market

Logs	Length	Diameter	Yuan/ cu.m
Larch	4m	18-22 cm	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
	6m	30 cm	1400
	Korean Pine	4m+	
6m+			1750
Mongolian	4m	30 cm	1380
Scots Pine	4m	36 cm	1500
	6m	30 cm	1420
	6m	36 cm	1600

## Report from Europe

### Erosion of EU distribution infra-structure suggests trouble ahead for tropical timber trade

Reviewing the position of the tropical wood trade in Europe at the turn of the year is a sobering experience. Following the all-time low in EU tropical hardwood imports in 2012, all the signs are that imports in 2013 fell even further.

In addition to low demand, an emerging problem has been the progressive erosion of the infra-structure to supply tropical hardwoods into Europe.

Looking ahead, prospects for tropical wood in the European market do not look good. However, an increased focus on marketing and communication offers some grounds for optimism.

Some encouraging reports have also emerged of improving market conditions in Europe from the third quarter of 2013 onwards. The economic situation in Europe seems to have stabilised for the time being as the worst fears of currency collapse in the euro-zone have waned.

The European construction sector also appears to have hit bottom and is poised once again for growth, albeit slow and still uncertain (see below).

However, the end of 2013 was also marked by very troubling reports from the supply side. After such a long period of low and sluggish demand, tropical hardwood producers have inevitably looked elsewhere to sell their products and a significant proportion of the processing capacity and infra-structure to supply the European market has been dismantled.

### Company closures fuel uncertainty in the trade

In recent months, several commercial enterprises specialising in tropical hardwoods - and that have played a critical role by maintaining landed stocks in Europe - have closed sites or withdrawn from the market altogether.

Particularly notable is the announcement by DLH, one of Europe's largest tropical hardwood trading companies, that it is looking for buyers for its remaining European business units.

This followed hard on the heels of an earlier decision to close the company's Antwerp stock-holding operation (see below). Other recent closures of tropical hardwood enterprises in Europe include Precious Woods Europe (see below) and the Dutch company Bekol International.

In the short term, these closures add uncertainty and might be a further deterrent to forward orders as importers look first to obtain volumes from stock clearance sales. Longer term, they imply that European manufacturers may be even less able to obtain the full range and diversity of tropical hardwoods at short notice.

This is particularly troubling at a time when availability and turnaround times for orders of tropical hardwoods in the supplying countries have often become very lengthy.

For example, until fairly recently, it used to be possible for European buyers to order a range of specifications of meranti lumber from Malaysia and receive it within three weeks. Now turnaround times are at least 2 months and may be 6 months for some specifications.

There are also reports of deliveries being postponed and declining wood quality. And this is from a supply country which has in the past achieved a strong reputation for consistent product quality and reliable delivery.

#### **Successes with introducing LUS fading says TTJ report**

Another implication of this long period of low tropical hardwood consumption was recently highlighted by the TTJ. In its latest report on African hardwood demand in the UK, TTJ observes that "during times of low consumption in Europe most buyers concentrate on a very small number of favoured species. No-one wants to speculate on a less familiar species than end users have to be persuaded to try".

TTJ goes on to suggest that "the strong efforts made in the past to introduce lesser-used tropical timber species to the market seem to have fallen away almost completely". Alongside this, TTJ laments the failure of the African forest industries to co-operate in the establishment of a strong marketing organisation, comparable to the Malaysian Timber Council or American Hardwood Export Council.

Such organisations are particularly important at a time of intense competition for share in traditional markets and when there is an essential need to find new sources of demand through innovative products and marketing strategies.

Meanwhile, in so far as there is a public dialogue in Europe on tropical hardwood issues, there is little focus on mundane (but actually rather profound) issues such as

availability, turnaround times, marketing, species technical performance, product quality and stock holdings.

Instead the focus is on the issues of illegal logging and deforestation and the favoured tools of European policy makers - EUTR, FLEGT VPAs, and forest certification. These are all tools which would become largely irrelevant to the management of tropical forests if there is little or no trade.

There is a profound need now for the architects of these measures to take a hard look at their commercial as well as environmental and social impacts.

There also needs to be much stronger focus on positive communication of progress through these and other initiatives of producer countries, and on the contribution of a sustainable tropical hardwood trade to the conservation of tropical forests.

There are at least signs that this is beginning to happen. The Congo Brazzaville Declaration, signed in October 2013 by governments, business, civil society, international organizations, and donors, strongly emphasised the need for investment in sustainable tropical timber industries across the major producing regions of Africa.

Paris-based ATIBT, an organisation which for many years has provided technical support to the tropical wood industry, is now working to establish a more professional tropical wood marketing campaign in Europe.

In a parallel initiative in November 2013, over forty private and public organizations jointly launched the European Sustainable Tropical Timber Coalition (STTC). The STTC has the single specific aim to increase European demand for timber from sustainably managed tropical forests.

2013 also saw launch of the Global Timber Forum, with strong tropical industry participation, with the aim of creating a new communications hub for timber trade federations and national and regional umbrella bodies around the globe.

At the Forum's inaugural meeting in Rome in May 2013, it was agreed the GTF would focus on four key themes: communicating the economic sustainability of timber use and the role of sustainable timber production in maintaining forests; meeting market legality requirements; promotion of wood products; and realising new opportunities, particularly in green building.

Alongside these communication efforts, at ITTO's market discussions in Gabon during November 2013, the EU announced its intention to provide financing to ITTO in the amount of EUR 4 million (approximately US\$5,435,000) to implement an independent market monitoring system for FLEGT-licensed timber entering the EU under the terms of VPAs negotiated with tropical countries.

This offers an opportunity for the tropical timber sector and policy-makers to acquire a much deeper understanding of market drivers in Europe and the measures required to build a strong sustainable trade in tropical timber.

#### **DLH remaining business units up for sale**

The individual business units of DLH, one of Europe's largest tropical hardwood trading companies, have been put up for sale. The Board's decision to sell the individual business units was confirmed at an extraordinary general meeting of the company's shareholders on 9 January 2014.

The move comes following a thorough analysis by the DLH Board of Directors, management and external consultants of the company's future options. According to a DLH statement, the move is a response to "an ever challenging market for wholesale trade in timber and timber products and an uncertain outlook in the years ahead."

According to DLH, the aim of the sale is to "deliver the greatest possible cash proceeds to the company's shareholders". Until such buyers are found, DLH "will continue to develop and optimize its business units with the aim of creating maximum value for its shareholders".

The move may be seen as the final stage in a process of divestiture and asset reduction in the face of financial losses and higher levels of debt since the start of the European financial crises. In 2010, DLH completed the sale of its African production units in Congo-Brazzaville and Gabon to Singapore-based OLAM International Ltd. At that time, DLH aim was to turn itself a focused global wholesaler in the market for timber, sheet materials and wood-based products.

However, the sales of DLH assets continued. In February 2011, DLH's UK stock-holding operation was sold to James Latham PLC. In September 2012, DLH announced that it would be selling its inventory in Antwerp, which serves the Belgian, Dutch and German markets and would cease stock based sales in these markets during 2014.

The companies remaining business units are now being offered for sale. These include three regional European business units, covering respectively "Western Europe" (now consisting only of a stock-holding operation in France), "Nordic Area" (stock holdings in Denmark, Norway, and Sweden) and "Central Europe and Russia" (stocking holdings in Czech republic, Slovakia, Poland, UKraine and Russia).

There is also DLH's "Global Sales" business area which operates internationally with 'back to back' trade in hardwood and sheet materials with sales offices in US, Brazil, Nigeria, Cameroon, India, Dubai, Vietnam, Indonesia, Hong Kong, China. Global Sales sells directly to customers without carrying stock itself

The sale announcement came shortly after release of DLH's interim financial statement to end September 2013. This notes that "the market situation in Europe remains

challenging although we are seeing a gradual improvement, which indicates that we are heading towards a more stable situation".

It indicated that DLH's global back-to-back sales for the first nine months of 2013 were 13% higher than the same period the previous year. However European business saw a fall of 20% "as a consequence of a generally lower activity level combined with a long winter in Europe". Global sales achieved an increase of 9% in the third quarter of 2013 whereas turnover in Europe fell by 14%.

Within Europe, the financial statement highlights "particularly difficult" market conditions in France as a consequence of weak macro-economic conditions and declining consumer confidence. While demand for sheet materials in France is better than for sawn hardwood timber, the margins in this sector are lower resulting in lower revenue overall.

The report from the Nordic region is more positive. While the value of sales to this region fell 22% during the first nine months of 2013, it's suggested that "the industrial segment in Sweden and Norway offers good growth potential".

#### **Vandecasteele acquires Precious Wood stock of Brazilian hardwood**

In another sign of the challenges faced by tropical hardwood stock holding operations in Europe, in November 2013 the Swiss tropical-timber company Precious Woods announced closure of its Dutch sales subsidiary in Nieuwerbrug and its intention to terminate the activities of Precious Woods Europe BV.

Precious Woods will in future concentrate only on direct sales from the company's Brazilian production sites, a strategy already used for wood products supplied by Precious Woods operations in Gabon.

In December, the Belgian family company, Vandecasteele Houtimport announced acquisition from Precious Woods Europe of the entire 8200m3 of FSC certified Brazilian timber stocks . Vandecasteele said that "this strategic procurement sits perfectly with the Vandecasteele philosophy of legal and sustainable timber supply".

#### **Rougier reports upturn from third quarter of 2013**

Rougier, the France-based specialist in certified African hardwoods, recorded €102.1 million in revenues during the nine months to end September 2013, down 4.2% compared to the same period in 2012.

However, the third quarter of 2013 confirmed the positive turnaround seen during the second quarter, with revenues climbing 11.9% compared to the third quarter of 2012.

Looking forward, Rougier are confident that final sales for the whole of 2013 should slightly exceed those of 2012. But it's also noted that the longer-term market outlook is still uncertain.

Rougiers' International branch achieved third-quarter 2013 revenues of €30.7 million, up 12.0% on the third quarter of 2012. As a result the overall contraction in sales for the first nine months of 2013 is only 2.6% compared to the same period in 2012.

Business has been temporarily affected by the difficulties with port handling issues in Douala, resulting in longer shipping times for logs from Cameroon and Congo. In Gabon, business shows signs of improving, thanks in particular to a good level of forest production, combined with the development of log sales on the local market.

Considering individual product groups, Rougier log sales were down 25% during the first nine months of 2013 compared to the same period in 2012. This was due to delays with shipments from Cameroon and Congo. Log sales generated 23% of company revenue in the first nine months of 2013.

Sawn timber sales generated 56% of total revenue for the first nine months of 2013 and were up 7.9% compared to the previous year.

The third quarter was particularly buoyant, with sales coming in 28.5% higher than the third quarter of 2012. The positive trend was due both to an increase in sales prices and to diversification of certified product ranges on offer.

Rougier plywood sales generated 21% of total revenue for the first nine months of 2013, down 6% on the previous year. Rougier note the market for African plywood remains difficult and highly competitive.

Nevertheless, revenues for the third quarter of 2013 were 4.2% up on the same quarter in 2012, confirming the turnaround that began during the second quarter of 2013.

#### **European construction hits bottom and set to grow**

Construction activity in Europe hit bottom in 2013 and should grow slowly in 2014. This new forecast was issued in on 28th November 2013 at the 76th Euroconstruct Conference in Prague.

Euroconstruct's new projection for 2013 represents a slight upgrade on their earlier forecast issued at the 75th Conference in June 2013. This is due to rising confidence and strong growth in Scandinavia and Poland.

The latest Euroconstruct construction output expectations point to a 3% dip overall in 2013 across the 19 Euroconstruct countries - 15 in Western Europe and four in Central and Eastern Europe.

The decline is a slowing of the 5.2% cent fall seen in 2012, attributed largely to a sharp reduction in Spanish output but also the UK and Italy.

The forecasts for 2014 and 2015 are also marginal upgrade on the forum's June predictions, and now show growth of 0.9% in 2014 and 1.8% in 2015. November's publication also forecasts a 2.2% growth in 2016.

Although quite small, the recent upgrades in forecasts are the first for several years. Euroconstruct forecasts issued every 6 months during the previous three years have typically been downgraded as construction activity consistently failed to live up to expectations.

Germany, the continent's largest country for construction output, is forecast for flat growth this year before a 2.7% rise in 2014, with an 8% increase in residential construction. After declining 7.8% in 2012, UK construction weakened a further 1.1% in 2013.

However construction in the UK is forecast to rise 2.4% in 2014 and 3.1% in 2015. In France, construction output was quite stable in 2012, but is estimated to have fallen 2.8% in 2013. A further 1.5% decline in French construction is expected in 2014.

The largest falls in European construction output in recent times have been in southern Europe. Construction value in Spain fell 32% in 2012 and then by 23% in 2013. In total, Spanish construction output fell nearly 80% between 2007 and 2013.

Euroconstruct reckons Spanish construction is likely to fall a further 6.7% in 2014. Spain's construction sector output is now little more than that of relatively smaller countries like Switzerland and Norway.

The decline in Italian construction, while much less dramatic than in Spain, is nevertheless severe. Italian construction output fell 6.3% in 2012 and 3.3% in 2013. Euroconstruct forecast a further decline of 0.3% in 2014 before a slow recovery of 1.1% in 2015.

Construction in the Netherlands, after declining 7.2% in 2012 and a further 5% in 2013, is expected to stabilize and recover by 0.4% in 2014 and 3.4%, in 2015.

Euroconstruct identify Ireland, Norway, Poland and Denmark as potentially strong performers over the 2014-2016 period. Ireland has the largest forecast growth, at 9.8% in 2014 followed by 8.2% and 10.6% in the next two years.

However this follows a dramatic downturn and the country will still fall short of 2010 output levels in 2016. Poland's forecast growth, totaling 13.5% between 2014 and 2016, is largely attributed to civil engineering. The 2014-20 budget plans for Poland are particularly expected to benefit infrastructure.

Residential construction across Europe has seen the strongest growth, and will account for 45.4% of European construction in 2013, according to Euroconstruct.

This proportion is set to grow at the expense of the slower-moving non-residential construction market, following the pattern seen in previous recessions of housing becoming one of the first recovery sectors.

European residential construction is forecast to grow by 2.4% in 2014 and 4% in 2015.

**EU hardwood sector competitive on sustainability**

The EC/Indufor study also comments on the relative international competitiveness of EU wood processing industries. In the sawmilling and veneer sectors, the low price of sawn wood in comparison with the relatively high price of logs is a major factor constraining margins and reducing competitiveness.

Increasing demand for by-products, particularly from the energy sector, is only partly compensating for this.

In addition, labour and raw material costs are much higher in the EU than in many other global regions. Europe's competitiveness in these sectors has depended partly on higher productivity through efficient processing, but suppliers in other regions are now closing the productivity gap.

More positively for European wood processors, the EC/Indufor study argues that they maintain a strong competitive position from a sustainability perspective. This conclusion was based on analysis of four indices: Environmental Performance Index (Yale University), Corruption Perception Index (Transparency International), Ease of Doing Business (The World Bank) and Human Development Index (The United Nations Development Programme).

The study notes that that, across the full range of wood product groups, production in Europe is either declining or static, very rarely increasing. However, indications are that Europe's hardwood sawmilling sector has remained reasonably competitive relative to other regions of supply.

Since the start of the economic downturn in 2007, imports have fallen more dramatically than domestic production while exports have been rising in importance. EU's annual sawn hardwood production has been fairly stable over the last decade at around 10 million cubic metres.

While domestic consumption has fallen, the EU is now exporting significant volumes of sawn hardwood to a widening range of countries, notably in Asia, North Africa and the Middle East.

The EU has traditionally been a large net importer of hardwood sawnwood but this situation is now changing. In 2011, the net import volume of sawn hardwood fell to less than 1 million cubic metres.

**Hardwood plywood imports up again**

US imports of hardwood plywood grew to 347,359 cu.m in October, up 58% from the previous month. Almost all supplier countries gained from the higher import volume, with the exception of Russia.

	Aug-13	Sep-13	Oct-13	% change
Total	290,946	219,290	347,359	58%
China	129,793	105,874	167,244	58%
Indonesia	77,255	23,122	84,843	267%
Ecuador	22,676	15,887	27,832	75%
Canada	10,885	15,993	20,981	31%
Russia	27,199	34,498	22,280	-35%
Malaysia	6,651	9,837	10,861	10%
Other	16,487	14,079	13,318	-5%

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

The largest increases were imports from from Indonesia (84,843 cu.m, +267% from September) and China (167,244 cu.m, +58% from September).

While imports from China were higher than at any other time in the last six months, total imports in 2013 to October were still 15% lower than at the same time in 2012.

**More hardwood moulding from China**

Hardwood moulding imports fell to US\$13.9 million in October, down 7% from the previous month. However, hardwood moulding imports from China grew by 12% to US\$4.5 million.

Brazilian shipments of mouldings declined by 19% to US\$3.2 million and imports from Malaysia were down 43% from September.

**Higher flooring imports from Indonesia and Malaysia**

Hardwood flooring imports were US\$3.0 million in October, up from September, but imports remain lower than at the same time in 2012. Indonesia and Malaysia were the largest hardwood flooring suppliers in October. Imports from Canada and China declined.

October imports of assembled flooring panels are also lower than last year, but flooring panel imports from Europe increased significantly in October. Total October imports were worth US\$8.8 million. Imports from China fell by 11% to US\$4.8 million.

**Furniture imports remain strong**

US imports of wooden furniture remained strong at US\$1.23 billion in October. Year-to-date imports were 6% higher than in October 2012. China's shipments accounted for 49% of total US imports in October. Vietnam's import share recovered to 16%.

China's furniture shipments to the US were US\$598.7 million in October. Imports from Vietnam increased to US\$201.2 million, but year-to-date imports were 11% lower than in October 2012.

	Aug-13	Sep-13	Oct-13	% change
Total	1,206	1,133	1,234	9%
China	585	56	599	970%
Vietnam	188	19	201	958%
Canada	101	106	110	4%
Malaysia	48	44	52	18%
Mexico	50	51	1	-99%
Indonesia	52	33	47	42%
Other	182	824	225	-73%

Source: US Census Bureau: Foreign Trade Division USA Trade © Online

Furniture imports from Malaysia and Indonesia increased by 18% and 43%, respectively, from the previous month.

#### Furniture market update

The furniture market continued to slowly improve according to the latest data by Smith Leonhard (Smith Leonhard Furniture Insights November 2013). However, relatively low consumer confidence is holding back demand.

New furniture orders increased in the third quarter of 2013 and most companies (80%) reported higher orders compared to 2012.

Total furniture orders in 2013 until September were 6% higher than at the same time last year.

#### Furniture and home furnishing retail sales slightly up

Retail sales at furniture and home furnishing stores grew in October after a brief decline in September according to the US Census Bureau.

October sales were US\$8.4 billion, up 1% from September. Retail sales were 8% higher than in October 2012. Sales figures include both furniture and other home furnishing items, with furniture typically accounting for 50-60% of sales.

#### Survey identifies species use in cabinets and furniture

The Woodworking Network has assessed recent trends in wood species from the High Point Furniture Market and industry associations.

For kitchen cabinets dark finishes and colours have become more common than white/light and medium finishes. Kitchens include different species and finishes on different cabinets and furnishings.

Cherry, maple and alder remain popular, but their use has declined. Use of the following species has grown: oak, walnut, birch and bamboo. Demand for rift sawn white oak is up. Rift sawing is the most costly type of production, but the boards are very stable and have a distinctive tight grain.

American cherry is the most popular species in bedrooms, dining rooms and entertainment centres. Red oak is the most used species in home office furniture.

The tables below provides an overview of the most popular wood species in furniture by room type, based on the 2012 survey by the Appalachian Hardwood Manufacturers at the High Point Furniture Market.

#### Bedroom furniture wood species

Wood Species	2012	2011
American Cherry	14%	18%
Red Oak	13%	9%
Maple	12%	6%
Rubberwood	9%	6%
Mahogany	7%	8%
American Walnut	6%	9%
White Oak	5%	7%
Poplar (Tulipw d.)	4%	1%
Pines	4%	5%
American Ash	2%	4%
Birch	2%	4%
Alder	1.5%	2%
American Pecan	1.5%	1%
Parawood	1%	1%
Primavera	1%	1%

Source: Appalachian Hardwood Manufacturers, Inc

#### Dining room furniture wood species

Wood Species	2012	2011
American Cherry	15%	16%
Red Oak	10%	8%
White Oak	7%	7%
American Walnut	7%	11%
Rubberwood	6%	5%
Birch	6%	8%
Mahogany	6%	9%
Maple	5%	6%
Pines	5%	3%
American Ash	3%	4%
Poplar (Tulipw d.)	3%	1%
American Pecan	2%	1%
Alder	2%	4%
Primavera	1%	1%
Parawood	1%	0%

Source: Appalachian Hardwood Manufacturers, Inc

#### Home office wood species

Wood Species	2012	2011
Red Oak	17%	10%
American Cherry	12%	19%
Mahogany	11%	8%
Maple	11%	6%
American Walnut	7%	10%
Birch	5%	3%
White Oak	5%	9%
Rubberwood	4%	7%
Pines	3%	4%
Alder	3%	4%
American Ash	3%	2%
Poplar (Tulipw d.)	2%	3%

Source: Appalachian Hardwood Manufacturers, Inc



### Wall units, entertainment centres wood species

Wood Species	2012	2011
American Cherry	18%	14%
Red Oak	12%	12%
American Walnut	10%	14%
Mahogany	7%	12%
Rubberwood	7%	6%
White Oak	5%	5%
Maple	5%	5%
Pines	3%	4%
American Ash	3%	3%
Birch	6%	2%
Poplar (Tulipw d.)	3%	2%
Alder	1%	2%

Source: Appalachian Hardwood Manufacturers, Inc

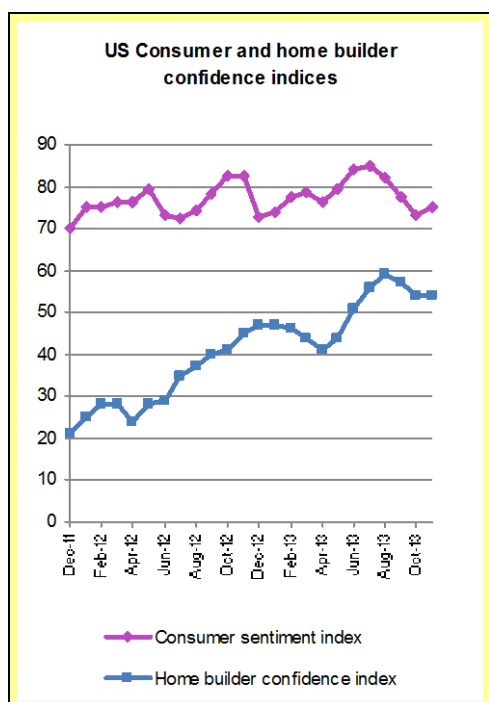
### Lower unemployment

Unemployment declined to 7.0% in November. This is the lowest rate since 2008. Employment grew in transportation and warehousing, health care and manufacturing, according to the US Department of Labor. Furniture manufacturing companies reported growth in November, but wood product manufacturing declined, according to the Institute for Supply Management.

Despite the overall decline in wood product manufacturing, many companies are reporting better market conditions than normally at this time of year.

### Consumers expect slow economic growth in 2014

Consumer confidence in the US economy improved in November, according to the Thomson Reuters/University of Michigan consumer sentiment index. The improvement was mainly in higher income households. Lower income households reported declines in their incomes. Consumers' view of government economic policies remained negative. Consumers expect the economy to grow in 2014, but only slowly.



Source: Thomson Reuters/University of Michigan Surveys of Consumers

### Construction cost still affecting home builders' confidence

Most housing markets across the country are slowly climbing back to normal levels according to the National Association of Home Builders. Several markets are already above normal levels, including smaller cities such as Oklahoma City, Austin, and Houston in Texas and Pittsburgh.

Builder confidence in the market for newly built single-family homes remained unchanged from October. Consumers appear uncertain about the economic outlook, while builders face rising costs of construction. Home builders' confidence was highest in the West and Midwest in November.

### Home prices outpace income growth

The number of building permits for residential construction was over 1 million in October, at a seasonally adjusted annual rate. This is 5.2% higher than in September and 13.9% higher than in October 2012. The increase was primarily in permits for multi-family housing construction.

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

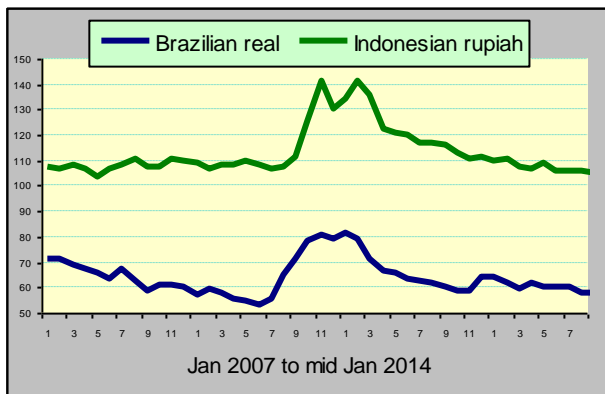
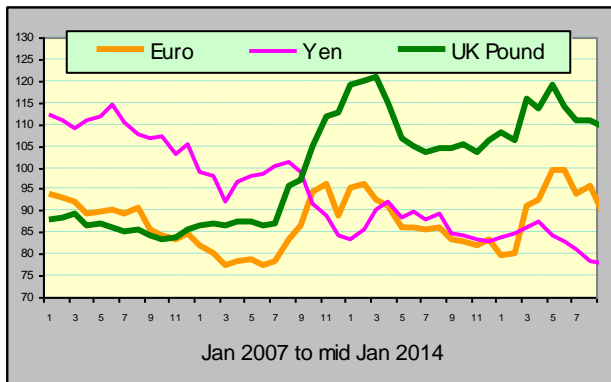
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

## Main US Dollar Exchange Rates

As of 10th January 2014

Brazil	Real	2.3587
CFA countries	CFA Franc	482.78
China	Yuan	6.0503
EU	Euro	0.7315
India	Rupee	61.480
Indonesia	Rupiah	11825
Japan	Yen	104.17
Malaysia	Ringgit	3.2532
Peru	New Sol	2.8055
UK	Pound	0.6067
South Korea	Won	1061.65

Exchange rates index (Dec 2003=100)

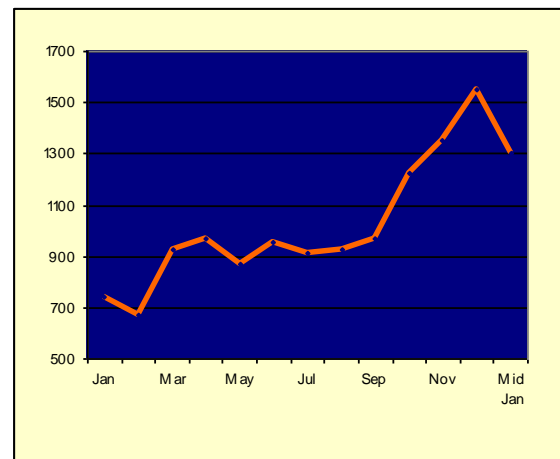


## Abbreviations and Equivalences

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

## Ocean Freight Index

Baltic Supramax Index January 2013 – mid January 2014



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

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